



MÜLLER CASE STUDY

 **ÜLYSSES**

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS





1. SLOGAN/TAKE AWAY MESSAGE

The involvement of multiple family members in family business activities can complicate the family firm's governance.

2. KEYWORDS

- Governance
- Family Business Succession Planning
- Hotel
- Sibling Team

3. ABSTRACT

The Müller family is owning and running a hotel in the Austrian Alps called Müllers with 300 employees and 400 beds. Until now, succession was never a difficult matter. In recent years, the company has flourished, and the head of the company Jakob Müller is leading the hotel with the help of his three children. Due to the firm's size, each of them is managing a department on their own and two external managers are overseeing another two departments. As the family as well as the firm's structure increase, the complexity of Jakob's succession on the horizon increases also. In this context, the governance of the family business must be revised and formalized. Therefore, the company's organization of engaged family members as well as the external managers must be clarified and the succession plan should be provided covering Jakob's handover as well as further management positions in the future generation.

4. INTRODUCTION TO THE SITUATION (STORY-TELLING)

"Hello everyone", Hannah Müller says cheerfully entering the dining room of her parents, Elaine and Jakob, where the Müller family comes together for lunch. Hannah places her two children at the kid's table on the side where her two nieces are already sitting and



drawing. She takes her seat between her two siblings, Lena and Paul: “What did I miss so far?” Her brother and sister look at each other lifting their eyebrows. Lena whispers: “Hey Hannah. You look lovely today. You have not missed anything yet, but as far as I am concerned, I would like to continue the conversation of the other day. We cannot avoid this elephant in the room much longer”. Paul was nodding encouraging.

Jakob looked at his three children scratching his head. As the steaming hot casserole was served, he raised his voice: “So everyone, before we start, I wanted to say that I agree with you Lena. Indeed, you don’t need to act like I wouldn’t care. I have already talked to your mother about the whole situation several times. As the head of this family, I wanted to come up with the master plan on my own, but honestly, neither was I able to come up with a solution on my own yet nor has your mother. As I am noticing your increased impatience, I have the impression you all should have a say about this thing as it is concerning us all equally and beyond that, the decisions of today will have an impact on the future generations, too.”

He smiled gently towards his family: “But first and foremost let me say, I am very content with all of you. I think each year we are running together the company smoother. I am proud that you all really grew into your positions.” He exchanged views with his wife. Her firm look took him back to the many discussions the two lately had. He thought to himself that Hannah, Paul and Lena are all doing a wonderful job in continuing the family’s legacy. All three of them did prove to their parents and, especially to him, their trustworthiness, and capabilities to run their own departments. But up to this point of time, he has always been the head and soul of this company. He grew up here and led the company’s expansion over the past decades. But how will it be when he is actually stepping down. The issue on how the company’s future leadership, ownership and structure shall look like, is a really tough one.

Jakob’s thoughts were interrupted by the voice of his youngest son Paul: “Thank you dad for your kind words. I think I know where your line of thought is going. We all know that we are working well together but how can we continue our success? Especially in the case that you might retire someday.” Glancing over to his parents, noticing his mother lightly nodding, he continued: “I mean it is the right time to deal with the company’s strategy for the future”. As the rest of the family nodded firmly, he said: “We all know that up to this point there was only one direction for the company. So far, the successions had always been quite uncomplicated. But in comparison to all the previous ones there are now the three of us involved in the daily operations. In addition, Simon is technically also involved with his shares. I mean, we must have this talk now to figure out how we want to continue and then eventually how a succession could be planned.” Lena stepped in: “Definitely. I cannot agree with you more, Paul. And it is not only a matter for the company’s structures and processes of today or Dad’s retirement but



also with the involvement of four parties in our generation I think one pressing question is: How can we find a solution now that is also guiding the future generations? Or do you just want to chop up the company in four, Dad?” Jakob now visibly tense, snapped at his daughter: “Don’t you think you are overdoing it a bit right now, Lena? Your kids are not even in school yet!” Hannah, who had watched the whole conversation vigilantly, now rolled her eyes and spoke up carefully: “Well, we must take the potential grandchildren into consideration. By now, Dad you have already four grandchildren. I am certain it won’t stay that way.” She winked at her brother Paul. Turning back to her father, she said insistently: “This company is your legacy, Dad, and we are all so happy and grateful that we found a way to work all hand in hand. Now, we must get some structure in here otherwise a successful succession will be impossible.” Jakob sighed: “Okay, okay. I heard you all. Now, this is still family lunch, eat your casserole and I promise, we will get this stone rolling sometime soon.”

5. DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

The Müller family is owning and running Müllers in the Austrian mountains. Jakob and Elaine Müller are now owning and leading the family’s business. The venue, where the company is located today, was in the possession of the Müller family already for a long time and the company grew step-by-step from a small inn to a successful hotel. The entrepreneurial spirit runs in the family as already Jakob’s ancestors who ran the inn decades ago realized the value of the idyllic region surrounding the location for guests.

Jakob’s parents took over the family firm together during the period of the Second World War. Despite the adverse conditions of that time, Jakob’s parents were able to continue the family’s legacy. The couple created a unique company culture filled with hospitality and entertainment. Thus, more and more guests from different places started to come to the Müller’s Inn, which slowly turned into a proper hotel by expanding rooms and services. Also, Müllers was benefitting from the prospering of the tourism industry after the second world war, and the development of the first ski resorts as we know them today. As the family’s venue is located at the foot of the mountain, guests increasingly came for hiking in the summer and for skiing in the wintertime. The succession was in the family tradition easy as Jakob only has one sister who moved away from home. Thus, he was the only choice for succeeding in the company when his parents died unexpectedly since he was the only child of the Müller family. He took over the hotel and expanded it further starting to provide more leisure activities for guests as tennis or skiing. In addition, Jakob realized the great interest of guests in the family’s farm. Thus, he



started to offer guests to be a part of the farming activities. The business was running very well.

Before Jakob married Elaine, he was already married once. From his first marriage, Jakob has one son named Simon. Jakob and Elaine share their passion for hospitality and innovation. During their time owning and running the company, the two expanded the company even further. Today, the company almost doubled its beds and expanded its gastronomy. The couple has three children, Hannah, Lena and Paul. Earlier, Simon worked in the company together with his father for a couple of years but left the family firm to open up his own business. By now, all three children of Jakob and Elaine have joined the company. The family was able to structure the different departments that each one is managing a department alone. Under the supervision and leadership of Jakob, the teamwork of the siblings runs smoothly. Every noon the whole family, including the four grandchildren is having lunch together.

Jakob Müller is now 68 years old. He is leading the company with great entrepreneurial spirit and is expanding it continuously. Although Jakob does not want to retire just yet, he is concerned with the future of the company. He trusts his three children and their capabilities to lead their departments. Further, he is very satisfied with the work of the two external managers that are managing two further departments. Under his leadership the organization is running smoothly but he is very concerned about how the company should be structured for the future.

“I am not planning to retire just now but I know we should think about a plan. I feel confident with my children working under me together with our two external managers. I think it becomes necessary to clarify the governance of the company to ensure a division of responsibilities. This should also include a future plan and my possible retirement. I want to avoid any kind of company division at any cost. I want our family’s legacy to be continued further by my children and grandchildren.”

Elaine Müller is from the same village as Jakob. Elaine is the soul of the company as she embodies true hospitality. She is involved in decoration activities and helps where she is needed. Just like her husband, she is concerned about the company’s future and how the company’s governance is structured best. She wants to make sure that conflicts among the children are avoided and that the company’s longevity is guaranteed.

“I am so grateful that we get along all so harmonious. I think it is most important to ensure that for the family’s and the firm’s future. Today, we have a well-functioning but quite divided management in the company. We must install a family business to make sure that everyone is taken care of. For me, our two external managers became like family over the years, we must ensure their positions also.”



Simon Müller is the first-born son of Jakob and his early wife. Simon always had a respectful relationship with his father and liked his stepmother, Elaine. Simon is not involved in the company's daily operations. Still, he wants the company to continue to running smoothly.

