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Business Groups in Germany

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Why are there so few business groups in Germany?

Since there is so little research on German business groups we cannot provide comprehensive quantitative evidence. We neither know the number of business groups as percentage of enterprise at any given time neither their quantitative contribution to economic growth. Takeshi Hikinoǿs statement: ñacademic research on business groups still remain within the boundaries of emerging marketsò is entirely true for Germany. There is extremely little literature on business groups by both economic historians and economists.[1] Business groups are not unknown but this form of enterprise has not attracted substantial attention,

[1] In business history we found only one contribution targeting the issue: Feldenkirchen, Wilfried, Business groups in the German electrical industry, in: Shiba, Takao and Shimotani, Masahiro (eds.), Beyond the firm. Business groups in international and historical perspective (Fuji conference series II), Oxford: OUP, 1997, pp. 135-166.

meaning research has treated this form as insignificant. In most cases known German business groups of the type I A (see & introduction by Colpan and Hikino) were family-owned. Since a few years there is quite some research on family enterprises,[2] however, only a few family firms represent *large* business groups and, viewed from the other side, there are quite some business groups which were *not* family-owned. Thus, large family-enterprise is not the gate leading to business groups in Germany. Around the year 1970 the issue was raised once under the question of economic concentration but not under that of management. In German we find more literature on questions of law concerning business groups than on economic issues. Indeed, law might be one reason why there are not so many business groups of type I A in that country. In contrast to US or UK law, German jurisdiction owns a special ñgroup lawò.[3] This law treats business groups as a ñde facto concernò. If there is any kind of domination (majority of shares, of voting rights, on basis of a contract, and so on), the dominated company (daughter) needs to be consolidated in the dominating (mother) companyôs balance sheet. There are little incentives in forming ñpyramidsò, ñcascadesò or ñChinese boxesò. In case the information provided by Cahn and Donald is right and all juridical advantage of non-relatedness really are nil and void, the advantages of organizing *related* enterprise come to the fore. Another legal aspects needs to be mentioned: By law stock companies have to provide defined information on their structure, earnings and so on, but other forms of enterprise ned not. Bosch, one of the largest enterprises in Germany has chosen the form of a limited company (GmbH) which can, but need not, to reveal as much financial data as stock companies. Especially large firms related to families or foundations (such as Bosch) sometimes prefer to not spread information. Consequently the normal cascade would run against their intentions. Thus, the business group as a legal form leads to little advantages in Germany. This fact is also reflected in the lack of literature.[4] However, this law of the Federal Republic, which was founded in 1949, does not explain the lack of business groups in German history.

Studies on American enterprise have shown substantial discounts of shareholder value on diversified enterprise.[5] Up to the 1980s this issue was not discussed in Germany. But with a new wave of Americanization, which changed especially financial matters in German enterprise,[6] also the issue of business groups was raised, but in a negative way: to what extent lowered the fact of diversification the value of an enterprise at the stock exchange? The question was first raised in economic media, of which we point out to a few: *Focus* titled in

[2] Lubinski, Christina, Fear, Jeffrey, Fernadez Perez, Paloma, Family multinationals. Entrepreneurship, governance, and pathways to internationalization, Routledge: New York and London, 2013.
[3] Cahn, Andrea and Donald, David C., Comparative company law. Text and cases on the law governing corporations in Germany, the UK and the USA, Cambridge: CUP, 2010, pp. 681ff.
[4] The catalogue which comprehends all printed material on economic matters written in German language gives two hits for ñPyramidenò, five for ñSchachtelò (box) and zero for ñKaskadenò (www.gbv.de). The issue also has been briefly addressed in: Schröter, Harm G., Germania, in: Nardozzi, Giangiacomo, Lo Stato da gesture di grandi imprese a referente nel loro Governo. Privatizzazioni e competitive delle imprese, Fondazione Ansaldo Editore, 2011, pp. 101-118.
[5] For instance Berger, P.G and Ofek E. (1995), Diversificantionôs effect on firm value, in: Journal of Financial Economics, Vol. 37, No. 1, 39-65; Campa, J. M. and Kedia, S., Explaining the diversification discount, in: The Journal of Finance, Vol. 57, No. 4, 1731-1762; Graham J. R. and Lemmon, M. L. and Wolf, J. G: (2002), Does corporate diversification destroy value? In: The Journal of Finance, Vol. 57, No. 2, 695-720 (and many more).
[6] Schröter, Harm G., Americanization of the European Economy. A compact survey of American economic influence in Europe since the 1880s, Springer, Dordrecht, 2005, esp. chapter six, 163-193.

