

XVIII World Economic History Conference 2018 “Waves of Globalization”, MIT, Boston

Session 020205 “Female Entrepreneurs around the World: Property Rights and Ownership, 17th-20th Centuries”

Working paper

Hidden Owners of Hidden Champions? West German Female Entrepreneurs and Leadership in Family Business after 1945

Stefanie van de Kerkhof, History Department, University of Mannheim, kerkhof@uni-mannheim.de

- *Work in progress - Please don't quote without the author's permission!* -

1. Introduction

The role of female entrepreneurs as founders, heirs, managers, or part owners has rarely been examined in Germany. At times, they were even marginalized as mere representatives or parking space holders for male heirs, despite decades of management experience in large companies. Examples include Sophie Henschel (mechanical engineering), Käte Ahlmann (Carlshütte), Aenne Burda (publishing), Grete Schickedanz or Beate Uhse-Rothermund (mail order), Julia Lanz (tractor construction), Margarethe Steiff (toys), and Irene Kärcher (mechanical engineering). The role played by the emergence of large companies and organizational differentiation, or, in fact, the solidification of dualistic gender roles in business from the 19th century, still needs to be examined. Only in recent years have small and medium-sized family businesses – more than 92% of German companies – become the focus of business history. Previously, large companies dominated with their more convenient economies of scale. As Hartmut Berghoff rightly emphasizes, this was due partly to the archival situation, partly to a preference for the historicizing of "great men." The marginalization of female entrepreneurs changed little until the 1980s. This also applies to female entrepreneurs in so-called "hidden champions" (Hermann Simon).

2. Female Leadership in “Hidden Champions” - A literature overview

Ralph Stogdill showed in his classical study that there are in general five factors which are relevant for leadership – regardless of gender, industrial sector, and professional background. He named: ability, performance, accountability, participation, and status. In contrast, other factors such as age, height, weight, energy, and appearance had a low correlation. Factors such as intelligence, alertness, verbal fluency, originality, and judgment are central to aptitude, while performance (academic achievement and knowledge) were not quite as highly rated. Another important factor is responsibility, expressed, for example, in reliability, initiative, and perseverance. The factor

participation includes qualities such as engagement, willingness to cooperate, adaptability, and humor. In terms of status, both socio-economic position and popularity in groups or organizations are important for gaining recognition as a leader. Until the late 1990s, this broad spectrum of leadership skills in organizations narrowed significantly in business research. Leadership roles are still strongly influenced by the model of the self-made man and are rarely associated with descriptions of female characteristics. Risk aversion, a willingness to delegate, systematic planning and flexibility seem "difficult to reconcile with the typical female role model" (T. Döbler).

Recent studies by Marion Büttgen and Christian Mai, dealing with the under-representation of women in leading economic positions, explain how *gender bias* establishes hierarchies on the basis of prevailing gender stereotypes. They see additional problems in role mismatches between female and managerial stereotypes, both of which come into effect at the same time. With typically female behavior, female entrepreneurs do not correspond to the managerial image. When they "behave like a leader, they then no longer correspond to the typical role of a woman, i.e. they appear too masculine and thus appear rather unlikeable and inauthentic." With their study on the personality traits of 300 men and women in top management positions at German companies, Büttgen/Mai were able to show that stereotypical managerial roles are also characterized by "dark characteristics". Particularly striking is the "dark triad": Narcissism (excessive self-confidence, vanity, and risk appetite), Machiavellianism (e.g. relentlessness, assertiveness, callousness, and mistrust) and low levels of tolerance (low empathy, helpfulness, and cooperative behavioural repertoire). In their analyses, it became clear that "the women examined have the same characteristics for all dimensions of the dark triad as their male colleagues [...] and are in fact even more competitive and adversarial than male managers." Therefore, "the stereotypical views of women with regard to management positions must be fundamentally questioned and adjusted in the future."

