

# **VALUES PARTICULARISM AND THE FAMILY-OF-ORIGIN EFFECT: A CONTEXTUALIZED STUDY OF HIPPI**

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## **Abstract**

In this paper, the concept of the country-of-origin (COO) effect is extended to derive a new concept, the family-of-origin (FOO) effect. The FOO effect is shown to be relevant to the German family firm Hipp, which pioneered organic foods in the 1950s, decades before such foods became common in supermarkets. The Hipp case raises the general issue of "values particularism": as documented in a contextualized case study, the pioneering of organic foods by Hipp was not a one-time departure from conventional profit-oriented thinking but fits into a pattern of risk-taking underpinned by deeply held family values. The analysis therefore explores the nexus between family firms, values particularism and the family-of-origin (FOO) effect.

## **Keywords**

Country-of-origin effect, family firms, Hipp, family-of-origin effects, values particularism, organic food

## Introduction

One of the most robust findings in international business concerns country-of-origin (COO) effects on the perceptions of consumers. Such effects have been shown to extend beyond mere cognitive cues of product quality per se and into the realm of emotional attachments, normative standards and even religious connections (Verlegh & Steenkamp, 1999; Muhamad, Leong, & Isa, 2017). Given the obvious fact that emotional attachments, normative standards and religious connections are profound characteristics of *families*, it seems almost obvious that the effect of *family of origin* should matter in the evaluation of products by consumers. Though one would reasonably expect that researchers would investigate family-of-origin effects, the simple fact is that no-one has. We therefore develop the concept of the family-of-origin (FOO) effect, akin to the country-of-origin (COO) effect, to denote the cognitive, affective and normative effects of the family of a product's origin on product evaluation by consumers.

While the FOO effect might be nothing more than a brand name effect for many family businesses, the FOO effect is shown to be more than that in the case of the world's most outstanding pioneer of the market for organic foods, namely the German family enterprise HIPP. The HIPP family has been in the food business for over a century, preoccupied with organic food since the 1950s, and the current family head, Claus HIPP, has been personally involved with building up the HIPP organic foods business on an ever larger scale ever since the 1960s. With now over 8000 organic farmers supplying the company, HIPP (2016 turnover: 850 million Euro) has been such a trailblazer in the market for organic food that it is surprising that HIPP has until now eluded the interest of academics.

Since the family-of-origin effect has never been the subject of previous investigation, it might rightly be asked why the concept is relevant. Perhaps the simplest justification is that the HIPP family clearly believes in such an effect. As Claus HIPP (EFJ, 2016), the current patriarch of the company, put it:

**European Food Journal:** Besides your approach to sustainability ... why should people buy HIPP instead of private label products?

**Claus HIPP:** Because they know who we are. They might not know exactly what we do and how much we invest in building a healthy future, but they have greater trust in our products than in those of our competitors because they know us. They know the faces behind our brand. People like to trust people they know.

HIPP is insistent that consumers do not merely know the brand but rather the *people* behind the brand and here he means also the deeply religious *family* behind the brand. Indeed, Claus HIPP routinely advances his family's values to counter the charge that organic food and sustainability are merely part of a clever marketing stratagem (Tönnemann, 2015):

**Journalist:** Are nature and sustainability just good selling points for HIPP?

**Claus Hipp:** No, there is real conviction behind it. My mother raised me with a sense of responsibility to divine creation. Later I had a mentor who was a trailblazer of organic farming.

As these quotes suggest, a firm heritage of family ownership can create a competitive advantage on the basis of a perceived sense of personal responsibility sustained over a protracted period of time (Ratten et al., 2017). In the Hipp case, such responsibility includes guidance from *particularistic values*.

Indeed, the Hipp case raises the general issue of "values particularism," namely the will to conduct business on the basis of criteria that extend beyond mere means-ends profit calculations and incorporate a values-driven component not dictated solely by economic considerations. Carney (2005: 255) has amplified the notion of particularism in family business as follows: "Managers in family-owned firms are expected to employ rational-calculative decision criteria but family control rights permit the family to intervene in the affairs of the firm to substitute other, 'particularistic' criteria of their choosing. This liberty entails greater variability in the exercise of authority." Particularism in family firms reflects the greater discretion that firm owners normally have in how they wish to conduct their business than do professional managers of joint-stock companies (Chrisman, Steier, & Chua, 2006). Since the particularism manifested by family firms can take many forms, not necessarily with a socially altruistic orientation, we use the term "values particularism" to refer to the kind of particularism that is specifically animated by adherence to a set of higher ideals and values (Zellweger et al., 2013).