1999 ñThe end of conglomeratesò, the *manager magazine* was also more negative than neutral in 2002. But two years later *Handelsblatt* published a headline ñConglomerates offer chanceò, while in 2007 *Frankfurter Allgemeine Zeitung / Wirtschaft* wrote of ñPhoenix from the ashes: the return of conglomeratesò.[7] It seems that, while economic journalists differed in their evaluation, better times had come for business groups after the millennium. Still, there were no incentives from economic media to head in the direction of business groups. ï How did economists dealt with this question? In 1968 Dietrich Weder thought business groups would emerge through diversification of large enterprise.[8] In his comparison of 300 large enterprises he found that in 1954 only 17.1 per cent of firms were engaged outside their original branch of industry while the figure for 1960 was 23.3 per cent. Consequently he suggested that growth of large firms would create diversification, or with Chandlerôs words expansion in scope. However, Wederôs observations were made during the period before German enterprises started their comprehensive divisionalization during the 1960s and 1970s. This process often entailed also spin-offs. Still investment into scope related business went on.

Unfortunately we have only few figures. Nicolai and Thomas made 360 observations on de-diversification of German enterprise.[9] But it is not clear if this includes only large firms or only stock companies. Worse: we have no figures at all on a possible counter-movement: on diversification during these years. Since the contribution was on the reasons for de-diversification, we cannot complain about that; however we can do so about the fact that of their 360 cases only 203 entered their table:

Number of steps of de-diversification 1988 - 2002 of German companies

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number	3	3	7	3	7	7	11	12	20	11	20	20	38	25	16

Source: Nicolai & Thomas 2006, p. 69

Later the discourse in Germany focused on the question whether diversification led to a discount in stock exchange value of the firm or not. Since 2000 several books and contributions were published on this issue. But in contrast to the United States the result was not straight forward. Some researchers found evidence, others came up with counter-evidence.[10] Finally Glaser and Müller found evidence for the discount-thesis in Germany at

[7] Focus Magazin, No. 51, 1999, online accessed 28.04.2013; Manager magazine 15. März 2002, online accessed 28.04.2013; Handelsblatt16.04.2014 online accessed 28.04.2013; Frankfurter Allgemeine Wirtschaft 20.12.2007 online accessed 28.04.2013

[8] Weder, Dietrich, Die 200 größten deutschen Aktiengesellschaften. Beziehungen zwischen Größe, Lebensdauer und Wettbewerbschancen von Unternehmen, Frankfurt 1968, p. 176ff.

[9] Nicolai, Alexander T and Thomas, Rhomas W., De-diversification activities of german corporations from 1988 to 2002: Perspectives from agency and management fashion theory, in: Schmalenbach business review, Vol 58, 2006, pp. 56-78.

[10].Beckmann, P. (2006) Der Diversifikation Dicount am deutschen Kapitalmarkt, Wiesbaden; Schwetzler, B. and Reimund C. (2003), Conglomerate discount and cash distortion: new evidence from Germany,

first glance: yes, there is a discount.[11] But they dug deeper and presented that this discount was due not to the form as business groups, but was in fact related to those enterprises within business groups which carried a large burden of debt. With other words, there is a debt-related discount but not a general discount on the value of business groups in Germany. No general discount but also no general bonus for being less exposed to swings in the economy ï there were no financial incentives for to form business groups. ï But what about risk diversification?

One basic idea for organizing a business group is risk diversification. That idea was not absent in Germany. Already in medieval time ship-owners of the Hanseatic League formed groups. For instance, instead of ten persons owning each one ship they formed a group in which each owned one tenth of each ship. A shipwreck (which occurred often at that time) would not totally ruin the owner. Consequently the idea was at hand. What was absent was the same kind of stimulus found in emerging markets. Germany was since the Middle Ages a relatively well developed country, nearly everything could be bought on the market. There was consequently little incentive to engage in products or services unrelated to oneĉs own. The car industry may be used as an example: During its formative years the German car industry was related to machine building, a lot of machine builders constructed their own cars, especially during the Interwar Period. In most cases they concentrated on what they considered the core, the engine. Everything else could be bought from other German companies: tires (e.g. from Continental), electric equipment (e.g. from Bosch), and so on. When for instance employment is counted these suppliers outnumber the car-producers to a large extent even today. Consequently, when it is not necessary to invest in sidelines and necessary supply investment can concentrate on the core of the business, or, with other words: why organize a business group?

