# DYNASTY DOCTOR

Kirsten Baus deals with dysfunctional family firms, ensuring sibling rivalry doesn't destroy the business. **By Suzanne Munshower**

When bad things happen to rich families, who you gonna call? Many pick up the phone and ring Kirsten Baus. Baus, a 42-year-old German attorney, came across the family strategy concept of American educator and consultant John Ward and saw it as a natural for Germany, where families are big business and, often, big trouble.

According to that chronicler of the world's super-rich, *Forbes*, 42 of the world's 100 biggest family-owned companies are German. Spats within these families aren't about who gets to drive the Mercedes, but about who gets to drive a multi-billion-euro business.

The root of most problems is that the business-owning family, as families tend to do, keeps growing. So a stew of riches whipped up by a single entrepreneur becomes a food fight within just two or three generations, as siblings, children, cousins, and spouses all stick their fingers in the pot.

"Often when I start my work, families are in deep conflict," she says. "My first step is to convince all the members of the family - shareholders and their children - to cooperate. Then I begin to work with all the shareholders and family members who are willing to meet with me. I'm also interested in working with wives and husbands, as they influence the shareholders."

As would be expected, Baus is discreet to the point of reticence about the identities of her clients. But in general, she says, families hear of her through personal recommendations, and meet her as a group and individually.

Currently, she's working with families from the first to the sixth generation of a business. Some are as small as four people and others as large as 40. "The most severe problems come with the third generation," she says. "They have no rules, no regulations, and the family members don't know each other so well. There's usually a problem of alienation, as well as the company having bad structures in place.

"At first, my goal is to find out what's possible within the family. Are they able to keep the business in the family? Are they able to manage it or just to own it?"

Her job is to lead the family to a mission statement and a plan as well as to handle details such as tax and estate issues. But resolving conflict sometimes means a compromise.

"I had a client in which one of the cousins was the manager and most of the shareholders didn't accept him," she notes. "He was a minority shareholder and he was having trouble accepting the limitations he had because of not being an owner. Eventually, he resigned, remaining a shareholder but starting his own company, while the family business made the decision to hire non-family management - at least in this generation."

One of the difficulties faced by this particular family, says Baus, was the deep conflict the shareholders had inherited from their feuding parents, siblings of the second generation. "Harmony," she sighs, "doesn't mean absence of conflict, but coping with conflict."

Family strategy is a process of steady work for six months to a year-and-a-half, followed by a family meeting every year, then every two years. With three million family-owned companies in Germany alone, Baus's own future is assured.

**The keys to a smoothly run family business are first finding a niche, and second, having only one child**

**KEY FACTS**

- 42 of the world's 100 biggest family-owned companies are German
- There are three million family-owned businesses in Germany
- The Kirsten Baus Institut für Familienstrategie was set up two-and-a-half years ago

Solutions to family business conflicts include outside acquisition, but the feuding family itself can be a hindrance to M&A deals. Anyway, merging or being acquired is rarely a popular solution.

"Most of the time," says Baus, "it's the family manager who initiates the process. He thinks it's a good time to merge. He has a different picture in his mind of being a family member. But to many family members, it means losing the family business, loss of identity and a feeling of failure. I try to find them another form of identity if there are strategic reasons for selling the company."

Three of the most famous examples of resolved family conflict in Germany are the Herz, Bahlsen and Boehringer stories. The long-running Herz (Tchibo coffee) feud was solved by the buyout of two siblings, while the Bahlsen biscuit family divided the parts of the business among several heirs. In the case of the Boehringers, of Boehringer Mannheim pharmaceuticals, the entire business was sold to Hoffmann La Roche.

"In these cases, they were very good solutions," says Baus. "The Herz families were so wealthy they could pay the price [$4.6bn] and get something fair to both sides. Some families cannot divide – maybe the parts would be too small."

Baus has been consulting on family strategies for six years. She started her own company, the Kirsten Baus Institut für Familienstrategie, two-and-a-half years ago in Stuttgart, which boasts a wealth of family businesses. She speaks fluent English but so far has worked only in Germany, Austria and Switzerland.

Her 2004 book *Die Familienstrategie* is selling very well, she says happily. "The book is for all entrepreneurs as well as business families. But it's also being read by bankers, lawyers, and tax and estate planners. It was written from my experiences, and though the examples are invented, they're very realistic. People ask me, 'Is this our family?'"

Budding entrepreneurs can take a tip from guru Ward, who has said that the two keys to a smooth family business tradition are first finding a niche in which customers, competitors and technology will never change, and second, having only one child.

As for Baus, she's not worrying. She's single. EB