Few settings exhibit such pronounced scope for particularistic values as the market for foods, especially food for children (Singer & Mason, 2008). The largest food market segment imbued with special values is that of organic foods (Hockerts & Wüstenhagen, 2010). Organic foods represent a response to the 20th-century industrialization of food production (Jones, 2017). The industrialization of food production can be considered a "wicked problem" in which values of health collide with the logic of the modern economy, making remedies to problems associated with industrialized food production nearly impossible to solve on the basis of linear planning approaches (Conroy, Simpson, & Young, 2017). Thus, although organic foods have had their advocates since the 1920s (Jones, 2017), the takeoff of organic foods was stymied for decades by the absence of an established market linking potential buyers of organic foods on the one hand with producers of organic food products on the other (Dombrowski, 2017).

The Hipp case is of special interest not because it represents a typical family firm (it assuredly does not) but because it demonstrates the fecundity of the concept of FOO effects. The Hipp family consistently emphasizes both its family orientation and the Christian values underpinning the firm's commitment to producing organic food. The pioneering of organic foods by Hipp was not a one-time departure from conventional business thinking but reflects a sustained pattern of risk-taking underpinned by deeply held family values. Thus, while our conceptual contribution relates to the FOO effect and clarifying how this effect resembles and differs from COO effects, the broader research question pursued here concerns the nexus between family firms and enduring values particularism. By putting the Hipp organic foods business into historical context, the ultimate research question pursued here is the following: "Which family firm traits

and contextual factors help explain how the FOO effects and values particularism of a business can be sustained over time?"

The discussion that follows is structured as a contextualized case study. We first present the Hipp case against the historical background of organic foods, documenting how Hipp's pioneering of organic foods arose within a social context that was critical of industrialization and dominant trends in food-making. Next, we step back from the Hipp case and compare Hipp with a set of 50 German family firms that have been in existence for over a century. This comparison allows us to do two things at once: first, to capture greater variety in FOO effects by looking beyond the Hipp enterprise alone; and second, to illuminate the means employed by Hipp and other German family firms to ensure their longevity and continuity. The analysis thus explores family firms as a means for not just starting, but also for maintaining a business enterprise built on particularistic values. In Germany, the proportion of aged family firms able to retain managerial control within the family is surprisingly high. While such longevity of family control is not in itself any indicator of *actual* values particularism, it does at least point to the *potential* for values particularism via the vehicle of family firms – at least in Germany.

## **Theoretical background: The family-of-origin effect, values particularism, and the international food business**

Country-of-origin (COO) effects refer to the product evaluation behavior of consumers based upon the country from which a product comes. The most commonly used conceptual typology for categorizing COO effects (Obermiller & Spangenberg, 1989; Verlegh & Steenkamp, 1999) distinguishes between cognitive, affective, and normative effects:

- 1) Cognitive COO effects: as cues for product quality
- 2) Affective COO effects: as sources of symbolic and emotional affinity
- 3) Normative COO effects: as forum on the right way of conduct

*Cognitive* effects refer to COO as a signal of quality. The COO serves as psychological cue from which product quality is inferred. Many consumers tend to form conceptions of a product's quality based on the producing country's reputed skills, culture and economic development (Muhamad, Leong, & Isa, 2017). *Affective* effects refer to cases where the COO provides consumers with emotional benefits on the basis of a perceived bond with the country in question. Canadian hockey sticks and Brazilian soccer shirts may command a price premium among select buyer groups identifying positively with these countries. *Normative* effects refer to shared values or their absence. Smith (1990) used the concept of "customer voting" to designate the manner in which a purchase or non-purchase expresses a "vote" for or against the policies and practices of the country in question. Some consumers may buy Israeli products out of admiration for Zionist values (positive effects), while others may boycott them out of disapproval of these same values (negative effects). Cognitive COO effects appear to be the most widespread and normative ones the least pervasive of these COO effects (Verlegh & Steenkamp, 1999).