Because there was neither an economic necessity nor legal advantages to construct business groups one can presume that these groups, which indeed were created, have been designed in this special way by purpose. Thus we look mainly for business groups based on strategic choice. Here, one can speculate that the underlying idea was risk diversification. But since there is not quantifying research on the question, our suggestion represents nothing more than a thesis.

Are there really only a few business groups in Germany?

One of the issues of our project is to evaluate the contribution of business groups to economic development. For that we need robust quantitative information ï which is not at hand. In Germany the largest contribution always came from small and medium sized

Handelshochschule Leipzig Arbeitspapier 60, Mach 31, 2003; Szeless, G. (2001), Diversifikation und Unternehmenserfolg, Universität St. Gallen, Diss; Weiner, C. The conglomerate discount in Germany and the relationship to corporate governance, Humboldt-Universität, Sonderforschungsbereich 649, Discussion paper 2005 ï 063, December 12, 2005.

[11] Glaser, Marcus and Müller, Sebastian, Der Diversification Discount in Deutschland: Existiert ein Bewertungsabschlag für diversifizierte Unternehmen? Universität Mannheim, Sonderforschungsbereich 504, Research paper Nr. 06-13, November 2006.

enterprise, which stood for the bulk of employment, innovations, capital, exports and so on. However, also large enterprise plaid an important role, on which some information can be obtained. The most important compilations of historical data is provided by Jürgen Kocka and Hannes Siegrist, Dietrich Weder, Martin Fiedler, Alfred Chandler, and a forthcoming data base to which we have access.[12] Kocka and Siegrist look only for industrial firms, excluding other important sectors such as finances, real estate, services and so on, which reduces the usefulness of their compilation for our questions. Also all the other ones have their advantages and disadvantages, and only two cover the last decades of the 20th century. Usually we find four to five bench-mark years when the whole of the 20th century is covered. Also economists and historians have provided overviews while stock exchange yearbooks and other compilations represent additional sources of information.[13] Based on this combined information we estimate a third of German big business was organized as business groups during the 1950s, while today only a few cases would *not* count into that group ï provided we apply a wide definition, as it is given by Asli Colpan and Takshi Hikino: ñBusiness groups in their broadest sense characterize an economic coordination mechanism in which legally independent companies utilize the collaborative arrangements to enhance their collective economic welfare.ò[14]

What this ñbroadest senseò entails in the case of Germany will be explained by a few examples: Thyssen used to be a vertical integrated enterprise in heavy industry with a focus on coal, iron and steel. But it was also engaged in machine building, river transport and even in the distribution of gas. The last issue is revealing: Thyssenôs blast furnaces produced so much gas that it was piped into surrounding households, creating an additional income for the company. Thyssengas represents the nucleus of todayôs Ruhrgas, Germanyôs largest enterprise in this sector. For Thyssen all these activities were part and parcel of the idea of a vertical integrated enterprise. Wilfried Feldenkrichen presented Siemens as a business group.[15] The companyôs core business always was on electrical and electronic goods. During the 1990s its divisions were: energy, industry, communication, information systems, traffic,

[12] Kocka, Jürgen and Siegrist, Hannes, Die hundert größten deutschen Industrieunternehmen im späten 19. und frühen 20. Jahrhundert, in: Horn, Norbert and Kocka, Jürgen (eds.): Recht und Entwicklung der Großunternehmen im 19. und frühen 20. Jahrhundert, Göttingen, 1979, pp. 55-122; Siegrist, Hannes, 'Deutsche Großunternehmen vom späten 19. Jahrhundert bis zur Weimarer Republik. Integration, Diversifikation und Organisation bei den 100 größten deutschen Industrieunternehmen (1887-1927) in international vergleichender Perspektive', Geschichte und Gesellschaft 6 (1980), 60-102; Horn, Norbert, Aktienrechtliche Unternehmensorganisation in der Hochindustrialisierung, 1860-1920: Deutschland, England, Frankreich und die USA im Vergleich, in: ibid, pp. 123-189, Chandler Scale and Scope, Appendix C; Weder; Fiedler, Martin, Die 100 größten Unternehmen in Deutschland ï nach der Zahl ihrer Beschäftigten ï 1907, 1938, 1973 und 1995, in: Zeitschrift für Unternehmensgeschichte, 1999, H. 1, pp. 32-66; Common data base, in: Cassis, Youssef and Colli, Andrea and Schröter, Harm G., The performance of European enterprise during the 20th century, Oxford University Press, 2015, forthcoming.

