



INTUITION



COURAGE



EMPATHY

HEART LEADERSHIP CASE STUDY #8

RETHINKING A FAMILY LEGACY AND SHAPING BUSINESS SUCCESSION

"I was surprised. I had never spoken much about the company or its future with my sons, yet my young son already felt the weight and obligation of carrying on the family business. This did not feel right to me."



Photo: elobau

Michael Hetzer

Second-generation owner and chairman of the advisory board



sustainable solutions

SECTOR:
**MANUFACTURING
& ENGINEERING
INDUSTRY**

SMB
**MISSION-DRIVEN
COMPANY**

NUMBER OF STAFF:
**1.300
EMPLOYEES**
in 2024

TURNOVER 2023:
**180 MILLIONS
EUROS**

STRATEGIC CASE
STUDY AREA:
SUCCESSION

The decision-making framework

▶ The company

The family-owned business elobau was founded in 1972 and is based in Leutkirch (Germany). As a global player in the engineering and manufacturing industry, elobau serves markets across Europe, the Americas, and Asia. At the heart of elobau's mission is a strong commitment to positive change. Since 2010, the company is dedicated to minimizing its climate impacts and making all its products part of a circular economy. This commitment goes beyond environmental impact, extending to both customers and employees alike.

▶ Background to the decision

elobau had been a family-owned and operated business for two generations. In 2010, Michael Hetzer, the second-generation owner, began to question the assumption of family succession. Was **passing the company** down to the **next generation** truly the best path forward?

He always saw himself **more as a steward than an owner**. At elobau, success is a collective effort – employees share responsibility and work together as a team. Why, then, should ownership rest solely in the hands of one individual?

His resolve to find a different path was solidified during a **pivotal conversation with his eight-year-old son**. Despite only limited discussions about the company's future, his son already felt the heavy **burden of inheriting** the business.

Driven by empathy, this deeply personal moment provided Hetzer with additional motivation to find a path that would allow his sons the freedom to pursue their own interests without feeling obligated by the family heritage, but one that would also safeguard elobau's values and mission.



Michael Hetzer's questioning

"How could I secure the company's future and protect its values while granting my children the freedom to choose their own paths?"

The decision

Michael Hetzer found his solution in **steward-ownership** – a concept that was not widely known at the time. Drawing inspiration from the few existing examples, Hetzer **made a bold and forward-thinking decision**.

In 2016, he transitioned the family-owned business into a trust foundation, commonly referred to as a two-entity ownership model. By separating voting rights and dividend rights and placing them into two separate legal entities, this new ownership structure allowed the **long-term independence** from the Hetzer family – or in fact any other wealth owner – while **safeguarding its mission**. Dividend rights are held by a charitable foundation, while voting rights are kept in a trust or foundation that is managed by stewards. This ensures that elobau's mission remains central and free from external profit-driven pressures.

The decision-making process



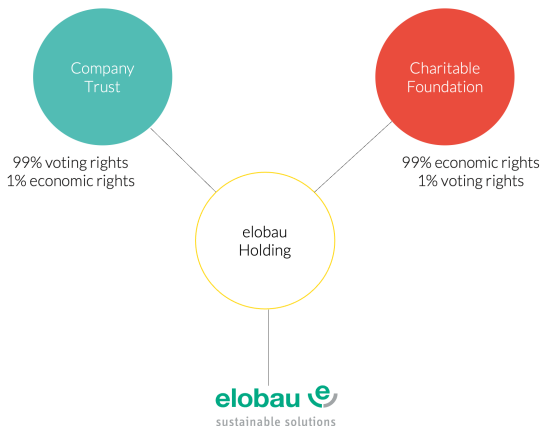
The leader's reasoning

As Michael Hetzer reconsidered the company's future, he had two key objectives:

- first, to ensure that **control** of elobau could **never be sold** and that the company would always be led by **qualified, value-aligned successors**;
- and second, to establish charitable initiatives in line with the organization's long-standing commitment to social and environmental responsibilities.

Selling the company was never an option for him. He feared it would compromise elobau's commitment to social and ecological sustainability and would not live up to his responsibility to the employees.

For Hetzer, steward-ownership presented the fitting **legal solution** for the type of company he had been building all along. The transition included empowerment for those (directly) involved in the business and to allow elobau to be an independent company that stays true to its values.



Challenges within the transition process

Inspired by the foundation models of Bosch and Zeiss, Michael Hetzer aimed to transition elobau to steward-ownership within a year, but the process ultimately took six.

Hetzer soon realized that creating a customized structure that truly fit the company, entailed far more complex processes legally than anticipated.

Additionally, for Hetzer, steward-ownership is essential to **preserving company's values** and **operational needs** that already exist.

Based on this assumption, he recognized that a successful transition thus first required establishing a **culture of employee autonomy and self-governance**, which added to the length of the process.

Today, elobau stands as a pioneering example in the growing steward-ownership movement.

Decision impacts

Impact: Long-term independence and charitable work

The transformation into a steward-owned company secures elobau's **long-term independence** from the Hetzer family, and gives future generations of the Hetzer family **the choice to participate** in the business or not.

With the principles of steward-ownership legally embedded, the company will always be led by value-aligned stewards, ensuring its **mission remains intact**. Additionally, elobau's **charitable work** will be upheld, with 10% of its profits consistently directed to its charitable foundation.

Employee Retention & Talent Attraction

For its employees, the steward-ownership structure ensures that elobau is driven by a **purpose-beyond-profit** approach.

This offers/ creates reassurance that elobau will never be sold to profit-driven buyers or individuals who (could) disrupt the company's culture.

The organizational structure established during the transformation to steward-ownership fostered a culture of significant employee autonomy, allowing decisions to be made at the level they originate.

Ultimately, this not only motivates current employees but also attracts new talent, with individuals specifically seeking out elobau for their ownership structure.

Steward-ownership

Steward-ownership is a corporate ownership structure that legally enshrines two principles:

- **Self-determination:** Power over the company cannot be speculated with or inherited but is held by people directly connected to the company's operation and mission.
- **Asset-lock:** Profits and value created in the company serves the company's long-term development and purpose.

Steward-ownership can be implemented using various legal forms. elobau's trust foundation model is just one example.