

Building Family Businesses that Thrive for Centuries

by

Morten Bennedsen and Brian Henry

Family businesses have thrived for centuries, but in so doing have one surprising feature: They did not begin life according to the rules found in modern textbooks on entrepreneurship. Below are a few examples of family firms that can trace their origins to one-of-a-kind ideas:

Take the case of Japan's Hoshi Ryokan, a 1,300-year-old hot-spring hotel. The business was started by Buddhist monk and teacher Taicho Daishi who had a dream in which he was instructed by the deity who guarded Mount Hakusan to find an underground hot spring with curative power in the village of Awazu.¹ In AD 717, Taicho and his disciple, Garyo Hoshi, went to the village and, with the help of the villagers, managed to locate the spring. Taicho ordered his disciple to build a spa on the site and to manage it. Having been named after its first owner-manager Garyo Hoshi, the family inn has thrived as a hotel or ryokan for 46 generations.

Consider the family-run drinks business of Friedr. Schwarze GmbH & Co. KG, an international firm with a portfolio of more than 60 different spirits and liquors. In the mid-1600s, a tax collector named Joan Schwarze, who lived in a tiny village of Westkirchen, which is not too far from Munster, started a distillery producing cereal liquor for the local farmers. The sturdy villagers drank the heady spirit before heading off to work in the fields, believing in the local proverb that "Who has half a spoon of Korn every morning, will not get ill anymore!"

Study the history of the 400-year-old French jewelry company MELLERIO dits MELLER. The family still remembers the time when Marie-Antoinette started buying jewelry from Jean-Baptiste Mellerio in the late 1780s. One day she suddenly stopped her horse-drawn carriage and sent one of her entourage to look at the precious jewels that the Mellerio ancestor was selling at the gates of Versailles from a portable stand. So entranced was the queen by the shine in the pieces that she bought every last piece in the collection. After the beheading of the brave client, however, the Mellerio family fled France for Italy where they worked with a well-known Milanese jeweler. Sensing better times ahead, François Mellerio returned to France to sell his jewelry to Napoléon's court. Despite the comings and goings of the Mellerio family members and their customers over the centuries, the business continues to thrive in Paris today.

While all of the above firms started in ways that defy modern business thinking, all have thrived over the centuries because the families behind them have believed in the long-term planning process. One of the first steps in the long-term planning process is identifying the family assets, which revolve around three key areas:

¹ The Family Business Map: Assets and Roadblocks in long-term Planning, Morten Bennedsen and Joseph P.H. Fan, Palgrave Macmillan, 2014, p. 25

- **Networks** created by the family over time are key drivers to success—for example, the Schwarze family behind Friedr. Schwarze GmbH & Co., have developed strong relationships with distributors, bottlers and producers in the drinks industry to such an extent that its competitive advantage is based on its integrated brand approach.
- **Family name and history** are inherited but need to be reinforced. For example, Hoshi Ryokan is famous for the way it cherishes its customers, who are all treated to maccha green tea and Japanese sweets;
- **Values** of the founder that resonate with the firm's employees, customers and stakeholders. MELLERIO dits MELLER is known for its unique skills and expertise in the selection and enhancement of precious stones.

In addition to these fantastic family assets, the families must overcome governance issues such as adopting relevant succession models. For example, the succession model adopted by the Hoshi family has been adopted by many Japanese family businesses over the centuries: This requires the chosen successor to change the first and last name to those of the previous owner-manager. Having the same name continues to be an integral part of the Japanese family heritage.²

To learn the lessons learned by the Hoshi family and other centuries-old firms, the Wendel International Centre for Family Enterprise organized its annual **Family Business Day** at the Fontainebleau campus of INSEAD on Saturday 5 September 2015.³ Greeting the 60 invited guests was Morten Bennesen, The André and Rosalie Hoffmann Chaired Professor of Family Enterprise and Academic Director of the Wendel International Centre for Family Enterprise, INSEAD.

In addition to Morten Bennesen, the guests were welcomed by Willem Van Eeghen and Gérard Lipovitch, respectively the President of the Henokiens Association and the General Secretary, both of whom gave excellent introductions to their association. Among the guests were members of three families, including Emilie Mellerio (MELLERIO dits MELLER), Pieremilio Garbellotto (Giobatta & Piero Garbellotto S.P.A.) and Friedrich Schwarze (Friedr. SCHWARZE GmbH & Co. KG).