[13] Commerzbank (ed.), Wer gehört zu wem? Frankfurt/M; Hamburg, several years (1954 ï 2000); Liedke, Rüdiger, Wem gehört die Republik? Die Konzerne und ihre Verflechtungen. Namen, Zahlen, Fakten, Büchergilde Gutenberg, Frankfurt / M, several years (1993-2006); Prizkoleit, Kurt, Männer, Mächte, Monopole, Büchergilde Gutenberg, Frankfurt / M several years (1953 ï 1963), Salings Börsenjahrbuch, (several years) 1882-1932; Handbuch der Aktiengesellschaften ("Hoppenstedt"), several years, 1950-2012; Handbuch der Großunternehmen, several years.

[14] Colpan, Asli M. and Hikino, Takashi, Foundation of business groups: towards an integrated framework, in: Colpan, Asli M. and Hikino, Takashi and Lincoln, James R. (eds.), The Oxford handbook of business groups, Oxford: OUP, 2012, pp. 15-66, p. 17.

[15] Feldenkirchen, Business groups.

medical technique, components, light, and financial services. Except the latter all divisions were busy with producing machinery, not services. All divisions were statistically labeled under 305 (electrics & electronics) except financial services (No. 910) and (electrical) rail vehicles (No 802). Since all activities were related to the core business I would call Siemens diversified but not a conglomerate. One could go on: The post office included both, mail and telephone business, it furthermore owned a large institute for basis electrotechnic research. The shipping lines of Hapag and Nordeutscher Lloyd owned habour facilities in various ports in and outside Germany. IG Farben had invested into coal mines in order to reduce energy costs, and so on. With other words, if the definition of the ñbroadest senseò is applied, virtually all large German enterprises since at least the 1960s could be labeled as ñbusiness groupsò. Consequently in the German case this kind of definition would ridicule the concept and blur all possible insights. Therefore we suggest excluding altogether even highly vertical integrated enterprise form the list of business groups. We will apply the definition provided by Nathaniel Leff: ñthe group is a multicompany firm which transacts in different markets but which does so under common entrepreneurial and financial control.ò[16] Enterprises with a definite related production portfolio, such as Volkswagen, will also be excluded, in spite of the fact that they own a bank. This decision leaves during the 20th century between 10 and 15 per cent of the 100 largest German enterprises within the circle of business groups ï *plus* nearly all large banks. This picture is in contrast to the development after the millennium: Since then the percentage of business groups declined, while the banks sold out and could no longer be labeled as business groups at all.

Based on the definition of *non-related* economic activities, we looked into the sample of the 100 largest German enterprises (by turnover) ï and found an astonishing amount of business groups (see table 1)

[16] Quoted after Colpan and Hikino, Foundations, p. 20.

Table 1

Business groups in Germany, as part of the largest 100 enterprise (measured by turnover)

