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Works Councils in Family Businesses in Germany – why are there so few?

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Abstract

Works councils are an inherent part of the German economic and social system. An analysis of the prevalence of works councils in Germany reveals that they are not uniformly distributed across all types of businesses. Works councils occur less frequently in owner-managed businesses – regardless of their size – than in companies run by employed managers. The reasons for this low prevalence are still largely unknown as there has been practically no discussion of this phenomenon in the literature so far. This paper delivers first answers to this question by conducting an exploratory study. Based on a literature analysis and an empirical analysis of a secondary dataset, we found some explanations why works councils are so rarely established in family businesses. These explanations refer to special characteristics of the owner-manager (i. e. eagerness for independence) as well as to special characteristics of family businesses as a whole (i. e. performance and organizational changes).

JEL: G32, J53, L20, M54

Key words: works councils, family business, exploratory study

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Inhalt

1 Introduction

Family businesses account for more than 90 % of all businesses in Germany (Haunschild/Wolter, 2010; Schmidt et al., 2010) and similarly also in other European countries (Mandl, 2008) and the United States (Astrachan/Shanker, 2003). Due to the stronger emotional and economic ties of owner-managers to their company, family businesses have features which are different from non-family businesses.[1] However, research on family businesses and their peculiarities was "relatively limited prior to 1975" (Handler, 1989, p. 257) and started to grow rapidly since the end of the 1990's (e.g. Debicki et al., 2009; Gomez-Mejia et al. 2011). Nevertheless, by now, only few special characteristics of family businesses and the underlying motives/reasons are reliably known (e.g. Chrisman et al. 2005). For instance, one has often found peculiarities of family businesses with regard to their ethical behavior (e.g. Dyer/Wetten, 2006; Gomez-Mejia et al., 2012) and to their striving for nonfinancial goals (e.g. Zellweger et al., 2013). However, the underlying motives are unknown. As possible motives for these behaviors, concerns for image or reputation are being discussed (Dyer/Wetten 2006; Zellweger et al. 2013).[2] These concerns are supposed to lead to socially responsible actions in order not to be labeled as unsocial. According to Dyer/Whetten (2006, p. 797), actions "such as hazardous waste and air pollution, [...], workforce reduction, and [poor] union relations" are generally considered as being socially irresponsible.

In line with this, one might expect to find governance structures which emphasize formal participation and co-determination not only for family members, but also for employees more often in family businesses than in other companies. We examine this assumption by using the example of works councils in Germany, precisely because their establishment – regulated by law – is not obligatory (see 2.1). We expect works councils to be more frequently established in family businesses than in manager-led firms. Since works councils have participation rights in social matters, staff policy and financial matters, they are an element of "democratic participation" (Hauser-Ditz et al., 2006, p. 343) in German companies. However, the empirical literature shows that the prevalence

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1 Owner-managers do not only manage the family business but – depending on the legal form of their company – are also liable for losses with their private assets. Furthermore, owner-managers have either founded their business themselves or have taken it over from their parents or other family members. These features produce a strong relation between owner-manager and the business (e.g. Gersick et al., 1997). Considering this, major differences between family and non-family businesses can be expected (e.g. Sharma et al., 1997, p. 2; Hack, 2009, p. 10).

2 Other motives for these behaviors are "self-interest" and "moral capital" (Dyer/Whetten, 2006, p.786).

of works councils in owner-managed businesses is in general much lower than in nonfamily businesses (Stettes, 2008; Schlömer-Laufen, 2012; Schlömer-Laufen et al., 2012), which is quite contrary to our assumption. Considering this, the question arises, why works councils are so rarely established in German family businesses. So far, with one exception (see 2.3), this question remains unanswered.

Thus, the main aim of this paper is to elucidate the reasons for the less frequent prevalence of works councils in family businesses. Since research is missing in this field, we conducted an exploratory study – using two different approaches: On the one hand, we analyzed the empirical literature in order to detect special characteristics of family businesses that might influence the establishment of works councils. On the other hand, we conducted an empirical analysis of the reasons for the establishment of works councils in family businesses as well as in their nonfamily counterparts.

The paper is structured as follows: The second section delivers a definition of terms and provides an overview of the state of research in the field. Section three briefly explains the design of the exploratory study and presents the results of our literature analysis as well as of our empirical analysis. The final section is dedicated to a summary and critical discussion of the results.

2 Definition of Terms and State of Research

2.1 Employee Participation via Work Councils in Germany

According to the German Works Constitution Act [Betriebsverfassungsgesetz (BetrVG)], a works council can be established in companies with five or more permanent employees (§ 1 BetrVG). Thus, it is not possible to establish a works council in every business in Germany. In fact, the BetrVG requires a minimum company size of at least five permanent employees with voting rights, three of them being eligible for the works council (§ 1 BetrVG). In companies that meet these requirements, the first-time establishment of a works council starts with the election of an electoral board at a works meeting of the employees. Such a works meeting may be initiated by three employees of the firm with voting rights or by a trade union represented in the company (§ 17 BetrVG and § 14a and § 17a BetrVG).[3] Once established, the electoral board

3 According to the amendment to BetrVG 2001, under the language of § 17 para. 1 BetrVG, the central works council or, if none exists, the works council of the company group is responsible for appointing the electoral

shall call for the election of the works council's members without delay, carry it out and announce the results (§ 18 BetrVG). Then the four-year term of office of the works council begins (§ 21 BetrVG).

Since the establishment of a works council is not obligatory, only 9 % of the German businesses with five and more employees featured a works council in 2012 (Ellguth/Kohaut, 2013). This relatively small number of works councils is astonishing insofar as the establishment of a works council provides a workforce with comprehensive rights of participation and co-determination in matters of social, personnel and economic relevance (§ 87; §§ 92 and the following; §§ 106 and the following BetrVG). Thus, the workforce can clearly benefit from establishing a works council (Dilger, 2002).

A detailed analysis of the occurrence of works councils reveals that they are not uniformly distributed across all types of businesses (see Table 1). While the share of enterprises with a works council generally increases with company size, works councils occur less frequently in owner-managed businesses – regardless of their size – than in companies run by employed managers. Hence, the special analysis of the IAB Establishment Panel clearly demonstrates that not only company size but also the type of business management (owner vs. manager) constitutes an important explanatory factor for the occurrence of works councils.

board for the establishment of a works council in businesses without works council. Only in those cases when these two institutions are not in place, it is foreseen that three employees of the establishment with voting rights or a trade union represented at the establishment might send invitations for the works meeting which elects the electoral board. Since central works councils and works councils of company groups are usually not to be found in family businesses, these (potential) initiators of works councils will not be considered in our study.