The hypotheses of Büttgen/Mai are also confirmed by Gertraude Krell, who found no gender-specific differences with regard to leadership behavior and success. But, like the female entrepreneurs themselves, this topic has remained in the "shadows" – despite the fact that there has been a continuously high number of self-employed women since the end of the 19th century (on average, between 18 to 29% of the self-employed in Germany from 1882 to 1990).

According to Hermann Simon, women in particular are often found in "hidden champions" as the leading owner or part owner. He coined the term to denote small and medium-sized enterprises away from the spotlight, which were nonetheless market leaders in niche markets on a national or even international level.¹ Most of these prospering companies belong to the still under-researched

¹ Hermann Simon: Hidden Champions, Boston 1996.

mechanical engineering industry.² According to Simon's studies, which are mainly based on interviews, "hidden champions" utilize ambivalent leadership styles: They are sometimes authoritarian when it comes to fundamental principles, but other times participatory when it comes to operational activities. Overall, he demonstrated that the examined companies had fewer rules and bureaucracy and that controlling and operational functions were often not separated. These mixed leadership styles were particularly evident in companies managed by women.

In the following, I will take a closer look at the leadership style of female entrepreneurs and its genesis on the basis of a relevant case study. In general, such case studies can be instructive because they analyze regional specifics (e.g. of southwest Germany as an important innovative region), as well as long-term trends. The entrepreneur selected for our purposes, Irene Kärcher, is exemplary: Not only did her cleaning-technology company become a market leader in Germany and then later worldwide, but the entrepreneur also remained relatively unknown.

The sources are largely self- and external descriptions, mostly drawn from films published by the company. Since relatively few ego-documents could be found, these detailed statements of close employees, confidants, friends, and family members were thoroughly transcribed and analyzed. From a source-critical perspective, it should be noted that the selection of persons and the orientation for the sake of a commemorative film shows a positive bias toward the entrepreneur. In addition, the interviewees themselves adopt socially predominant or socially desirable gender stereotypes. A more precise differentiation between self-image, external image, and the prevailing image of women in the media cannot be made here due to the close and complex interrelation between symbolic, structural, and subjective levels. Particularly in the images and semantics of and about female entrepreneurs, role stereotypes and gender relations are negotiated and developed (*doing gender*), which can also exhibit ambivalent features (intersectionality or *doing work/doing professional*). Nevertheless, due to their proximity and intimate knowledge of the way the families and companies work, the statements are indispensable source material for leadership and entrepreneurship research. They provide information on how the management style of an important female entrepreneur developed and how it contributed to the fact that she was active in a "hidden champion". Research is still few on this interdisciplinary problem of gender aspects in the leadership of hidden champions. Therefore, the analysis of the genesis, development, and value orientation of the female leadership style breaks new scholarly ground.

² Simon named e.g.: Marie Harting, Renate Pilz, Gisela Sick & Anne-Kathrin Deutrich, Gisela Wirtgen, Martina Hoerbiger, Bettina Würth, Alexandra Dürr, Eva Maria Roer, Rosa Zapf, Nicola Leibinger-Kammüller, Sybill Storz, Dorothee Stein-Gehring, Stella Ahlers, Kristina Strenger, Ingrid Brand-Friedberg, Eva Mayr-Stihl, Katharina Geutebrück, Hannelore Leimer and Cathrina Claas.

3. Socialization and professionalization

Irene Kärcher (1920-1989) came from the wealthy-merchant Herzog family from Esslingen (Swabia). Friends of this pastor's family relate that the gender roles were not divided into the prevailing separate spheres model. Irene's mother was a dominant figure who clearly did not conform to traditional female gender stereotypes.³ Even though the mother occupied a dominant position within the family, the two daughters were "still brought up in a very traditional manner." Proof of this is found in the home-economics course Irene completed at a private institute after secondary school. Here, she was able to develop relevant skills e.g. to "manage and organize a large household".⁴

There is consensus about Irene's early leadership qualities. Her charming, buoyant manner made her popular with her adolescent girlfriends, who viewed her as active and cooperative. She also exhibited several of Stogdill's leadership personality traits.⁵ Her family, employees, and advisors all remark on her pronounced skills in dealing with people, which she developed in the socialization of her family.⁶ Various sources not only point out her charm as an innate characteristic, but also her capacity for empathy, problem-solving, and creative drive. Indeed, these are aspects of her personality that clearly contradict the "dark triad" postulated by Büttgen/May.