To better understand the lessons families have learned over the centuries, the Henokiens commissioned a number of case studies, four of which were presented at the Family Business Day. In addition to the above family members, three co-authors of the cases were invited to present their findings for the first time ever. After listening to the co-authors present their cases, the assembled guests peppered the speakers with questions.⁴

In the absence of a family member, Morten Bennesen presented the first Henokien case of the day about the Hoshi Ryokan, which is the world's oldest lodging facility run by a single family.⁵ Unfortunately, no member of the Hoshi family could get away from Japan to visit Fontainebleau.

In speaking about the challenges facing the current and 46th proprietor of the hotel Zengoro Hoshi, Morten Bennesen said the death due to sickness of his eldest son made the heir to the Ho-shi business no longer apparent. He wondered whether the leadership would fall to his daughter before being replaced by a grandson when he comes to age. "If it is the grandson, he will have to change his

² The Family Business Map: Assets and Roadblocks in long-term Planning, Morten Bennesen and Joseph P.H. Fan, Palgrave Macmillan, 2014, p. 158-159.

³ Special mention goes to Nathalie GÉRARD, Administrative Assistant, Wendel International Centre for Family Enterprise, and Nathalie POYEN BOGACZ, Manager, Wendel International Centre for Family Enterprise, for doing a superb job in organizing the Family Business Day conference.

⁴ The four cases can be found on the Henokiens website at <http://www.henokiens.com/> Note: members-access only to access the cases.

⁵ HO-SHI, Tetsuya O'Hara, Les Henokiens Case Collection, 28 June 2015

name to Zengoro Hoshi, because all previous and future owners must bear the same first name,” Morten Bennesen said, explaining why this rule would make it impossible for a female in the family to run the hotel.

Turning from Japanese traditions to French history, Emilie Mellerio, the former president of Mellerio International, and Valérie Tandeau de Marsac, a family business advisor and professor of family law, enraptured the audience with a presentation of their co-authored case, an account of the 400-year-old jewelry firm in the heart of Paris, MELLERIO dits MELLER.⁶ Emilie Mellerio even told the story of how Marie-Antoinette came to buy her accessories from the family firm. “Marie-Antoinette stopped her horse-drawn carriage and sent one of her entourage to look at the precious jewels that my ancestor was selling at the gates to Versailles. She bought every last piece in the collection.” Emilie Mellerio also gave a fascinating account of how one of her ancestors Jean-François Mellerio won over Queen Isabella of Spain with his jewelry collection in 1860, thus becoming a supplier to the royal family.

Moving on to a German-based drinks business, the conference attendees heard Friedrich Schwarze and Andrea Calabrò, a professor of business administration and family entrepreneurship at Witten / Herdecke University, speak about the 351-year-old family firm Schwarze.⁷ The current and 12th-generation owner Friedrich Schwarze regaled the conference with stories of his entrepreneurial activities, particularly the success of a vodka brand that the family company acquired in 2009, *Three Sixty Vodka*, whose sales have increased from 200,000 bottles per year to almost three million bottles per year since the acquisition six years ago. While the old line company has aggressively expanded on the drinks front, Friedrich Schwarze explained how it acquired brands on the distribution side of the business, too. Leaving no stone unturned, the entrepreneur said his two children, a son and a daughter, wanted to join the business at some point in the future.

The fourth and final case about a 240-year-old Italian cask maker Garbellotto was presented by current 8th generation family member Pieremilio Garbellotto who oversees operations for the company and all its future subsidiaries. Pieremilio was accompanied by Salvatore Tomaselli, professor of economics and family business, Palermo University, who write the case. “The Garbellotto family has been carrying on business in the wood industry since 1775, when the founder, Giuseppe, opened the first artisan workshop for the manufacture and repair of barrels and vats in San Fior, a small town on the outskirts of Conegliano, province of Treviso (Veneto).”⁸

Pieremilio explained that some workers at the plant can trace their heritage back through several generations of coopers who have been employees. “The quality of production, the sense of belonging to the territory, and the continuity of a centuries-old tradition, all strong characteristics that have earned Garbellotto S.p.A. formal recognition of great importance.” In fact, a wooden barrel crafted by Garbellotto was awarded the Guinness Book of Records for being “the largest aging barrel in the world.” The *Magnifica* barrel has a capacity of 33,300 liters equivalent to 44,400 bottles of wine and is made up of planks over three-and-a-half meters long in wood from ancient forests.