Table 1: Existence of works councils in the private sector by firm size and management type (in %)

Number of employees	Management type			All firms
	Owner management (family firms)	External management (nonfamily firms)	Mixed management	
5-9	0	16	6	2
10-19	2	31	19	7
20-49	6	38	22	15
50-99	21	60	30	37
100-249	37	78	63	63
250-499	60	88	70	81
500 and more	52	95	87	90
Total	3	40	23	9

n=9,702; *weighted results*
Own calculations with the IAB Establishment Panel.
Note: The private sector excludes firms in agriculture and forestry, organizations without pecuniary reward and establishments which are not organized as sole proprietorships, partnerships, limited liability companies or corporations.

Source: Schlömer-Laufen (2012, p. 3).

2.2 (Family) Businesses in Germany

According to the business register [Unternehmensregister] kept by the Federal Statistical Office, 3.6 million businesses existed in Germany in 2011 (Statistisches Bundesamt, 16.4.2014). Thereof, 3.3 million (89.6 %) are micro, 292,000 (8.0 %) are small, 68,600 (1.9 %) are medium sized and 18,400 (0.5 %) are large enterprises (IfM Bonn, 16.4.2014).[4] Information on the number of family businesses in Germany is scarce because official statistics do not provide information on the ownership- and management structure of companies and thus cannot distinguish between family and nonfamily enterprises (Haunschild/Wolter, 2010, p. 1).

According to current estimations, it can be assumed that between 93 % (Schmidt et al. 2010, p. 64)[5] and 95 % (Haunschild/Wolter, 2010, p. 13)[6] of all

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4 The size range is based on the SME definition of the European Commission.

5 The ZEW distinguishes between three kinds of family businesses. Here, we refer to the so called core definition of family businesses of the ZEW. This comprises owner-managed family businesses (Schmidt et al., 2010, p. 78).

enterprises in Germany are organized as family businesses. Thus, with regard to their share in the entire businesses population, family businesses are indeed of high importance for the German economy.[7] However, the share of family businesses in total employment and in total turnover is considerably lower: According to the afore mentioned estimations, family businesses only account for between 41.1 % and 48 % of the total annual turnover of the German economy and between 61.2 % and 57 % of all jobs which are subject to social security contributions (Haunschild/Wolter, 2010, p. 26; Schmidt et al., 2010, p. 78). This implies that the much smaller group of nonfamily businesses (approximately 5 % or 7 % of all businesses in Germany) generates nearly the same turnover and employs almost as many persons who are subject to social security contributions as the large group of family businesses.

Moreover, both estimations show that the majority of family businesses in Germany can be classified as small enterprises (Schmidt et al., 2010, p. 68; Haunschild/Wolter, 2010, p. 14 f.). According to the latest estimation by IfM Bonn, 97.3 % of all small businesses with an annual turnover of less than 1 million € are family owned. The share of family businesses among medium-sized firms (with an annual turnover between 10 and below 50 million €) amounts to three fifths. Among large firms with an annual turnover of more than 50 million €, still one third is organized as a family business (Haunschild/Wolter, 2010, p. 14). Thus, family businesses can even be found in size ranges that require a relatively high capital stock and complex organizational structures.

Finally, both estimations confirm that family businesses are the dominant type of business in all sectors of the German economy. However, in some economic sectors the share of family businesses is below the national average. In these sectors, family businesses apparently face problems in getting access to the market or in reaching the minimum efficient company size. These sectors are energy and water supply, business-related services and the industrial sector (Haunschild/Wolter, 2010, p. 14; Schmidt et al., 2010, p. 65).

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6 The differences in the identified shares of family businesses are due to different methodologies and different definitions of family businesses (Haunschild/Wolter, 2010; Schmidt et al., 2010).

7 The study of Klein (2010, p. 37 ff.) has not been analyzed in this chapter as the author focuses her research only on businesses whose annual turnover exceeded one million € and not – as the other studies mentioned in the text – on the entire business population.

2.3 Review of the empirical literature

To date, the literature related to industrial relations in Germany has paid little attention to family businesses. In fact, since the 1980’s the literature on works councils has focused mainly on SMEs. Before, it had mostly turned its attention on large companies (e.g. Hoffmann/Neumann 1987, p. 1; Wassermann/Rhode 2004, p. 21). Although there is a high degree of overlapping between SMEs and family businesses (see chapter 2.2), the special characteristics of family businesses that result from the unity of management and ownership are not systematically investigated. Therefore, little is known about the distinctive features of co-determination in businesses owned and managed by private individuals or families.

The first hints with regard to special characteristics of family businesses were found by Kotthoff/Reindl (1990, p. 347 f.) in their 52 case studies among businesses with 20 to 300 employees located in six different regions in Germany. The authors show that in businesses managed by the founder, works councils are to be found less often. This result was confirmed by three studies nearly twenty years later. These studies analyzed the diffusion rate of works councils in German businesses with different management types (Stettes, 2008; Schlömer-Laufen, 2012; Schlömer-Laufen et al., 2012). They unanimously show that works councils are less often established in family businesses than in their manager-led counterparts. As all three studies are based on large weighted datasets, the results are robust and therefore reliable – although they have not been examined by multivariate statistics. Nevertheless, the afore mentioned results are supported by studies which have analyzed the likelihood of the existence of works councils (e.g. Hauser-Ditz et al., 2008; Bellmann/Ellguth, 2006; Addison et al., 2003). They also unanimously demonstrate that the existence of an owner-manager reduces the probability of a works council. In all models, the size of the businesses was controlled for. Thus, in contrast to our initial hypothesis, works councils are not established more frequently in family businesses than in manager-led firms in Germany. Hence, the question for the reasons of this low prevalence arises.

However, further in-depth analyses into the causes for the low diffusion rate of works councils are still missing. Only Kotthoff/Reindl (1990, p. 347) were able to examine the underlying reasons due to their specific study design (case study).[8] They showed that founder managers have a stronger connection to the business and its products than next generation family-managers. Something similar holds true for the employees in these businesses. They strongly identify with the life work of the founder. Under these circumstances, works councils are seldom established. The only reasons for their creation are (1) infringements of agreements between founder and employees, (2) the explicit wish of the founder to establish a works council, (3) fast company growth reduces the identification of the work force with the business or the founder’s life work, or (4) the founder’s withdrawal of the daily business operations and his/her concentration on the strategic management of the enterprise. Besides this special situation of founder-led companies, reasons for establishing works councils in family businesses which are not led by their founders are nearly unknown.