Family-of-origin (FOO) effects relate to product evaluation behavior of consumers based upon the family providing a certain product. Modifying the categories above, we propose the

following typology of FOO effects, incorporating the specific features and strengths of family firms:

- 1) Cognitive-reputational FOO effects: as cue for product quality
- 2) Affective-local effects: as sources of affinity with the family's local region
- 3) Normative-particularistic FOO effects: as forum on the right way of conduct

*Cognitive-reputational* effects refer to FOO as a signal of quality. From a consumer point of view, such effects are mainly cues of product quality and resemble cognitive FOO and branding effects. From the standpoint of producers, however, these effects derive from a special concern of family firms for maintaining an untarnished firm and family *reputation* that can be passed on to future generations (Deephhouse & Jaskiewicz, 2013). Studies have shown family firms to enjoy a higher reputation than virtually all other types of companies (Lehrer & Celo, 2017). Once a business family becomes associated with a certain product line or set of values, the company's brand equity becomes intertwined with the reputation of the family itself (Zellweger et al., 2013).

We assume that purely affective FOO effects are apt to be rare: customers are unlikely to feel much affinity with business families per se if they are not family members. They may, however, feel an affinity to the city or region to which these families belong. While their firms may be global, business families are usually quite local (Deephhouse & Jaskiewicz, 2013). Hence we venture the notion of *affective-local* effects reflecting affinity of consumers not to the family firm itself but to its local and regional home base. Affective-local effects may be of limited importance for some types of products but their importance for food products will often be high. In food categories such as wine and tea, the exploration of COO effects has been supplemented by documented region-of-origin (ROO) effects (Orth, Wolf, & Dodd, 2005).

*Normative-particularistic* effects refer to shared values of consumers and family firm producers beyond general quality concerns. The extra margin of discretion that family firms have in managing their capital compared to professional managers arguably gives them more scope to engage in particularistic values than do firms that have to answer primarily to profit-oriented shareholders (Chrisman, Steier, & Chua, 2006). Such discretion can even be beneficial for pioneering new product segments for which no proven market in the industry yet exists. As Carney (2005: 260) explains with specific regard to the particularism of family firms: "There are few clear guidelines for assessing the performance of a new venture in an emerging industry; indeed, new industries may break or rewrite the rules. Firms operating under rational-legal norms must make a 'business case' for committing resources to such ventures, whereas family firms may more readily pursue such ventures because they are less subject to such norms." In other words, the values particularism of family firms can actually favor certain types of entrepreneurship. While family firms are generally considered risk-averse (Ratten & Tajeddini, 2017), the presence of values particularism may be once powerful mechanism inducing family firms to assume a higher level of risk.

The values underlying food entrepreneurship do not pertain merely to the qualities of food alone, but often to the more general conditions of food production and food consumption. Thus, vendors of organic foods do not merely tout the purity and healthiness of the food itself but also the sustainability and wholesomeness of the agricultural production methods employed to make it

(Hockerts & Wüstenhagen, 2010; Dombrowski, 2017). To this endeavor family firms bring a special ability to identify "tacit" opportunities (Tegtmeier & Classen, 2017) and to build social capital with key stakeholders, especially suppliers such as farmers (Steier, 2001; Lehrer & Celo, 2017). Compared to nonfamily firms, family firms are usually considered more able to cultivate firm-specific social capital (Steier, 2001; Carney, 2005).

## **Method**

The analysis falls into two parts. The first part consists of a historical case study of values particularism in the Hipp family firm. The second part contextualizes the Hipp case. We examine Hipp's values particularism against the historical backdrop of organic foods (why was Hipp a leader rather than laggard?), and then compare Hipp with a number of other German business families (to which extent is Hipp typical or atypical of German family firms?). To this end we consulted larger samples of multigenerational German family firms. Examining Hipp against the backdrop of these larger samples provides additional insight into FOO effects as well as the managerial methods used to maintain continuity in German family firms over generations.