After finishing her education in home economics, Irene became secretary of the board of directors at Daimler-Benz, where she learned accounting and personnel management, developed business contacts, and met her future husband, Alfred Kärcher (1901-1959). After marrying in 1949, they moved into a house in Winnenden near Stuttgart – next to the small company Kärcher founded in 1935 – and had two children (born 1950 and 1957).⁷ Kärcher, a mechanical and electrical engineer by trade, distributed hot air blowers to the major Nazi aviation equipment suppliers such as Dornier, Heinkel, and Junkers. In the war year of 1943, Kärcher reached sales of 11 million Reichsmarks.⁸ But the size of the company remained modest: In 1937, there were nearly 120 employees, shortly after the end of the war only 40; in 1948, there were about 140 and, by the end of the 1950s, about 250.⁹ Kärcher owed his first post-war orders to the US Armed Forces in Germany, taking over the maintenance of high-pressure hot-water cleaners from the USA. This set a precedent for the model Kärcher developed, which soon predominated in Europe. Success was not long in coming: In 1959, turnover already amounted to 6.6 million DM (3.41 million euros). Alfred Kärcher, however, would

³ Kärcher-Film "Das Vermächtnis" („The Legacy“) 02:08, 05:20. All interview quotes were translated for this paper.

⁴ Das Vermächtnis 02:08 and 17:58.

⁵ Das Vermächtnis 08:08.

⁶ Das Vermächtnis, Part 2, 1:35:39, 1:45:06, 1:45:51, 1:46:36.

⁷ Das Vermächtnis 35:14.

⁸ Alfred Kärcher GmbH & Co. KG: Kärcher Museum, pp. 17-29. Alfred Kärcher GmbH & Co. KG (ed.): Alfred Kärcher – Ein württembergischer Tüftler & Unternehmer, Catalogue, Winnenden 2009, pp. 6 and 19.

⁹ Alfred Kärcher GmbH & Co. KG (Ed.): Alfred Kärcher, p. 25.

not live to witness the growth of his company into a global player. He unexpectedly died in September 1959 at the age of 58.¹⁰

Nevertheless, his wife Irene was not wholly unprepared for his death. As her nephew later reported, Alfred Kärcher had already involved her in decisions, especially on personnel and investments, and trusted her advice.¹¹ Her son went even further in the posthumously published interviews, giving his mother greater credit for management, the handling of capital, and investments. His description of the division of labor within the company also coincides with the statements of Irene Kärcher (1987) and her daughter, who likewise described her as an active co-entrepreneur.¹²

Due to her lack of formal training for the company management and her children, who were still very young at the time of Alfred's death, she took some time to reflect before taking the reigns of the company.¹³ Until her death, she was a general partner and held all property rights to the company.¹⁴

Sources report that Irene Kärcher decided to take over the management of the company for three main reasons: First, a pronounced sense of duty, which was mentioned by several respondents; second, a sense of responsibility to the company and its employees; and, third, an obligation to secure the inheritance for her children, especially her son, as her nephew observed in hindsight.¹⁵ But her son and daughter-in-law also attributed her decision to her socialization, through an inculcated sense of duty and her functions as “Schaffführerin” (a rank within the League of German Girls).¹⁶ In sum, Irene Kärcher not only already possessed the essential personality traits of a manager such as responsibility, initiative, and a sense of care, but she also pursued from the beginning value-oriented corporate goals such as sustainability. This particular value involved securing the company's existence for her heirs.