3 (Empirical) Analysis

In order to understand the low prevalence of works councils in the entire population of family businesses, we conducted an exploratory study. Using existing literature as well as existing data sets, we were looking for explanations for this phenomenon. Our applied methods as well as our results are described in detail in the following chapters.

3.1 Literature analysis

3.1.1 Selected topics

In order to deal with the multitude of studies on family businesses, our literature analysis was limited to topics related to companies' objectives and strategies as well as to innovation, performance and economic development. These topics were chosen since they determine the economic behavior of (external) managers as well as of owner-managers in general and the relationship with the companies' employees in particular. The latter aspect, in turn, influences the likelihood of establishing a works council. In a very simplified view, it can be stated that positive relations between the company's decision makers and

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8 The other authors could only give intuitive explanations: e.g. a strong eagerness for independence in owner-managed firms (Schlömer-Laufen/Kay, 2012) or more personalised relations between owner-managers and their employees (Schlömer-Laufen, 2012; Schlömer-Laufen et al., 2012; Schlömer-Laufen/Kay, 2012). While eagerness for independence promotes a critical attitude towards limitations of entrepreneurial freedom - especially in the case of business starters (which is anticipated by the work force) -, the more personalised relations provide more opportunities for face-to-face contacts as well as for direct interaction and participation. Both facts make the installation of works councils less urgent for the work force.

staff usually allow for (informal) participation and co-determination and seem to make the installation of (formal) works councils obsolete.[9] The opposite is true for negative, distrustful relations.

An analysis of studies focusing on family businesses' and nonfamily businesses' objectives and strategies seems promising, as infringement of agreements (e.g. Schlömer-Laufen/Kay, 2012; Kotthoff/Reindl, 1990) as well as conflicts regarding working conditions or management style (Rudolph/Wassermann, 2006; Schlömer et al., 2007) are important reasons for the creation of works councils. In most cases, these incidents result from the objectives and strategies pursued by the (owner-)managers. For example, it can be assumed that managers whose main aim is to maximize profits will apply other management styles and establish different types of relations with their employees than managers whose main aim is the independence of their company.

H1: Companies' objectives and strategies will influence the relationship between management and employees and in turn the likelihood of the creation of works councils.

Studies regarding innovation activities in (family) businesses might have explanatory power as well. It can be assumed that being an innovative business has different impacts on the relationship between management and employees compared to noninnovative businesses, as innovations strongly rely on employees' know-how, motivation and identification with the company. Thus, the management will tend to show more appreciation for their employees and will implement a different corporate culture compared to the management in a non-innovative business.

H2: Companies' inclination for innovation will influence the relationship between management and employees and in turn the likelihood of the creation of works councils.

Finally, as the economic health of companies is another factor that influences the establishment of works councils, an analysis of studies dealing with family businesses' performance and economic development can also provide explanations for the low prevalence of works councils in family businesses. According to Rudolph/Wassermann (2006, p. 94 f.) and Schlömer et al. (2007,

9 The reasons for the establishment of works councils are multidimensional and only little is known about the interaction of these factors.

p. 54 f.), economic company crises as well as conflicts resulting from company growth (i.e. a large number of new employees) are both circumstances which promote the establishment of works councils. As company crises are more probable in businesses with poor performance or poor economic development,[10] a higher rate of established works councils can be expected in these businesses. Something similar holds true for a positive company performance or positive economic development – especially when company growth is accompanied by a strong increase in employment which often results in a changed way of cooperation between management and employees.

H3: Companies' performance and economic development will influence the likelihood of the creation of works councils.

3.1.2 Selection criteria

Since specific characteristics of family businesses can only be detected in comparison to nonfamily businesses, our analysis exclusively dealt with papers which had used a control group. Of particular importance for our analysis were studies which applied multivariate statistics in order to detect differences between family and nonfamily businesses. Only this type of analysis can ensure that other factors do not influence the results (Westhead/Cowling, 1998). As family businesses are usually smaller than nonfamily businesses, analyses which do not control for the business size are not sufficiently reliable. Furthermore, we had a preference for studies which had used the same definition of family businesses. Finally, we limited our analysis to those papers which deal with German businesses, as general conditions (such as succession duties, enterprise culture, legal framework etc.) differ from country to country. In order to identify relevant studies, we conducted a computer-based key word search - covering the last ten years - in the two databases EBSCO and EconStor.

As we did not find many studies which met the requirements mentioned above, we had to broaden our selection criteria. As a consequence, we analyzed all relevant studies we found – irrespective of the type of statistical analysis they applied (multivariate or bivariate) or if they used a control group or not. Furthermore, we no longer required studies to apply the same definition of family businesses. Instead, we included studies using similar definitions. In our litera-

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[10] It can be assumed that two facts promote the establishment of a works council in companies characterized by poor economic health: (1) works councils' co-determination rights with regard to social plans and (2) change of employees' perception of job security.

ture analysis, we considered results as reliable if the majority of studies came to the same result.

3.1.3 Results

We identified six different studies which dealt with companies' objectives (see table 1 in the appendix). With regard to financial goals (e.g. profit objectives), it can be stated that family and nonfamily businesses do not differ strongly. The same holds true for objectives related to economic power and influence (e.g. market share objectives) (Wallau et al., 2006). Differences can only be found in companies' objectives related to common welfare (e.g. ecological objectives). These objectives are more important for family businesses than for their nonfamily counterparts. However, as these results are only gained by bivariate analysis based on a single survey among businesses in the industrial sector, these results cannot be generalized.

By contrast, we found generalizable results regarding specific objectives of family businesses – so called family objectives. We detected five studies examing the objectives of German family businesses (Schäfer, 2007; Achleitner et al., 2010a; Kolbeck/Bauer, 2011; Lamsfuß/Wallau, 2012; Rasser et al., 2014).[11] With the exception of Schäfer (2007), all studies confirm that family businesses do have specific objectives in terms of preventing a loss of control or of independence. These objectives are more important for family businesses than for their nonfamily counterparts (Rasser et al., 2014). Interestingly, family businesses ascribe higher importance to these objectives than to their (economic) company objectives such as increase in firm value (Achleitner et al., 2010a; Rasser et al., 2014). Finally, these family objectives attain higher importance when the influence of the family in the business increases (Achleitner et al., 2010a).