Historical case studies (as in the first part of the analysis) typically engage in some kind of process tracing (George & Bennett, 2005). In general, the analytical focus is either on processes of change, such as in Ganter's study of work organization in French restaurants (Ganter, 2004), or on continuity, as in the present study. In either case, historical analysis provides a lens on social phenomena that is unavailable from observation of present-day states.

The way we contextualize the historical case study (as in the second part of the analysis) draws on recent work on the role of contextualized case studies in international business (Welch et al., 2011; Tsang, 2013). In contrast to the inductive theorizing often associated with case study methodology (Welch et al., 2011), contextualized case studies seek to generate a rich understanding of the general causal mechanisms that become manifested in a particular case. Contextualized case studies involve an effort to incorporate contextual factors, which are often seen as limiting the external validity of case study analysis, into the analysis itself, thus rejecting "neat separation between the particular/historical and the general/theoretical" (Welch et al., 2011). By drawing on existing theories and established patterns, contextualized case studies classify the explanatory patterns behind particular events as manifestations of broader phenomena.

To conclude, our analysis was more concerned with putting the Hipp case into its greater context than in exhuming more detailed facts about the Hipp family enterprise. Our historical case study relied on secondary research, as sources of information abound on one of Germany's most famous business families. Indeed, the family considers itself to be under the constant gaze of onlookers in the global village (Tönnemann, 2015).<sup>1</sup>

## **Hipp: A case study in values particularism**

Clearly, the mere espousal of values is insufficient to prove that the values articulated by a firm are motivated in part by noneconomic considerations. One litmus test for authenticity of values is the taking of risk. Three documentable episodes in the history of the Hipp family appear

to demonstrate the link between values particularism and risk taking: 1) resistance to the Nazis in the 1930s and 1940s, 2) pioneering of organic food when no real market existed in the 1950s, and 3) idealistic and idiosyncratic succession arrangements up to the present day.

### 1) Resistance to the Nazis in the 1930s and 1940s

The Hipp baby food business began just before 1900 when Joseph Hipp, a baker in Pfaffenhofen (Bavaria), discovered that hand-crushed rusk flour could be mixed with milk to create a viable baby food. J. Hipp's Rusk Flour, sold in yellow and black packages, became established enough in the German market that his son Georg Hipp formally founded the Hipp baby food company in 1932.

Although demand for baby food remained brisk throughout the 1930s, the rise of the National Socialist Party put the staunchly Catholic Hipp family into the opposition camp. Claus Hipp (1938-), who has run Hipp since 1967, recounts that his family was opposed to the Nazis, that his uncle actively opposed them as mayor of Regensburg and was briefly thrown into the Dachau concentration camp during World War II, that local Nazis in Pfaffenhofen obliged the firm to move to Munich during the war, and that some members had helped Jews and other victims on occasion when opportunities presented themselves, such as by opening doors of freight trains carrying prisoners to the concentration camps (Kaff, 2007; Invernizzi, 2012). Such events were related to Claus Hipp by family members after the war only sparingly, partly out of enduring fear of retaliation, partly out of an ingrained habit of secrecy in such matters, and partly perhaps also out of regret they had not done even more (Rädlinger, 2016).

Although not all claims can be independently verified, the resistance of many members and friends of the Hipp family to the Nazis has been documented (Rädlinger, 2016). Otto Hipp (brother of Georg) had to resign as mayor of Regensburg in 1933 after consistently refusing to accommodate the desire of the Nazis to speak publicly in the city. In 1939 his name figured on a list of potential Nazi enemies; thanks to his anti-Nazi past, he was installed as mayor of Munich by the US in 1945 (Kaff, 2007: 57). Hundreds of politically suspect individuals were interned in Dachau in 1944 after the unsuccessful coup attempt, and most likely Otto Hipp was indeed among them, even if no list of internees survives (Kaff, 2007).

### 2) Pioneering of Organic Food When no Real Market Existed in the 1950s

While continuing to produce Rusk Flour after the war, Georg Hipp began manufacturing precooked canned (later jarred) baby food in the late 1950s. By this time Georg had become a convert to the idea that organically farmed products, that is, products farmed without chemical fertilizers and pesticides, were healthier. Targeting organic baby food, Georg Hipp bought an old farm near Pfaffenhofen in the late 1950s and started implementing the then still-embryonic principles of organic-biological farming, subsequently enlisting further farmers as suppliers in the following decades (IDCH, 2006).