In delivering the concluding remarks to the conference attendees, Morten Bennesen paid tribute to all the family members who had traveled great distances to the conference. “We salute the three family businesses that shared their experiences with us. They gave us new

⁶ MELLERIO dits MELLER, Les Henokiens Case Collection, Valérie Tandeau de Marsac, January 2015

⁷ The Friedr. Schwarze GmbH & Co. KG: A Hénokien through Family and Business Cycles, Andrea Calabrò, Ann Sophie Loehde & Tom Rüsen, Witten / Herdecke University, Les Henokiens Case Collection, INSEAD, January 2015

⁸ Garbellotto S.p.A., Les Henokiens Case Collection, Salvatore Tomaselli, professor of economics and family business, Palermo University, January 2015

insights about their family history, but their minds will always be focused on planning for the future,” Prof. Bennedsen said.

Quotes from Attendees



Shubbu Amin, INSEAD MBA Student

“The Family Business conference at INSEAD had a very relevant theme for today’s fast-paced world where the turnover of companies that are founded, bought, and sold seems to be getting faster. Analyzing case studies of family businesses which have been around for hundreds of years, Q&A sessions of current family members at the head of the companies, and hearing about the challenges and set-backs the businesses have survived was eye-opening. The conference was structured in a way which brought out the lessons and learnings from the cases very effectively.”



Ascanio de Vogue, Manager of the Château de Vaux le Vicomte

“Indeed I enjoyed the Family Business Day conference very much. It was very professionally organized and we felt very warmly welcome. The cases were very interesting and varied: companies from Europe to Japan, from 1,300 years old to 250 years young. The mix in the audience between students and professionals was also stimulating, allowing rich exchanges during the conference, during the breaks and at lunch.”



Prof. Dr. Andrea Calabrò, Witten Institute for Family Business, University of Witten / Herdecke, Germany

“It was the first time I attended the Family Business Day conference at INSEAD and I have to admit it was an extraordinary experience. I loved listening all the academics, practitioners, and MBA students discussing and reflecting on the secrets and magic formulae of long-lasting family firms. I learned far more than I expected about corporate governance, succession, and sustainable survival of family firms that are older than 200 years. I hope to return to this annual event organized by professionals in a friendly environment”.



Diane de Ferron, Founder, creativeGenerations

The Family Business Day Conference at INSEAD was interesting and stimulating, and gave me the occasion to discover the many amazing stories of families who own some of the oldest companies in the world. Through the four Henokien cases that were presented, I learned lessons from the longest surviving family businesses. Hoshi Ryokan (1,300 years old), MELLERIO dits MELLER (400 years old), Fiedr. Schwarze GmbH & Co.KG (350 years old) and Garbellotto S.p.A (250 years old), all shared common values such as, loyalty and ethics. They put the emphasis on quality, the focus on longevity rather than short-term interests, and the single-mindedness to keep the business in the family while implementing a governance system that could evolve over time. Those values are part of their family assets and are a key driver for the longevity of their firms.

Morten Bennedsen is the André and Rosalie Hoffmann Chaired Professor of Family Enterprise and Academic Director of the Wendel International Centre for Family Enterprise, INSEAD; Brian Henry, PhD, is a Research Fellow, INSEAD.

About the Wendel Centre:

The Wendel International Centre for Family Enterprise enables INSEAD to run events and educational programmes that benefit family firms across the globe. The Centre has also adopted a wider advocacy role by raising awareness and understanding of the importance of family enterprise as a business model: not only are family firms in their many forms the most prevalent type of companies worldwide - they are also proven to be among the most successful in the long-term.

The Wendel Centre conducts research, provides education and acts as an international platform for knowledge exchange, in order to support families in business in their endeavour to combine sustainable business growth and healthy family relationships.

About the Henokiens Association:

An association of family businesses and bicentenary companies, Henokiens seek to enlarge their family circle. Today, there are 44 members including 14 Italian, 12 French, 5 Japanese, 4 German, 3 Swiss, 2 Dutch, 2 Belgian, 1 English and 1 Austrian. Talented dynamic managers head these companies. In 1981, in a spirit of recognition and cooperation, they formed an exclusive and rigorous international organization called the Henokiens Association.

Membership to the Henokiens Association is based on company longevity (the minimum period of existence is 200 years) and permanence (the family must be owner or majority shareholder of the company and one member of the founding family must still manage the company or be a member of the board). Furthermore, the company must be in good financial health and up-to-date.

Created in 1981, the objective of the Association is the development of its membership throughout the world based on a common philosophy: the value of the concept of family businesses, a viable alternative to multinational corporations.

The Henokiens Association is not a brotherhood. Its members are involved in highly diversified sectors including aircraft, trade, services, publishing and heavy industry.

The Henokiens Association is not a business club. Members of the Association may even be competitors. Henokiens do not exchange services, only ideas.