We could find only five studies which focused on company strategies (see table 2 in the appendix). Almost all recognized differences between family and nonfamily businesses. However, there is evidence to suggest that the differences found between family and nonfamily businesses in terms of competition strategies (Kinkel/Lay, 2012; Wallau et al., 2006) and human capital strategies (Kinkel/Lay 2012; Adenäuer et al., 2007; Wallau et al., 2006) are rather caused

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11 Three studies focusing on objectives of family businesses in different countries (including Germany) have not been analyzed in our literature analysis (Zellweger, 2006; Müller, 2012; Sieger/Zellweger, 2012), as the results are not displayed separately for German family businesses.

by differences in the size of these two types of enterprises than by differences in their management type. By contrast, differences between family and non-family businesses seem to exist with regard to outsourcing and procurement strategies (Kinkel/Lay, 2012). However, multivariate statistics as well as supporting studies are still missing, thus impeding generalizable results.

Generalizable differences between the strategies of family and nonfamily businesses can only be found in the field of finance. Due to their striving for independence, family businesses do prefer (internal) equity financing – this result is confirmed by all studies found in this field. For instance, Wallau et al. (2007) show – based on bivariate statistics – that family managed businesses in the industrial sector do have higher average equity ratios than their manager-led equivalents. Additional supporting evidence is provided by Ampenberger's (2010) multivariate analysis. The author examined the debt ratio of listed family and nonfamily businesses and found that listed family business do have a lower average debt ratio than listed nonfamily businesses.

In the field of innovation, there are no clear results whether family businesses are more innovative than nonfamily businesses (see table 3 in the appendix).[12] The majority of identified studies indicate that family businesses are not less innovative than nonfamily businesses. By contrast, according to some studies, family businesses are even more innovative. But this result depends on the kind of innovation regarded and the definition used for family firms. Concerning patent applications, family businesses seem to be more active than nonfamily businesses (Block/Spiegel, 2011; Hülsbeck et al., 2011).[13] Moreover, family firms with an owner-manager have higher R&D activities than nonfamily businesses (Schmid et al., 2014). The same is true for investments in innovation (Classen et al., 2014). However, *innovating family* SMEs invest less intensively in innovation compared to *innovating* nonfamily businesses (Classen et al., 2014).

Regarding the economic development of family businesses we also found mixed results (see table 4 in the appendix). The two study series we found, deal with the economic development in general and the stability in times of crises in particular. The studies are incomplete as they exclusively focus on large family

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12 One study focusing on R&D investments of family firms in Western Europe (including Germany) has not been analyzed in our literature analysis (Munari et al., 2010), as the results are not displayed separately for Germany.

13 However, this positive relation depends on the definition of family businesses (Hülsbeck et al., 2011).

businesses (e.g. Gottschalk et al., 2011; Lamsfuß/Wallau, 2011). Furthermore, the used control groups are not adequate and create contradicting results – although the results for large family businesses are similar in both studies. Finally, the studies did not apply multivariate statistics. Thus it is unclear, if family businesses survived the global financial and economic crisis better or worse than their nonfamily counterparts.

Clearer results were found in the field of company performance (see table 5 in the appendix). We identified eight different studies which all show that family businesses did perform better than nonfamily businesses (Hölzenbein/Schüssler, 2011; Achleitner et al., 2010b; Bergfeld et al., 2009; Leiber, 2008; Andres, 2008; Jaskiewicz, 2006; Ehrhardt et al., 2006, Weber, 2005).[14] Six of these are based on large datasets using multivariate methods. Nevertheless, the six studies are not easy to compare as they all used different samples. However, the uniformity of the results and the use of multivariate statistics point to the generalization of their findings. Moreover, the results are in line with the assumptions made by the principal-agent-theory. According to Jensen/Meckling (1976), employed managers (agents) may act – due to information asymmetries and the absence of close monitoring – in an opportunistic manner and pursue their own instead of the owners' (i.e. the principals') goals. Due to this separation of ownership and management, conflicts of interests arise which result in additional costs for the owners (so called agency costs).[15] Thus, in family businesses which are managed by their owner, this kind of costs does not exist (Jensen/Meckling 1976).[16] This feature can be an advantageous competitive factor for family businesses and can have positive effects on their performance (e.g. Leiber, 2008, p. 50; Witt, 2008, p. 4; Hack, 2009, p. 6).

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14 Two studies focusing on the performance of family businesses in different European countries (including Germany) have not been analyzed in our literature analysis (Barontini/Caprio, 2006; Maury, 2006), as differences in the ownership-structure in different countries can cause differences in company performance (Ehrhardt et al., 2006).

15 Agency costs result from actions of the company owners intended to align the interests of the company managers with their own interests (e.g. by setting performance-oriented financial incentives).

16 This is not only true for owner-managed one-person businesses but also for family businesses where all partners have both, the same ownership shares and equal rights in the management team (Welge/Witt, 2013, p. 189). However, agency costs can also exist in family businesses. This is the case, for instance, if not all owners of a family business are represented in the management team (e.g. Chrisman et al., 2007; Schulze et al., 2001).

3.2 Secondary analysis

3.2.1 Data Base

For the empirical testing of our hypotheses we used secondary data from a survey conducted by IfM Bonn in the years 2005 and 2006.[17] The survey comprises a total of 809 questionnaires completed by executives in medium-sized companies with 20 to 499 employees (362 with a works council and 447 without) across all economic sectors (with the exception of firms operating in agriculture or forestry); for details see Schloemer et al., 2007. This data base was chosen because it is representative for both, family and nonfamily businesses and also includes information on the circumstances of the first-time establishment of a works council. Not all of the cases in the dataset were used for our analysis. We only selected those companies which have a works council – i.e. a total of 362 enterprises. In these businesses, the first-time establishment of a works council happened between 1952 and 2005.

3.2.2 Results

The results of our empirical analysis are presented in table 2 and 3. We focused our analysis on the circumstances of the creation of a works council in family and nonfamily businesses, thereby turning special attention to the group of initiators as well as to the causes for the first-time establishment of a works council.

As shown by table 2, the establishment of a works council mostly results from the initiative of employees (51.2 %), followed by trade unionists (31.5 %). In more than one sixth of the cases, the idea for establishing a works council was launched by the management itself. Even though differences between family and nonfamily businesses can be found, they are not statistically significant.

Table 2: Initiators of works councils' establishment by type of firm (in %)

Initiator	Family firm	Nonfamily firm	All firms
Employees	53.2	49.8	51.2
Unions	33.2	30.3	31.5
Management	13.6	19.8	17.3

n=182, multiple answers were possible; weighted results.