4. Leadership and Governance in a family-owned hidden champion

a) Corporate governance and female leadership

After her husband's death, Irene Kärcher took over his experienced management team with only two and later three managers (sales, research & development, finance and accounting).¹⁷ The enterprising activity of the female boss, who doggedly worked her way into management with

¹⁰ Alfred Kärcher GmbH & Co. KG: Creating Values with Ideas, p. 9.

¹¹ Film “Erinnerungen an Alfred Kärcher” (Memories of Alfred Kärcher), Winnenden 2001, 26:46.

¹² Ibid. 26:09; Keysselitz: Kärcher. Reinigen zum System entwickelt, p. 26.

¹³ Das Vermächtnis 29:15.

¹⁴ See German register of corporations.

¹⁵ Das Vermächtnis 30:13; 31:38; 25:08.

¹⁶ Das Vermächtnis, Part 2, 13:10; Part 1, 25:08.

¹⁷ Ibid.

considerable effort and time,¹⁸ and her expansionist goals of the company quickly paid off. In her first year, sales rose by 67.6 % and increased greatly in the following years from the equivalent of 3.4 million euros (1959) to 8.8 million euros (1968). The number of employees almost doubled to 420.¹⁹ Decisive steps taken in this direction were the establishment of a Germany-wide sales network and the continuous development of new innovative products for commercial and later also household cleaning technology.²⁰ The first expansion of the family business was directed and supervised by the management, a special Board of Directors (Verwaltungsrat) and the shareholders' meeting.

As one manager pointed out, Irene Kärcher herself played a decisive role as she was represented in all three bodies.²¹ The sources consistently describe her relationship with the managing directors as hierarchical and tension-filled. She also affectionately described the managers as "little boys" or "horseys" (Buben, Pferdle), which she could occasionally only steer with difficulty. However, as one member of the Board of Directors explained, the sometimes tense relationship between managers only reinforced the leadership and power of the owner-entrepreneur.²² Besides this balancing act, what other aspects were decisive for the company's growth into a global market leader?

Irene Kärcher's success was based first on her selection of personnel. Sources consistently remark on her keen sense for a candidate's qualifications, personal skills, and individual interests. She was thus able to motivate her managers time and again and spur them on in their work.²³ Second, as expressed in interviews with a senior manager, the CEO for Switzerland, and her Board of Directors, she was always able to maintain her maternal dominance over managers through competition, criticism, and the principle of the final arbiter.²⁴ According to one former manager, the way she dealt with criticism and her decision-making power clearly shows that, as an entrepreneur, she not only established general directives, but also deliberately intervened in operational activities in a controlling and even authoritarian manner.²⁵ Third, Kärcher developed persuasiveness as an entrepreneur, not by referring to her property rights, but through her sensitivity and ability to bring people together. This also applied in cases of conflict, where she could tap into her oft-praised

¹⁸ The marketing manager remarked that Kärcher worked daily until 10 or 11pm in the company and did not even spare all of Saturday for meetings with her assistants, in: Das Vermächtnis, 43:03. See also her niece 33:52 and secretary 40:24ff.

¹⁹ Stefanie van de Kerkhof: Deutsche Unternehmerinnen in der Nachkriegszeit. Irene Kärcher als Pionierin auf französischen Märkten (1959-1989), in: A. Kwaschik/F. Berger (Ed.): La <condition féminine> im 19./20. Jh., Stuttgart 2016, pp. 309-322.

²⁰ The Kärcher company registered 3,045 patents in the German patent and brand register and presently still holds 999 patents (2013). The company's website only mentions 1,300 patents since 1935 and 460 patents today (2013).

²¹ Das Vermächtnis, part 2, 15:51.

²² Das Vermächtnis, part 2, 20:25, part 1 18:50 and 19:59.

²³ Das Vermächtnis, part 2, 22:48 and 23:03.