At the time, however, there was no established market for organic foods. After World War I, a few farmers and intellectuals had raised health concerns about the industrialization of agriculture and advocated natural farming methods (e.g., without industrial chemicals), often with a Christian orientation (Kuepper, 2010). This movement was the most pronounced in the German-speaking countries (Jones, 2017). A few German farmers even cooperated to found their own

brand, Demeter, in 1928 (Dombrowski, 2017). Yet organic farming remained a fringe phenomenon for decades; the first German association for organic foods did not appear until 1971 (Dombrowski, 2017).

The specific inspiration for Hipp actually came from Switzerland. In 1954 one of Georg Hipp's managing directors became ill and was successfully treated with Bircher Muesli, a special dietetic cereal using fresh organic ingredients. Hipp, whose wife was Swiss, decided to manufacture Bircher Muesli for the Swiss market with a separate Swiss-based venture in 1954 (Invernizzi, 2012). This venture brought Hipp into contact with Hans Müller, the apostle of organic farming in Switzerland. A history of organic farming (Jones, 2017: 64-65) has the following to say about Müller:

In neighboring Switzerland ... the key figure was Dr. Hans Müller, the head of the Swiss Farmers Movement for a Native Culture, which sought from the 1930s to protect farmers' traditional way of life, including strong Christian beliefs, from the threats posed by the industrialization of agriculture ... Müller had an early awareness that consumers might be prepared to pay a premium for better food devoid of chemicals ...

Müller's farmers eventually found a market in the Hipp baby food business which spanned Switzerland and Germany. Founded in Bavaria by George Hipp in 1932, it ran into political problems because the strongly Catholic Hipp family were critical of the Nazi regime. The business survived the war, and in the late 1950s launched pre-cooked baby food, a product then only seen in the United States. By then Hipp had begun using organic ingredients.

The conversion to 100% organic ingredients in Hipp baby food took many years, however, as organic methods for many crops had to be developed (Jones, 2017: 66). In fact, a market for organic food hardly existed. Organic farming was a marginal movement throughout the 1940s, 1950s and 1960s and consumer interest in organic food only began to gain real traction in the 1970s (Kuepper, 2010). It was none other than Hans Müller who, having become active in Germany, founded the Bioland association for organic foods in 1971 (Dombrowski, 2017).

In US-oriented histories of organic farming, the publication of Rachel Carson's bestseller *Silent Spring* in 1962 is usually considered a milestone, for the book warned of the dangers of insecticide DDT commonly used in agriculture. According to Mason and Singer (2008), 1972 marked the year in which both the International Federation of Organic Agriculture Movements (IFOAM) was founded and in which John Battendieri founded Santa Cruz Organics to market some of the first packaged organic products. As seen, however, Hipp had begun marketing organic food almost two decades earlier in Europe. In retrospect, Hipp had identified a market opportunity that was "tacit" rather than "explicit," which some consider to be a potential advantage of family firms compared to nonfamily firms (Tegtmeier & Classen, 2017).

In 1960 Georg Hipp's oldest son Claus was put in charge of the family farm, formerly joining the family business in 1963 and taking over the leadership upon Georg's death in 1967 (Jones, 2017: 66). Securing the necessary supplies of organically grown ingredients for the Hipp factory became one of Claus Hipp's priorities in the ensuing decades. He visited the Bavarian farmers and attempted to persuade them to switch their production methods to organic farming (IDCH, 2006). Although most farmers reportedly showed him the door at first, he was able to



persuade a growing number of farmers to switch their operation to organic farming. In return, they received a supplier contract from Hipp.