Source: Own calculations with IfM Bonn-Survey.

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17 The survey was funded by the Hans Boeckler Foundation.

Significant differences between family and nonfamily businesses could be identified regarding the causes for establishing a works council for the first time (see table 3). In family businesses, works councils were mostly established due to (1) employees' wish for more participation (23.7%), (2) the initiative of new employees who formerly worked in businesses with a works council (18.4 %), followed by (3) plans to change the owner (17.5 %). In nonfamily businesses, by contrast, other causes were considered more important: (1) plans to change the owner (18.0 %), (2) plans for organizational changes (17.5 %) and (3) conflicts between employees and management (12 %). However, in a statistical sense, family and nonfamily businesses differ significantly only with regard to the cause 'organizational changes were planned'. This motive was more often the reason for the first-time establishment of a works council in nonfamily businesses (17.5 %) than in family businesses (5.2 %).

Table 3: Causes for the establishment of a works council by type of firm (in %)

Cause	**Family firm**	**Nonfamily firm**	**All firms**
Change in company ownership was planned	17.5	18.0	17.8
Work force wanted more participation in business decisions+	23.7	11.2	15.8
Organizational changes were planned (e.g. diversification)*	5.2	17.5	13.0
New employees from firms with works councils joined the firm	18.4	9.2	12.5
Management wanted to have an official contact person among the work force	11.5	11.4	11.4
Work force and management wanted to strengthen the firm	7.9	11.0	9.9
Conflicts between employees and management	5.9	12.0	9.7
Shutdown of firm was imminent	3.0	6.1	5.0
Motivation of employees and thus their productivity should be increased	6.8	3.7	4.8

n=106[18], multiple answers were possible; weighted results; + $p < 0.10$ (Bonferroni), * $p < 0.05$ (Bonferroni)

[18] 362 out of the surveyed 809 managers stated that their company had a works council. 112 of these managers with a works council declared that in their memory there had not been a specific cause for the establishment of the works council. Therefore, we could only analyze the answers of the remaining 250 managers.

4 Discussion and Outlook

4.1 Discussion

Our exploratory study indicated potential reasons for the low diffusion of works councils in German family businesses. In our literature analysis as well as in our empirical analysis, we identified several differences between family and nonfamily businesses which can influence the first-time establishment of a works council. The literature analysis showed that family and nonfamily businesses differ in their eagerness for independence as well as in their financial performance. In both fields, family businesses score higher. The higher eagerness for independence shown by owner-managers of family businesses promotes a critical attitude towards limitations of entrepreneurial freedom. It can also explain why works councils are so rarely established in family businesses. As works councils have substantial rights of participation and co-determination in matters of social, personnel and economic relevance, business owners tend to disapprove of such formal institutions. This attitude is certainly reinforced by the fact that owner-managers own the company and are therefore liable for all costs incurred by the works council and its actions. In anticipation of this attitude, employees in family businesses might refrain from establishing a works council. The literature analysis pointed to an additional explanation: the better performance of family businesses might cause less financial crises in these businesses. Moreover, conflicts between management and work force are less likely to arise in flourishing businesses than in businesses which face economic hardships. Since both, conflicts and economic crises, are circumstances which promote the establishment of works councils (Rudolph/Wassermann, 2006; Schlömer et al., 2007), the afore mentioned findings can explain the lower diffusion rate of works councils in family businesses.

The empirical analysis showed that the establishment of works councils in family businesses is caused by other reasons than in nonfamily businesses: in nonfamily businesses, changes in the organizational structure (e.g. diversification) resulted more often in the establishment of works councils when compared to family businesses. Thus, one could assume that organizational changes occur less often in family businesses than in nonfamily businesses, e.g. due to the longer incumbency of owner-managers compared to employed managers. Or they could occur as often, but work forces in family businesses might perceive organizational changes as less threatening than those in nonfamily businesses. This argument does not seem to be less appropriate than the first one as employees in family businesses might feel better protected against work reductions (due to the continuity, longevity and social responsibility of family businesses) compared to employees in nonfamily businesses. Both reasons could explain why works councils are established less often in family businesses.

Another possible explanation for the low prevalence of works councils in family businesses is the existence of other (more informal) governance structures which are not regulated by law. This could include indirect forms of representation (such as round tables, employee committees, employees with moderating tasks, workforce spokespersons etc.)[19] or self-representation of employees[20]. However, for want of data this explanation cannot be empirically tested.[21]

4.2 Outlook

Works councils are an inherent part of the German economic and social system. They grant employees formal participation and co-determination rights in important company affairs. Nevertheless, works councils are not to be found in every (eligible) business in Germany. While works councils frequently exist in nonfamily firms, they can rarely be found in family businesses. This result is not in line with recent discussions in the field of family business research which assume that family businesses try to "avoid being labelled as socially irresponsible" (Dyer/Wetten, 2006, p. 797). Thus, one should have expected a higher diffusion of works councils among family businesses compared to nonfamily businesses.

Despite the large quantity of studies in the field of works councils, little is known about the reasons for the low prevalence of works councils in family businesses. This paper contributed to the understanding of family businesses with regard to the occurrence of works councils. We found some explanations why work councils are so rarely established in family businesses. However, we cannot rank these explanations with respect to their quantitative importance.

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19 These types of employee representation are usually created at the initiative of the management or with management support or consent (Ellguth, 2006). In contrast to works councils, in some of these cases both, employee and management representatives are members of these employee representation bodies (Hauser-Ditz et al., 2006).

20 Self-representation is a participation form of the individual employee him- or herself. In particular, employees with higher levels of qualifications tend to use this form of representation (Schmierl, 2001; Abel/Pries, 2005).

21 With regard to the occurrence of other forms of indirect representation in family and nonfamily businesses, no differences can be found in the current literature (Stettes, 2008, p. 8; Schlömer-Laufen, 2012, p. 27 f.). Regarding the level of self-representation in family and nonfamily businesses, the literature does not provide any information at all.

Furthermore, we cannot exclude that there are further reasons which might explain the widespread lack of works councils in family businesses. On the contrary, one can safely assume further explanations to exist. The main reason is that the creation of works councils is usually influenced by many different factors such as regional location of the company, personal and job related motives of employees, or public debates (e.g. Schlömer-Laufen/Kay 2012). These factors might have different impacts on family businesses and nonfamily businesses. Therefore, more research is needed concerning family businesses in Germany in general and employee participation in family businesses in particular.