²⁴ Das Vermächtnis, part 2, 51:47, 51:27 and 49:55; part 1, 41:10

²⁵ Das Vermächtnis, part 2, 26:27.

leadership qualities in dealing with people. In one interview, the former long-time works council chairman also emphasized Kärcher's importance as a uniting figure in disputes.²⁶

Despite all the praise of Kärcher's personnel management, many of those interviewed for the Kärcher film "Das Vermächtnis" ("The Legacy") overlooked the fact that she possessed great entrepreneurial talent, marked by a willingness to take risks and systematic planning. Only her son refers to these competencies – he attributed to her "a certain kind of courage, boldness, and willingness to take risks. She had this, and that's entrepreneurial."²⁷

But how did Irene Kärcher succeed as a woman in the late 1950s and early 1960s, a time with firmly established bourgeois role models? How did she manage to assert herself as a risk-taking, hands-on boss without getting caught up in the role conflicts described by Büttgen/Mai, even in an industry that, according to Karen Hausen, is typified the distance of women to technology?²⁸

The interviewed business partners and employees agree that Irene Kärcher's leadership style was decisive. They attributed to her a mixture of toughness and authority, on the one hand, and charm and femininity, on the other. Above all, they emphasize the contradictory roles that she was able to deliberately integrate, sometimes in an almost manipulative manner.²⁹ In line with the Board of Directors, her management style can thus be described as maternalistic – a female variant of entrepreneurial leadership commensurate with the paternalism of German entrepreneurs in the 19th and early 20th centuries examined by Hartmut Berghoff.³⁰

Yet, as Christiane Eifert has shown, the fact that Kärcher oriented herself to the management style of the pre-war period was not unusual. It was quite common until the 1970s that female entrepreneurs practiced the authoritarian management style of the past instead of modern, team-oriented management concepts.³¹ But for Kärcher and other successful female entrepreneurs such as Beate Rothermund-Uhse, this was only partially true. Both represented to the outside world a form of humane personnel management, while being oriented towards traditional management principles and rejecting elements of worker participation. Thus, the ambivalences typical of "hidden champions" were in evidence in both management styles: hierarchical, partly authoritarian management principles were combined with a participatory approach to managers. This, in turn, was

²⁶ Das Vermächtnis 43:24., 1:01:25 and 1:42:03.

²⁷ Ibid, part 2, 27:22.

²⁸ Karin Hausen: "Doch der Graben war viel zu tief". Zur Distanzierung der Frauen von der Welt der Technik, in: R. Grube/G. Kammasch/F. Kath (ed.): Diskussionsfeld Technische Ausbildung 4, Alsbach 1990, pp. 155-161.

²⁹ Das Vermächtnis 38:20, 39:56, 38:43, 39:34 and 39:11.

³⁰ Hartmut Berghoff: Unternehmenskultur und Herrschaftstechnik. Industrieller Paternalismus: Hohner von 1857 bis 1918, in: Geschichte und Gesellschaft 23, 2 (1997), pp. 167-204.

³¹ Eifert: Deutsche Unternehmerinnen und die Rhetorik, pp. 26f., 29.

supported by a fairly open governance structure with little bureaucracy. Irene Kärcher, though, clearly dominated in all management and control bodies, which kept this system in balance.³²

b) Business ethics and leadership

In the statements from Kärcher's confidants, it becomes clear that sustainability was a key corporate goal for her. In other words, she preferred sustainable, long-term growth over short-term profit.³³ The same strategy applied to newly established companies and sales offices abroad, especially in France and Switzerland.³⁴

Kärcher did not make excessive withdrawals from company profits for private purposes, but reinvested the money to promote a steady expansion.³⁵ It is interesting to note that her son's praise of her parsimony and modesty are interpreted as entrepreneurial virtues. This implies a specific set of values that is neither to be found in classical management research, nor in Schumpeter's entrepreneurial typology, nor in modern entrepreneurship literature. Statements by senior managers at Kärcher also point to a regional, southwest German, or Swabian character, which still needs to be examined comparatively and in more detail. Without drawing on further sources, it cannot be clarified whether her value orientation stems from religiously motivated ethics or from general, regional, or even generational practices. This also pertains to another value that was written large in Kärcher's corporate culture: a sense of belonging ("das Miteinander").