The early lead in organic food taken by Hipp is conveyed by the following excerpt from the *Pharmaceutical Journal*:

Organic ingredients are now the norm for baby food. One pioneer was Hipp Organic, founded in 1956 by Georg Hipp, who converted his family farm to become one of the first organic farms in Europe. He believed that baby food should be made from organic ingredients. Other leading brands today include Organix, founded by Lizzie Vann in 1992, and Plum and Ella's Kitchen which were both set up in 2006. (Hudson, 2011: 740)

Hipp's introduction of organic food arguably constitutes a case of *Schumpeterian* entrepreneurship given the reconfiguration of the food production systems that Georg and Claus Hipp instituted. The hallmark of Schumpeterian entrepreneurial behavior is the ability of certain firms to revamp entire industries from top to bottom, as Schumpeter (1912) elaborated in his original German-only first edition of *The Theory of Economic Development* (1934: date of first English edition). Although it has become common to cite Schumpeter's later retrospective view of his original theory as one of "creative destruction," Schumpeter's early conception of entrepreneurship ("Schumpeter Mark I," as it is sometimes called) emphasized neither creativity nor destruction. Rather, his emphasis was on the way entrepreneurs create "new combinations" rather than just respond to market signals at the margin as suggested by Walrasian notions of market equilibrium. With industrialists like Andrew Carnegie in mind, Schumpeter was fascinated by entrepreneurs who reorganized entire production systems. Arguably Georg and Claus Hipp were entrepreneurs of this kind. Their system of producing organic baby food can even be termed "particularistic Schumpeterian entrepreneurship."

Such entrepreneurship results in higher margins. Hipp products command a price premium of 20% over the second-largest baby food brand, Alete, and are about twice as expensive as lesser-known, non-organic baby foods.<sup>2</sup> As explained later, we attribute this price premium to both cognitive-reputational and normative-particularistic FOO effects.

### 3) Idealistic and Idiosyncratic Succession Arrangements

In many of the firm's television commercials, Claus Hipp appears personally and concludes with the well-known German phrase, "I stand by this with my good name" ("Dafür stehe ich mit meinem Namen"). The common identity of firm and family name suggests both that the firm believes in FOO effects and that good part of the firm's brand equity depends on the firm remaining in family hands, including not just ownership but also active management. This fact makes succession a key strategic issue for the firm.

Academics and consultants usually counsel family firm leaders to formulate clear succession plans. Claus Hipp has abstained from doing exactly that, however, assuring observers that his sons have been inculcated with deep Catholic values that will enable them to make the right decisions when the time comes (Plate et al., 2011; Knust, 2012). The distribution of ownership shares, too, is idiosyncratic, as shown in the next section: Hipp's ownership structure defies conventional categories.

The ambiguity surrounding how the firm will be managed after the death or retirement of Class Hipp has been noted by both Plate et al. (2011) and (Knust, 2012). Knust speaks of an "unclear generational succession," while Plate et al. (2011: 302) note that "Claus Hipp does not want to name a crown prince." In lieu of a clear succession plan, Claus Hipp refers to specific family values as sufficing to resolve succession issues when the time comes. Hipp declared: "We are in agreement that we will act according to our values, just as we were raised by our parents" (Plate et al. 2011: 302). To sum up, the Hipp family is idiosyncratic to the extent that it is willing to rely on values rather than on formal policies or top-down decisions to determine leadership succession.

## **Contextualizing the Hipp Case**

To put values particularism and the issue of its sustainability into the context of other German families managing to maintain effective control over their firms for extended periods of time, we consulted the interview-based study of Plate et al. (2011) of 50 prominent German family firms in existence for a century or more, including Hipp. This larger sample sheds light on what German family firms have done to keep their firm in the family for decades and even for centuries, when time and the associated accumulation of heirs plays against unified family ownership.

The persistence of family ownership among German companies is well-documented (Mayer & Whittington, 1999; Ehrhardt, Nowak, & Weber, 2005). Like Lane and Lup (2015), we note that national context does matter in food entrepreneurship. The national institutional context of Germany is particularly favorable to the perpetuation of family firms, beginning with its inheritance laws (Carney, Gedajlovic, & Strike, 2014). German family firms can remain in family hands for multiple generations thanks to the fact that German tax laws allow them to: family owners who maintain employment levels for a set number of years can usually avoid the bulk of normal inheritance taxes. Inheritance tax laws for family business owners in many other countries, including the US, are less generous (Carney, Gedajlovic, & Strike, 2014).