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Appendix

Table 1: Studies regarding family businesses' objectives

Authors	Sample design	Methods	Control group	Definition used	Results
Studies with control group					
Wallau et al. (2006)	1,031 industrial enterprises (belonging to the following economic sectors: manufacturing, construction, energy and water supply, mining industry and pit and quarry industry)	bivariate, survey	nonfamily businesses	Members of the owner family belonged to the management team (own definition)	• Increase of costumer satisfaction, company's survival and increase of company's value in the long run are the most important objectives for family businesses as well as for nonfamily businesses • personal, social and ecological objectives are more important for family than for nonfamily businesses • short-term profit maximisation has low importance for family businesses as well as for nonfamily businesses
Rasser et al. (2014)	587 businesses with at least 50 employees	bivariate, survey	nonfamily businesses	F-PEC Scale (Astrachan et al., 2002)	• Company's survival in the long run and maintaining company's independence are the two most important objectives for family businesses. For nonfamily businesses the two most important objectives are: company's survival in the long run and improvement of cost-effectiveness • To maintain company's independence is significantly more important for family businesses than for nonfamily businesses • Company's survival in the long run is significantly more important for family businesses than for nonfamily businesses • To improve cost-effectiveness is significantly more important for nonfamily businesses than for family businesses • To ensure company growth and to increase owner's wealth are important for family businesses as well as for nonfamily businesses • To ensure an adequate profit distribution is significantly more important for nonfamily businesses than for family businesses
Studies without control group					
Achleitner et al. (2010a)	238 family businesses whose annual turnover exceeds 1 million €, (belonging to the following economic sectors: manufacturing, services and others)	bivariate, multivariate, survey	none	Substantial Family Influence (Klein, 2000)	• One has to differentiate between companies' objectives and family objectives • family objectives tend to be more important than companies' objectives • The higher the SFI, the higher the importance of the family objectives. However, no relation between the SFI and the companies' objectives could be detected. • The larger the company, the higher the importance of the family objectives. However, no relation between the size of the company and the companies' objectives could be detected.

Continuation of Table 1

Authors	**Sample design**	**Methods**	**Control group**	**Definition used**	**Results**
Studies without control group					
Kolbeck/Bauer (2011)	258 family businesses (belonging to the following economic sectors: manufacturing, services, trade and skilled crafts and trades)	bivariate, survey	none	not specified	• The most important objectives are for 85.1 % the safeguarding of family ownership of the business in the long run, for 74.9 % the safeguarding of liquidity and financing, for 46.7 % the settlement of succession, for 36.4 % the avoidance of conflicts and for 33.8 % the protection of family influence in the business
Lamsfuß/ Wallau (2012)	408 large family businesses whose annual turnover exceeds 50 million € (belonging to the following economic sectors: manufacturing, trade and services)	bivariate, survey	none	Not more than three families own at least 50 % of the company's shares (own definition)	• 92.6 % of the family businesses stated that the management of the business according to long-term objectives and strategies is of (very) high importance for them • 81.6 % of the family businesses stated that preserving the majority of the shares within the family is of (very) high importance for them
Schäfer (2007)	103 large family businesses (belonging to the following economic sectors: manufacturing, trade, services, primary sector and financial services sector)	bivariate, survey	none	Family businesses listed in the database of the Stiftung Familienunternehmen (family controlled businesses)	• 94.0 % of the family businesses stated that facilities for vocational and continuous training are of (very) high importance for them • 91.9 % of the family businesses stated that preservation and creation of jobs is of (very) high importance for them • 83.2 % of the family businesses stated that promotion of energy efficiency is of (very) high importance for them • 79.0 % of the family businesses stated that intensification of recycling activities is of (very) high importance for them • 77.0 % of the family businesses stated that reducing the consumption of resources is of (very) high importance for them • 74.5 % of the family businesses stated that the selection of resources is in line with the environmental norms is of (very) high importance for them • 71.5 % of the family businesses stated that local social commitment is of (very) high importance for them

Source: Own compilation.

Table 2: Studies regarding family businesses' strategies

Authors	Sample design	Methods	Control group	Definition used	Results
Studies with control group					
Adenäuer et al. (2007)	1,081 industrial enterprises (belonging to the following economic sectors: manufacturing, construction, energy and water supply, mining industry and pit and quarry industry)	bivariate, survey	nonfamily businesses	Members of the owner family belonged to the management team (own definition)	• Management-led businesses use temporary agency work significantly more often than family-led firms.
Ampenberger (2010)	660 non-financial companies which were listed on the CDAX between 1995 and 2006; 378 technology-intensive non-financial companies which were listed on the CDAX between 1995 and 2006; 339 non-financial companies which were listed on the Prime Standard between 2002 and 2006	longitudinal, bivariate and multivariate, dataset was merged from different databases	Listed nonfamily businesses	Founding family owned at least 25 % of the voting rights and/or one member of the founding family belonged to the board of directors/managing board (own definition)	• Family businesses have a lower share of debt capital than nonfamily businesses
Kinkel/Lay (2012)	1,484 businesses in manufacturing	bivariate, survey	nonfamily businesses	not specified	• 17 % of family businesses pursue a low price strategy, 47 % - 48 % a quality strategy and 35 % - 36 % other competitive strategies; for nonfamily businesses the equivalent shares amount to 19 %, 42 % and 39 %. • Owner-led family businesses use temporary agency work less soften and to a smaller degree than externally-led family businesses or nonfamily enterprises. • Apprentices have a higher share in total employment at owner-led family businesses (8.9%) than at nonfamily businesses (8.0 %) and at externally-led family businesses (6,9 %) • Owner-led family businesses show a higher level of vertical integration than other enterprises, especially the medium-sized and large ones • Owner-led family businesses use less input factors from abroad than externally-led businesses.
Wallau et al. (2006)	1,031 industrial enterprises (belonging to the following economic sectors: manufacturing, construction, energy and water supply, mining industry and pit and quarry industry)	bivariate, survey	nonfamily businesses	Members of the owner family belonged to the management team (own definition)	• 71.7 % of family businesses pursue a niche strategy, 21.7 % a quality-leader strategy and 6.6 % a cost-leader strategy. Nonfamily businesses are significantly different, the equivalent values amounting to 49.6 %, 31.9 % and 18.5 %. It is expected that these differences are mainly due to size differences. • (Continuous) training measures have a higher importance for management-led businesses than for family businesses. It is expected that this difference is mainly due to size differences.