“So even though I am not an active part of the hotel, I hold shares and I am an active part of the family. I do not want my siblings to fight over the different positions nor do I want to give up my shares. I think it is necessary to formulate a binding agreement for governance which will clarify the possible succession trajectory.”

Hannah Müller is the oldest daughter of Jakob and Elaine Müller. Today she is 40 years old. She has two children, Emma-Elaine and Jakob Junior, who are eight and ten years old. She is working in the family firm for twelve years now. Before she joined the company, she studied Management and Tourism in Italy at a prestigious school and gained several years of working experience abroad in different hotels. Hannah is very content with her position to lead the marketing department as well as the leisure activities and the wellness area.

“I think installing governance is now crucial to ensure an effective direction of our company. It is not only about our generation, but this becomes even more relevant since we have children. As our family grows, governance gets more and more complicated. We have to figure out a fair solution for everyone.”

Lena is the second daughter of Elaine and Jakob. She is running the human resources management of the company. Lena joined her parent's firm after studying business administration with a special focus on Human Resource Management. She has two little children aged four and six.

“I can understand that it is very difficult for dad to let go of the business and hand over. Especially, since we do not really have a future plan. However, I do not feel that this is because he is unwilling to prepare for the future. There is no easy answer how to restructure dad's overseeing position as three children are involved in managerial positions and operations, our two external managers and Simon who also has shares of the company. I think for the moment everyone is happy with their position and duties but we have to ensure that this balanced situation can be maintained in the future.”

Paul is the youngest son, who just joined the family firm four years ago. Before his studies in Management, he travelled the world and worked in several hotels. After he finished his studies, he joined Müllers. First as an assistant to the hospitality director and now managing this department on his own. In addition, he is responsible for all the farming activities as this was always one of his greatest passions.



“Regarding the company’s governance and the upcoming succession, I think it is necessary that we decide together on a strategy. I do not want us to fight over responsibilities when dad is retired. Now dad is overseeing all of our involvement but how can we do it in the future? I do not think it would be fair if only one takes over all of the company.”

6. INFORMATION ABOUT FAMILY BUSINESS

Müllers is located in the Austrian Alps surrounded by beautiful mountains which are accessible for skiing activities during the wintertime as well as for hiking and biking during the summertime. Due to its unique destination, the hotel is running year-round. Jakob Müller is the current owner of the business. His three children, Hannah, Paul and Lena Müller are leading different departments together with two external non-family managers. Hannah is responsible for the company's marketing as well as the wellness area and other leisure activities. Paul is managing the gastronomy and farming. Lena is responsible for the company’s human resources. One of the external managers is operating as the general hotel manager and the other one has responsibilities for Food and Beverage. Overall, the company has a staff of approximately 300 employees. The business is generating 35 million euros sales revenue and about 150,000 overnight stays. Müllers offers almost 200 rooms, whereof a third are suits, and almost 400 beds.

Müllers is awarded five stars and offers its guest a great variety of activities. The hotel disposes of a farm with animals and organic cultivation. Animals such as cows, chickens or horses are used as agricultural livestock. In addition, guests are able to get to know farming processes and can take part in guided activities such as horse riding or gardening. For their farming, only natural resources are used. The business can be regarded as self-sufficient. As one of the pioneers in sustainable hotel management, the hotel’s wellness worlds, and air-conditioning in the storerooms, offices and conference rooms relies on water as a sustainable energy source. Every alteration, extension and new building project is done in accordance with the hotel’s eco-friendly ethos and meets the highest sustainability standards. Müllers is for instance using wooden ceilings instead of steel, disposes of its own eco-farm and relies on a number of regional, quality partners. Further, the hotel offers a wellness area and leisure activities such as skiing, tennis and golf or private fishing. Today, the hotel includes an amazing water world and sauna complex, covering a total area of more than 12,000 square meters. As Müllers is very family-friendly, a separate water world was just installed for children. Altogether, the complex disposes of multiple restaurants where the family pays attention to biological products from its own agriculture and regional products served with Austrian hospitality in its rooms furnished in Alpine style.



At the heart of the company's mission is the wish to offer the best service and a unique customer experience. Therefore, Müllers is not cooperating with tourism agencies or booking platforms but only operating independently. The staff makes sure that each guest receives individual high-standard care and support. The company's attitude is rewarded with highly prestigious reviews and awards. The business continues to be flourishing. The added value is 100 % reinvested into the business.