Name	Industry key number Substantial activities in 1992	Substantial activities in 2005
BASF	100, 101, 200, 400, 600, 702	100, 101, 200, 400, 600, 702
Bayerische Hypo- & W.-bank		./.
Bayerische Vereinsbank		./.
Benteler	400, 401	400, 401
Commerzbank		./.
Deutsche Bank	304	./.
DG/DZ Bank		./.
Dresdner Bank		merged into Commerzbank
e.on (1992: Veba, VIAG)		(only: 200)
Freudenberg	400, 406	400, 406
Heraeus	301, 302, 305, 306, 403, 600	(not in largest 100)
Haniel	102, 701, 802	102, 701, 802
Krupp	300, 302, 304, 305, 307, 400, 403, 510, 600	see: Thyssenkrupp
Linde	302, 400, 800	302, 400, 800
MAN	302, 303, 304, 305	302, 303, 304, 305
Mannesmann	300, 301, 302, 305, 306, 600	300, 301, 302, 305, 306, 600
Metallgesellschaft / GEA	100, 301, 302, 400, 600	(only: 301)
Oetker	408, 410, 701	408, 410, 710
Philip Holzmann	102, 200, 500, 900	102, 200, 500, 900
Preussag /TUI	100, 300, 302, 500, 600, 700	(only: 700)
Rethmann	(not in largest 100)	200, 700
RWE	101,200, 305,	(only: 200)
Ruhrkohle / RAG	100, 102, 400, 600	100, 102, 400, 600
Schörghuber	(not in largest 100)	408, 500, 900
Tchibo	400, 401, 410, 411	400, 401, 410, 411
Thyssen / Thyssenkrupp	100, 102, 300, 302, 303, 304, 307 400, 500, 600, 700, 701, 702	300, 302, 303, 305, 307, 400, 510, 600
Veba	100, 400, 600, 601, 700	See: e.on
VIAG	102, 300, 301, 302, 400, 600, 601, 702	See: e.on
West LB		./.

Sum	**26**	**14**

Source: Liedke, 1993, 2006 (industrial key as given by Liedke)

For the 1990s a quarter of the 100 largest firms to be organized as business groups is quite a substantial amount. However, the table shows a clear trend of leaving this form of organization. Furthermore only a few years later the number became even smaller as more enterprises tried to focus on their main business line: Linde, MAN, and Mannesmann stayed in the group of 100 largest firms but could no longer be labeled as business groups. There is up to now no evaluation on the reasons of this trend. But when the grounds given be the respective enterprises are taken together it is always one direction: the wish to play in the first league at world level, even if this means to reduce diversification. A good example would provide Linde. Lindeôs main products were 1) technical gases, 2) machinery for this and related purpose and 3) fork lifts. In order to become one the worldôs top technical gas company the fork-lift division was sold and Linde became one-product line enterprise. Even more striking is something such as the defection of the banks. No bank qualified for business groups in 2005 (see below).

One sector, with a couple of large enterprise, was not mentioned up to now: co-operative business. These enterprises used to be rather small and local but they were unified by a strong common ideology: In contrast to capitalist enterprise they claimed not exploit other human beings. The German co-op movement experienced its peak after the Second World War especially in food-retail, supplying about five per cent of that market. In contrast to the Nordic countries, in Germany were not major producing enterprises connected to the movement, only two sizable wholesale company called *BayWa* and *GEG*.[17] While GEG was liquidated by the Nazis, BayWa today counts into the group of largest German enterprises (turnover in 2012 ú mrd. 10.5). Like in Germany the coop-sector plaid an important role in many countries, and it seem that the convergence towards the chandlerian type of business (de-mutualization), which was substantial in the Anglo-Saxon world for two decades, has been stopped by the world economic crisis in 2008.[18] Co-ops still play a substantial role in housing and in banking. DG-Bank is one of the largest of its kind, but follows no principal different lines of policy than its competitors. There was never a directing core in that movement; therefore a few of German coops could be labeled as category II A type, *alliances of product-diversified companies.*

[17] GEG meant G*roßeinkaufs-Gesellschaft Deutscher Consumvereine (*GEG Generalsekretariat (ed.), 75 Jahre GEG. Vertrauen durch Leistung. Moderne Wirtschaftspolitik für den Verbraucher auf dem Weg zur Stadt von morgen, Hamburg 1969.

[18] Battilani, Patrizia and Schröter, Harm (ed.), The cooperative business movement, 1950 to the present, Cambridge University Press, Cambridge, 2012.