Continuation of Table 2

Authors	**Sample design**	**Methods**	**Control group**	**Definition used**	**Results**
Studies with control group					
Wallau et al. (2007)	1,081 industrial enterprises (belonging to the following economic sectors: manufacturing, construction, energy and water supply, mining industry and pit and quarry industry)	bivariate, survey	nonfamily businesses	Members of the owner family belonged to the management team (own definition)	• Family businesses have a higher equity capital rate than management-led businesses.
Studies without control group					
Kolbeck/Bauer (2011)	258 family businesses in manufacturing, services, trade and crafts	bivariate, survey	none	not specified	• More than half of the businesses distribute less than 15 % of after tax profits, slightly more than one fifth distribute between 15 % and 30 % of after tax profits.
Lamsfuß et al. (2012)	405 large family businesses whose annual turnover exceeds 50 million € (belonging to the following economic sectors: manufacturing, trade and services)	bivariate, survey	none	Not more than three families own at least 50 % of the company's shares (own definition)	• 94.3 % of businesses offer internal and/or external continuous training courses • Family businesses show a higher share of apprentices in total employment (6.9 %) than the equivalent average value for the entire economy (6.0 %) and for 19 DAX-companies (4 %).
Lamsfuß/ Wallau (2013a)	401 large family businesses whose annual turnover exceeds 50 million € (belonging to the following economic sectors: manufacturing, trade and services)	bivariate, survey	none	Not more than three families own at least 50 % of the company's shares (own definition)	• 75.2 % of businesses pursue the innovation strategy "developing individual solutions for customers" and 49.6 % strive for technology leadership in their economic sector
Lamsfuß/ Wallau (2013b)	3,184 large family businesses whose annual turnover exceeds 50 million €	univariate, analysis of balance sheet and profit and loss account data	none	Not more than three families own at least 50 % of the company's shares (own definition)	• In 2010, the equity capital rate amounted to an average of 34.4 %, the median value to 31.1 %. • From 2008 until 2010, the equity capital rate has steadily increased.
PWC (2006)	107 family businesses	bivariate, survey	none	not specified	• 22 % of businesses completely reinvest their company profits, 72 % reinvest one part of the profits and distribute the rest.

Source: Own compilation.

Table 3: Studies regarding family businesses‘ innovation activity

Authors	**Sample design**	**Methods**	**Control group**	**Definition used**	**Results**
Studies with control group					
Block/Spiegel (2011)	513 businesses from western Germany belonging to nine different sectors	multivariate, financial statement data	nonfamily businesses	Family owned at least 25 % of the equity (own definition)	• Significant positive correlation between regional concentration of family businesses (relative to population size) and regional innovation activities, measured by the number of patent applications
Hülsbeck et al. (2011)	436 industrial enterprises (excluding firms operating in the bank or financial sector)	multivariate, financial statement data	nonfamily businesses	Families had a share in equity, board of directors or managing board (own definition)	• Significant negative correlation between the ownership share of a family into an enterprise and its innovation behavior (measured by patent applications). But: positive correlation, when control of the company is carried out by the family (through a supervisory board) .
Werner et al. (2013)	1,870 businesses whose number of employees does not exceed 500 and whose annual turnover does not exceed 50 million €	multivariate, survey	nonfamily businesses	Family owned at least 50 % of the company’s equity and members of the owner family belonged to the management team (own definition)	• 51.4 % of all inquired businesses have implemented product- and process innovations • Family businesses produce an equal number of innovations compared to nonfamily businesses – independent of the type of innovation • The first generation in family businesses is substantially more prone to innovation than subsequent generations.
Classen et al. (2014)	2,087 businesses with fewer than 10 and not more than 250 employees from all economic sectors (except banking, insurance and research and development) (Mannheim Innovation Panel)	multivariate, survey	nonfamily businesses	Members of a single family owned at least 50 % of the company’s shares (e.g. Chu 2009)	• Family SME’s have a significantly higher likelihood to invest in innovation than nonfamily SMEs • Innovating family SMEs have a significantly lower likelihood to invest in innovation intensively than innovating nonfamily SMEs • Family SMEs have a significantly higher likelihood to achieve product innovation output than nonfamily SMEs • No differences between family and nonfamily SMEs regarding the product innovation output can be detected

Continuation of Table 3

Authors	Sample design	Methods	Control group	Definition used	Results
Studies with control group					
Schmid et al. (2014)	275 non-financial firms listed in the Composite German stock index (CDAX) during the years 1995-2005 Firm-level data from a longitudinal survey of the Stifterverband	multivariate, financial statement data matched with information on R&D activities gained through a longitudinal survey by the Stifterverband	nonfamily businesses	Different definitions are used: 1 family control (percentage of voting rights held by all members of the founding family (direct or indirect)) 2 founder control (percentage of voting rights held by founders (directly or indirectly)) 3 later generation control (percentage of voting rights held by non-founder family members (directly or indirectly)) 4 family management (equals 1 if a member of the founding family is involved in the management board) 5 founder management (equals 1 if a founder is involved in the management board) 6 later generation management (equals 1 if a family member except the founder him-/herself is involved in the management board) 7 family supervision (equals 1 if a member of the founding family is involved in the supervisory board) 8 founder supervision (equals 1 if a founder is involved in the supervisory board) 9 later generation management (equals 1 if a family member except the founder him-/herself is involved in the supervisory board)	• Family management has a strong significant positive impact on the R&D activity in all regression models estimated • This positive effect of an active management role of the family is much stronger for founders if compared to other nonfounder family members • Only weak evidence was found for a positive effect of later generation management • Family supervision shows no significant impact on the R&D activity in all regression models estimated • Founder supervision has a slightly positive impact on the R&D activity • Family control (especially in the case of founder control) has a significant negative impact on the R&D activity in only one of the regression models estimated • =>Firms in which founders or their families have an active management role show higher levels of R&D
Studies without control group					
Bauer (2013)	82 innovative projects of 20 family businesses	descriptive, survey	none	One or a few families owned a least 50 % of the company's shares; at least two family members in businesses of the first generation (own definition)	• In more than 50% of analyzed innovations, the owner family takes over a key role in bringing forward innovations (with regard to initiating innovations and their implementation)
Bergfeld et al. (2009)	10 family businesses whose annual turnover exceeds 50 million € and which were founded before 1913	descriptive, case studies	none	Founding family owned more than 50 % of all voting rights for at least two generations (own definition)	• An enterprise culture strongly oriented at (radical) innovations as a recipe for success. Another success factor is a controlling function of the owner family in the supervisory board, less so in the operative management of the company.