Although little is known about institutional patterns that distinguish German family firms from family firms elsewhere, one important clue is provided by Klein (2004: 68-73), who refers to the traditions of German "dynastic" firm families modeling themselves after European aristocratic families. In Klein's view, the successful persistence of family business dynasties is only possible when firm members share a common will for the family firm to survive as such.<sup>3</sup> The will to maintain a dynasty already embraces nonfinancial values that make the family firm more than just an economic asset providing income to the family.

In fact, a key finding of Plate et al. (2011) is the extent to which these firms remain under tight family management and ownership even after many generations. One would normally expect to find a natural evolution of the firm from the original founding family (a nuclear family pattern) to a firm co-owned by multiple branches of the family (a branched family structure) to a pattern of dispersed ownership (a dispersed family structure) resulting from the accumulation of family heirs (Plate et al., 2011). Some German family firms have evolved to have literally hundreds accumulated hundreds of family owners, such as Merck with 220 and Haniel with over 600.

Far more of the surveyed business families succeeded in maintaining – or re-establishing - direct management control, however, than one might expect from the natural course of family

evolution and proliferation of heirs (Figure 1). We have taken the liberty to tabulate their actual results, quietly classifying two firms among five that the authors did not classify under their three family firm types (Table 1). One would expect that, the older the firm, the more likely dispersed ownership would prevail. Over a period of two centuries, this law holds -- barely. But over a period of less than two centuries, it does not. Even most firms founded between 1851 and 1890 remain concentrated in the owners' hands, usually under direct family management. For this to happen, a lead sibling usually has to buy out the shares of other siblings and relatives at various junctures. Plate et al. (2011) cited many examples of this happening. Such extended concentration of ownership and control arguably favors the sustainability of values particularism, at least as a proprietary option.

**TABLE 1:  
DISTRIBUTION OF DIFFERENT TYPES OF FAMILY FIRMS**

	Nuclear Family	Branched Family	Dispersed Family
Founded before 1800	3	0	5
Founded 1800-1850	3	1	5
Founded 1851-1890	11	4	4
Founded 1891-1914	7	1	1
Founded after 1914	0	1	1
TOTAL	24	7	16

Source: own calculations based on Plate et al. (2011)

The presence of seven food firms among the 50 occasioned two sets of further reflection. The first pertains to our typology of FOO effects (above). Of these seven German food families (Table 2), only Hipp and Oetker are known in the German-speaking world for being anything other than the producers of these products. For the food products in the sample, the cognitive-reputational effect is almost certainly the most important for food consumers. Even mothers who pay more for Hipp baby products than cheaper substitutes arguably do so primarily on the basis of perceived quality and purity more than anything else. Normative-particularistic FOO effects may matter but for some buyers will likely be secondary.

The question arises as to whether Hipp is an outlier in cultivating and radiating normative-particularistic FOO effects. Based on our familiarity with these products and family brands, we would indeed classify Hipp as an outlier (Table 2). The normative-particularistic FOO effect of Hipp, and the exceptional price premium commanded by Hipp products, has already been discussed. As for affective-regional effects, such supplemental FOO effects play at most a role in

the case of Lambertz: this Aachen-based family firm produces a regional specialty called Aachener Printen as its original and still central confectionery product. Many if not most German consumers associate Lambertz with a regional specialty. In contrast, none of the other food families in Table 2 produce regional specialties. Even for Hipp, affective-regional effects are likely minimal Hipp; it is doubtful whether the Bavarian region is perceived by Hipp consumers as a relevant characteristic. This simple analysis is offered as a simple example how the FOO typology can be applied in practice.

**TABLE 2:  
DISTRIBUTION OF DIFFERENT FAMILY FOOD FIRMS**

Firm Name	Founding Year	Segment	Normative-particularistic FOO effects?	Ownership Type	Founding Year
Lambertz	1688	Confectionary	no	Nuclear Family	1688
Veltins	1824	Beer	no	Nuclear Family	1824
Dr. Oetker	1891	Diversified Foods	no	<b>Branched Family</b>	1891
Hipp	1898/1932	Organic Foods	<b>yes</b>	<b>Idiosyncratic</b>	1898/1932
Underberg	1824	Sprits	no	Nuclear Family	1824
Warsteiner	1753	Beer	no	Nuclear Family	1753
Zentis	1893	Marmelade	no	Dispersed Family	1893

A second line of analysis summarized in Table 2 pertains to patterns of firm ownership. Again, Hipp turns out to be unusual. Given Claus Hipp's 50-year tenure as the firm leader, one would normally expect a Nuclear Family structure (Pattern #1 in the typology above) to prevail. In fact, Plate et al. (2011: 298) evidently had difficulty classifying the Hipp firm and ultimately assigned it to the category of Dispersed Extended Family (Pattern #3), the same category as Merck and Haniel. Yet Hipp does not have 220 or 600 owners, but only five in two generations (Plate et al. 2011).