A special case in Germany: bank-centered business groups

<This part needs to be written after additional research>

Examples of German business groups

Alfred Chandler interpreted diversification as represented by business groups rather as an obligation than an advantage. Concerning German enterprise he wrote: ñIndividuals and families controlling Konzerne ï such as the Krupps, Klöckner, Haniels, and Flicks ï managed a larger number of companies with a greater variety of activities than did leading American industrial families such as the du Ponts or Mellons.ò[19] Chandlerôs observation is entirely true, even today quite a number of the largest 100 enterprises are still family owned. While the descendants of the Krupps, Siemens and Klöckners have no influence anymore, those of the Haniel and Flick families still have. A few, such as Werhahn are like the Haniels, very old families, still dominating their enterprise(s), but not included into the largest 100 ones. Others, such as the families Porsche, Quandt and former Flick constructed their family-wealth during the 20th century. They often keep decisive influence in some sizable firms, such as at BMW. A third group of families made their way to the top 100 after the Second World War, especially in trade, for instance Albrecht (Aldi) and Haub (Tengelmann) or in very traditional sectors such as machine-building (Scheffler/Continental). However only on a few cases these firms organized investments in nonrelated enterprise, which would qualify them for business groups.

In the following we will take up a few cases of traditional and recent business groups of the I A ï type. Since Haniel was mentioned, and because it is one of the oldest large business groups in Germany, we take it up as an example of type I A business groups.

The case of Haniel

Haniel was founded in 1756, the starting year of the Seven Years War, which was a stepping-stone for British World power. In contrast to all other wars (Napoleonic ones, 1870/71, First and Second World War) there were little effects on the new founded firm which, starting from offering a warehouse to traders, the family soon began trade in wine, iron, and coal. Around 1800 Haniel had further branched out into river transport and had minority participations with three ironworks. Already at that time a few principles were founded which carried through all times until today: diversification of economic activities and independence from banks. In 1808 Haniel with other partners founded ironworks. It was the nucleus of a large, if not dominant engagement which not only lasted for more than 150 years but represented a key element of the German industrialization, Jacobi, Haniel & Huyssen which later became Gutehoffnungshütte (GHH). GHH was expanding very fast but used all profit generated for re-investment. Luckly for the family Haniel had kept apart the trade-business, which secured

[19] Chandler, Alfred D. Jr. (1990). Scale and Scope, The dynamics of industrial capitalism, Cambridge: Cambridge University Press, p. 591.

the living of the family during many years. After several changes the family firm in 1917 was reshaped into Franz Haniel & Cie GmbH (FHC), its todayôs form and name. Though the enterprise kept its trading activities, its main focus was on GHH.

GHH was a growing producer of iron and steel, but at the same time represented a pioneer of machine-building. For instance the first German railway engine was constructed by (the later) GHH in 1839 and six years later the first German steam-tugboat. Before the First World War GHH was turned into a fully vertical integrated enterprise of heavy industry, owning ore- and coal mines, iron- and steel facilities, rolling mills and so on. It produced not only steel-sheets and rails but also bridges, docks, ships, and other large steel-constructions including heavy machinery. According to Harold James, it represented an extremely modern enterprise at that time, which was owned up to three quarters by FHC.[20] But the Familyôs traditional enterprise FHC had grown as well: at that time it was engaged in river and in overseas transport, trade in coal, collieries and last not least in GHH.

GHH had become the most vibrant part in FHC. With Paul Reusch it had an extremely agile, dominating and powerful CEO, who managed to keep good terms with his supervisory board of the Haniel family. Reusch acted as if he himself owned GHH, and this was tolerated. GHH not only invested massively into machine-building, acquiring among others MAN (Maschinenfabrik Augsburg ï Nürnberg, today a producer of heavy trucks), but also founded Ferrostaal, an enterprise for river transport and trade in steel. Ferrostaal was designed to act as the sales agency of GHH. Though GHH had with three representatives the majority in the supervisory board, and though with Karl Haniel one family member was one of them, Ferrostaal was allowed to start a sharp competition with Rhein-Reederei, the river transport enterprise of FHC. Since also this was tolerated we receive an impression of the reversed relation of power between investor FHC and investment GHH. When FHC was re-founded in 1917 GHH took a share in it of 42 per cent. It seemed that the daughter company was up to swallowing its mother firm. And indeed on pressure by Reusch of GHH FHC changed its statues in 1932, granting GHH co-determination on all major decision-making at FHC![21] The conflict emerged again in 1939 when coal was short. GHH wanted more coal from the coal-trader FHC. A leading GHH-manager wrote the strange remark: ñNeither at GHH nor at another concern would it be possible that a daughter-company would follow other lines than the mother-enterpriseé ò[22] Even in the highest ranks the perception of reality stood on its head, since FHC was the original mother company owning 65 percent of GHHôs shares in 1939.