7. PROBLEM TO SOLVE

Müllers is a well-established family business. As for all family-led and -owned enterprises, one of the main challenges is to preserve the company over generations and manage the succession. Both challenges are closely entangled with the governance of the company. Until now, the Müller family did not pay much attention to its governance as Jakob continued to be the head of the company and the other managers did "grow" into their roles. Generally, family business governance incorporates the principles of the firm's responsible management. Thus, governance includes the regulation of family as well as business matters and the handling of all relevant relationships with other stakeholders such as employees. In addition, it clarifies the roles, rights and responsibilities of each family member. Also, it creates the terms for family employment and compensation, and formalizes the business relationships, the succession process and distribution policies.

The longevity of a family business consists of two components, the successful day-to-day operation, wherein all involved members of the family work hand in hand fulfilling the company's vision, and the actual succession process, which is crucial to ensure a fair transfer of leader- and ownership rights. Concerning the company's succession, this constitutes an upcoming challenge for the Müller family, as Jakob and his three children currently work harmoniously together. Each of the potential successors manages a part of the company independently. It becomes increasingly important to preserve equality and harmony when the father retires. In history, the company has never been led by three different successors, thus, challenging the Müller family to find a unique solution for collaboration in terms of leadership and ownership. The possible solution for the company's takeover as well as the family business governance is not only relevant for the three involved children of Jakob and Elaine Müller. Jakob's eldest son Simon should also be considered in how he can stay in the company with his shares. Further, the two external managers are well-established in the company's structure today. Both are working in the hotel for a long time and doing their job well. In addition, the sharing of leadership and ownership also raises the challenge of today's succeeding generation to make the transfer to the grandchildren generation possible, guaranteeing equality for the



offspring of the heirs, no matter if they take over the business or not. The family wants to ensure a harmonious collaboration of the involved members. Thus, a fair solution is needed on how to divide responsibilities, how the positions and responsibilities of the external managers should be structured and managed and how the succession to the next generation should be planned. In addition, governance should include options for the children of the next generation.

8. QUESTIONS

- (1) How can the family business structure and clarify its governance concerning the four heirs, the multiple managers, their responsibilities and the decision-making power?
- (2) How can the succession plan for Jakob's retirement be formulated transferring his ownership as well as leadership rights?
- (3) How can succession planning include avenues for Jakob's grandchildren?

9. INSTRUCTIONS FOR STUDENTS

- (1) Carefully read the provided case study to gain a comprehensive understanding of the Müller family, their hotel Müllers, and the challenges they are currently facing. Pay attention to the dynamics within the family, the involvement of external managers, and the potential succession issues.
- (2) Conduct research on intergenerational communication within family businesses. Identify the communication challenges faced by the Müller family and propose solutions on how they can improve their communication.
- (3) Research the topic of family firm succession and analyze potential choices for optimal succession planning that integrates all family members. Consider the unique circumstances of the Müller family and propose a succession strategy that ensures a successful transition of leadership and ownership, as well as the long-term sustainability and longevity of the family business.



10. EVALUATION

10.1 WRITTEN SOLUTION

- (1) The assessment is based on how the team was able to identify the problem/crisis/issue, defines clear and comprehensive aims on how to solve it and describes its approach and the reasoning behind it.
- (2) The assessment is based on the form and structure of the final output and if its presentation is creative (editing, tools used, design, attractiveness), comprehensible (red line), follows academic standards (citations) and uses adequate language.
- (3) Furthermore, the assessment takes into consideration if the team's solution provides an added value for the family business and its members.

10.2 VIDEO SOLUTION

- (1) The evaluation takes into consideration if the team's solution provides an added value for the family business and its members.
- (2) Moreover, the evaluation concerns the form and structure of the final output and if its presentation is creative (editing, tools used, design, attractiveness), comprehensible (red line), follows academic standards (citations) and uses adequate language.
- (3) In addition, the structure and outline of the presentation and working with others will be evaluated.

11. REFERENCES

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