Be that as it may, Table 2 discloses a larger pattern into which Hipp clearly falls. German business families evidently try to avoid a branched structure of family ownership. Among the food firms, only one, Dr. Oetker, had recourse to a branched ownership structure. The branched family structure of Dr. Oetker is noteworthy for two reasons. First, this branched structure is not what

Oetker originally wanted (the tradition until recently was primogeniture) but resulted from the death of key heirs from war and illness in the 20th century (Plate et al., 2011: 139-141). Second, family feuds within Oetker are legion, reinforcing the lesson that a branched family structure entails special risks, a point hinted at even in the Oetker case study of Plate et al. (2011: 136-144, esp. 141). The travails of Oetker should thus be seen as symptomatic rather than idiosyncratic. The fact that German family firms work to avoid a branched family structure and usually succeed in preserving greater unicity of ownership augurs well for at the least the potential sustainability of values particularism among family firms, at least in Germany. Additional research would, of course, be needed to fully substantiate the hypothesis of a basic aversion to the branched ownership structure in Germany or elsewhere.

## Conclusion

The kind of FOO effects exemplified by Hipp reflects the family's repeated risk-taking motivated by the family's adherence to a strong set of particularistic values. For this reason we have characterized the Hipp family as "particularistic Schumpeterian" entrepreneurs who pioneered not only organic food products but also an alternative food system, promoting new farming methods to support such products before any market for organic foods even existed. At a time when organic food associations were not yet established (Dombrowski, 2017), Hipp had to synchronize both demand and supply conditions in a still embryonic segment of the food market. Values particularism helps explain why Hipp was able to transcend the risk-aversion characteristic of most family firms (Ratten & Tajeddini, 2017).

Beyond just being food entrepreneurs in the past, the Hipp family business has endured, producing organic foods for 60 years under persisting patterns of family control and ownership. If the industrialization of food production does indeed represent a "wicked problem" (Conroy, Simpson, & Young, 2017), then possibly family firms, with their long-term multigenerational outlook (Ratten et al., 2017) and scope for values particularism (Carney, 2005), may offer one organizational resource for addressing the problem.

Looked at in isolation, the nexus between the longevity of values particularism and FOO effects at Hipp might appear fortuitous. For this reason we have placed the Hipp case into a larger context. In its effort to main tight family ownership and control, the Hipp firm does reflect common trends of family ownership patterns found in larger samples of German family firms. At least in Germany, the proportion of aged family firms able to retain managerial control over generations within the family is surprisingly high, which augurs well for the sustainability of values particularism – at least as a potential option for family firms to exercise.

By the same token, however, the relevant scope of the foregoing analysis may be limited to countries like Germany that actively nurture the longevity of family firms (Carney, Gedajlovic, & Strike, 2014). Food entrepreneurship is sensitive to national context (Lane & Lup, 2015), and due to differing institutional conditions, other nations, including the US, may offer less scope for sustained values particularism via the organizational mechanism of family business.

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## Notes

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<sup>1</sup> Claus Hipp claims to be so subject to public scrutiny that he can ill afford to be seen driving an expensive car: "Notoriety brings duty. I am not a private person who can do as he likes. If I were to drive a car like a rowdy, that would damage the firm. And when I was financially in a position to afford a Porsche, I could not afford it for image reasons" (Tönnemann, 2015). Such a statement, incidentally, reinforces the notion of an FOO effect that concerns truly the influence of the family as opposed to the company per se.

<sup>2</sup> Analysis by authors on the basis of supermarket visits and online shopping comparisons.

<sup>3</sup> This author is an expert on the topic: Sabine Klein is herself a member of a distinguished German business dynasty.