At the end of the 1930s the fate of FHC seemed doomed, but first Nazi- and later Allied intervention changed things during and after the Second World War. As one of the large German concerns, GHH was broken up by the Allies. In 1951 a part of the former GHH owned 42 per cent of FHC, while the Haniel-family (incl. FHC) owned 35 per cent of the GHH-shares. A strategic step for FHC was the contract signed by family members not to offer their share on the open market before they were offered to the family. A second was the

[20] James, Harold, Familienunternehmen in Europa. Haniel, Wendel und Falck, C. H. Beck, München 2005, p. 135, 261.
[21] James, p. 220.
[22] Ibid., p. 222.

creation of an Advisory Council of FHC with exclusively family members. After 1950 FHC was busy in collieries, energy-trade (going from coal to oil), in overseas shipping and in GHH, which still was seen as the main issue. Still the ideas of independence and trade were upheld. In 1965 FHC sold its engagement in energy-trade and bought a third of the German wholesaler Metro. Haniel Holding AG, Basel, Switzerland, became the center of FHCös international engagement in 1971. Switzerland was also seen as a safe-haven for the family which was deeply impressed and fearfull by the 1968-revolt and what followed. The management of GHH wanted to get rid of the Haniels and the family could not keep path with GHHös capital expansion; in 1982 they owned no more than 9.6 per cent of the shares.[23] GHH counted no longer into the Haniel-orbit.[24]

With the beginnings of the 1970s clearly things started to change profoundly with FHC. Stepwise FHC changed its character from a German entrepreneurial enterprise to an international investment management firm. During the following years FHC owned and sold investments among others in international shipping, construction, land transport, food wholesale, and mail order for office and storage activities. The speed was breath-taking: in 2002 less than 5 per cent of turnover was generated by enterprises FHC owned already since 20 years. In 2014 Haniel was engaged in hygienic service of public washrooms (CWS-Boco), mail order for restaurants (TAKKT), wholesale (Metro) and recycling (ELG). It just had sold its wholesale business in pharmaceuticals (Celesio) in January 2014. All engagements were international; Haniel employed 58,000 personnel in 30 countries in January 2014. For more than 250 years the firm stayed with its form as a business groups, though not unchallenged. It had its largest economic impact through GHH, which represented one of the largest and most pioneering German enterprises, though not the most profitable one,[25] between 1870 and 1930. Reflected or not, Haniel was invested most of the time in the growth-sectors. That was before the industrial revolution, trade and transport and up to the First World War heavy industry. The interwar period was a time of stress. Re-orientation started in the 1960s, just before the importance of the industrial sector declined. Since then Haniel concentrated on specialized services. While up to the 1970s the business group of Haniel employed manly Germans, the majority of employees are since the 1990 situated outside that country with a substantial amount outside of Europe. In 2014 FHC can call itself a globalized company.

Of course, it can be questioned to what extent the case of Haniel is representative. However, especial the easiness with which Haniel sold, bought and diversified the company during the last one or two decades can be found elsewhere too.

[23] Ibid. P. 275
[24] During the two oil price-shocks GHH ran into deep trouble. In 1983 happened what GHH had intended with FHC: the daughter-company MAN swallowed GHH. Over time MAN sold out the old many GHH-activities. But up to today it represents not only a producer of heavy trucks but also heavy Diesel- and turbo-engines. Today MAN is a subsidiary of Volkswagen.
[25] See in more detail: Schröter, Harm G., The ñChandlerian enterprisesò, in: Cassis, Colli, and Schröter.

<More examples can be chosen from the following list>

Other IA ï secure cases

BASF

Benckiser (bis zur Fusion mit Reckit 1999, heute UK)

Benteler

Degussa

Freudenberg

Linde

Mannesmann

Oberkoks

Preussag

Röchling

Schörghuber

Veba

Viag

ThyssenKrupp

Family firms as business groups:

Quandt

Werhahn

Flick

Maxinvest (Tchibo, BDF)

. Other IA ï debatable cases

Business groups created by chance or by strategic choice

Daimler unter E. Reuter

Flick , Feldmühle

Rethmann

Helm

BayWa

(Voith)

Stadtwerke Köln

Wacker