Source: Own compilation.

Table 4: Studies regarding family businesses economic development

Authors	Sample design	Methods	Control group	Definition used	Results
Studies with control group					
Gottschalk et al. (2011)	500 largest family businesses whose annual turnover amounts to at least 50 million €	univariate, financial statement data	businesses listed in the DAX-26	Not more than three natural persons owned at least 50 % of the company's shares (own definition)	*Annual turnover*: • From 2006 until 2007 the annual turnover of the 500 largest family businesses increased on average by 8.9 %, from 2007 until 2008 on average by 6.1 %. • From 2008 until 2009 the annual turnover of the 500 largest family businesses decreased on average by -9.7 %, only to increase again on average by 10.9% from 2009 until 2010. • At DAX-26-companies annual turnover increased from 2008 until 2009 by an average of 2.5 %. *Employment*: • From 2006 until 2007 the number of employees at the 500 largest family businesses increased on average by 6.3 %, from 2007 until 2008 on average by 2.4 %. • From 2008 until 2009 the number of employees at the 500 largest family businesses decreased on average by -1.2 %. • At DAX-26-companies the number of employees decreased by -2.3% and thus more strongly than at the 500 largest family businesses.
Lamsfuß/Wallau (2011)	2,491 large family businesses whose annual turnover amounts to at least 50 million €	univariate, financial statement data and P&L data	*turnover*: all large businesses whose annual turnover amounts to at least 50 million € according to VAT-statistics [Umsatzsteuerstatistik] *employment*: all employees who are subject to social security contributions according to the statistics of the Federal Employment Agency	Not more than three families owned at least 50 % of the company's shares (own definition)	*Annual turnover*: • The annual turnover of the group of large family businesses has decreased from 2008 until 2009 by -10.3% and thus less than at the control group (-12.3 %). *Employment*: • From 2007 until 2008, the number of employees at large family businesses increased on average by 6.3 %. • From 2008 until 2009, the number of employees at large family businesses decreased on average by -2.6% and thus more strongly than in the entire economy (-0.5 %).

Continuation of Table 4

Authors	**Sample design**	**Methods**	**Control group**	**Definition used**	**Results**
Studies without control group					
Boerger/Wallau (2010)	1,313 large family businesses whose annual turnover amounts to at least 50 million €	univariate, financial statement data and P&L data	none	Not more than three families owned at least 50 % of the company's shares (own definition)	*Annual turnover*: • From 2007 until 2008 the annual turnover of large family businesses increased on average by 6.6 %. *Employment*: • From 2006 until 2007 the number of employees at large family businesses increased on average by 6.1%.
Haunschild et al. (2010)	1,740 large family businesses whose annual turnover amounts to at least 50 million €	univariate, financial statement data and P&L data	none	Not more than three families owned at least 50 % of the company's shares (own definition)	• From 2006 until 2007 the annual turnover of large family businesses increased on average by 6.7 %.
Lamsfuß/Wallau (2013b)	2,459 big family businesses whose annual turnover amounts at least 50 million €	univariate, financial statement data and P&L data	none	Not more than three families owned at least 50 % of the company's shares (own definition)	*Annual turnover*: • From 2008 until 2009 the annual turnover of large family businesses decreased on average by -10.3 %. • From 2009 until 2010 the annual turnover of large family businesses increased on average by 13.5%.

Source: Own compilation.

Table 5: Studies regarding family businesses‘ performance

Authors	**Sample design**	**Methods**	**Control group**	**Definition used**	**Results**
Achleitner et al. (2010b)	123 German and non-German family businesses listed on the Prime Standard	multivariate, financial statement data	businesses listed in the DAX-30	Founding family owned at least 25 % of all voting rights <u>or</u> founding family owned at least 5 % of all voting rights and belonged to the board of directors or the managing board (own definition following Anderson/Reeb, 2003)	• From June 2002 until July 2010, the profitability of all three family indices amounts to 5.1 % and is approx. twice as high as for the DAX 30
Andres (2008)	275 businesses (excluding firms operating in the bank or financial sector) listed on the stock exchange between 1998 and 2004	multivariate, financial statement data	nonfamily businesses	Family owned 25 % of the equity or family owned less than 25 % of all voting rights and belonged to the board of directors or the management team (own definition)	• Significantly higher profitability of family businesses depending on the role of the founder family
Bergfeld et al. (2009)	62 foundercontrolled businesses whose annual turnover exceeds 50 million € and which were founded before 1913	bivariate, multivariate, financial statement data	nonfamily businesses	Founding families owned more than 50 % of all voting rights for at least two generations (own definition)	• Significantly better performance of family businesses, which tends to decrease relatively during the course of generations
Ehrhardt et al. (2006)	62 foundercontrolled businesses whose annual turnover exceeds 50 million €, which employ more than 250 persons and which were founded before 1913	multivariate, financial statement data	nonfamily businesses	Founding families owned more than 50 % of all voting rights for at least two generations (own definition)	• Significantly better operative profitability, which tends to decrease relatively during the course of generations
Hölzenbein/ Schüssler (2011)	508 listed businesses (excluding firms operating in the bank or financial sector)	univariate, multivariate, financial statement data	nonfamily businesses	Family owned 25 % of the equity <u>or</u> family owned less than 25 % of all voting rights and belonged to the board of directors or the management team (own definition)	• Significantly better performance of family businesses, significantly higher return on equity and on total capital.
Jaskiewicz (2006)	800 businesses listed on stock exchanges in Frankfurt, Paris and Madrid at 1.1.2003	multivariate, financial statement data	nonfamily businesses	F-PEC Scale (Astrachan et al., 2002)	• Family influence exerts a continuous positive impact on company performance
Leiber (2008)	558 and 336 businesses belonging to the manufacturing sector in 2004 and 1999	multivariate, financial statement data	nonfamily businesses	Founding family had a share in equity or at least one member of the family was employed in the family business (own definition)	• Significantly better performance of family businesses, performance is an increasing function of ownership shares held by families and control exerted in the supervisory board
Weber (2005)	515 family businesses (hereof 456 from Germany and 59 from Austria), who belonged at least to the third-generation and were at least 90 years old. 219 nonfamily businesses	multivariate, financial statement data	nonfamily businesses	One family had a large share in equity and is controlling the business at the same time (own definition following Oetker, 1969)	• Significantly better operative performance of family businesses; strategy (conducive to continuity) of the postfounder generation is dependent upon the degree of locus of control

Source: Own compilation.