Irene Kärcher herself proclaimed that exhibiting humanity with others was an essential company goal.³⁶ This was not mere lip service, as the unequivocal statements of the former chairman of the works council attest.³⁷ Vivid descriptions of company parties and personal encounters from employees, at home and abroad, further show that Kärcher's humorous disposition was an essential part of this orientation.³⁸ Along with her willingness to take risks, hands-on approach, diligence, sense of duty and responsibility, she had another characteristic that Stogdill identified as an essential quality of leaders.³⁹ According to the former managing director, the corporate culture that Kärcher personally propagated and cultivated was not only aimed at a workplace where employees experienced a comfortable, caring, and responsible workplace. They also identified with, were loyal

³² Das Vermächtnis, part 2, 00:25, 50:58, 1:24 and 37:36. An intimate collaborator described her as a queen bee.

³³ Das Vermächtnis, part 2, 1:10:58.

³⁴ Ibid. 1:01:58, 1:12:09, 58:32.

³⁵ Das Vermächtnis, 1:11:35.

³⁶ Das Vermächtnis. Erinnerungen an die Unternehmerin Irene Kärcher, o.O. [Winnenden] 2002, 00:00.

³⁷ Das Vermächtnis, part 2, 57:53.

³⁸ Ibid. 57:20, 59:59 and part 1, 43:03.

³⁹ Stogdill: Persönlichkeitsfaktoren und Führung, pp. 115ff.

to, and motivated to act on behalf of the interests of the company.⁴⁰ The company's employees were truly devoted to Kärcher and personally sympathized with her.⁴¹

The extent to which religion and her protestant background were relevant for Kärcher's value orientation still needs to be studied.⁴² Indeed, under the control of Kärcher's son, the company's management continues to maintain the same values to this day. The path dependency here is therefore gender neutral.⁴³

5. Conclusion

Overall, the wealth of interview material on the history of this "hidden champion" allows for a meaningful analysis of female leadership. Admittedly, such a study neither can nor should make any claims to representativeness. Still, the detailed and balanced look at the family-owned company Kärcher opens up important new insights for entrepreneurship research. Clearly, role and gender stereotypes are highly relevant when it comes to the self- and external image of women entrepreneurs and have an impact on the acceptance and work of female executives. Even though Irene Kärcher's own corporate governance was consistent with the practices established by her husband, a specifically female management style was unmistakable. In addition to strategy development, planning, and consulting, her primary leadership tools lay in personnel management. Contrary to the female stereotype, she could be heavy-handed when it came to managerial staff.⁴⁴ Her property rights and dominant position in all three management and supervisory bodies of the company helped her to push through her decisions. She practiced a maternalistic style of leadership that skillfully combined authority and dominance with empathy, warmth, and a sense of caring. Due to the media's restraint, the company's rise to a global corporation took place beyond the public's notice. It was a classic "hidden champion" with the characteristic ambivalent leadership elements. Despite a pietistic attitude toward modesty, spending restraint, and humanity, a specifically female ethic however could not be shown. At the same time, gender played an important role in Irene Kärcher's style of leadership – both as an external image in the perception of the interviewees and as an instrument for Kärcher herself. The large number of female entrepreneurs in southwest Germany seems to be very well suited to conducting comparative research in the future (e.g. with Kay, Uljanova, Colli/Rose/Howorth, Arnoldus, Rose, Danes/Olson).

⁴⁰ Das Vermächtnis, part 2, 1:00:34; 59:49 and 1:00:51.

⁴¹ Das Vermächtnis, 1:02:44, 1:13:35; 1:14:18 and part 2, 1:16:10.

⁴² Das Vermächtnis, 18:59.

⁴³ In 2013, for example, the company Kärcher was awarded a workplace seal from the Protestant Church in Germany for its high social standards. Art.: Evangelische Kirche zeichnet Kärcher aus, in: Bkz online 16.09.2013 (11.6.2016).

⁴⁴ Das Vermächtnis, part 2, 1:03:51.