



SCHIFFER CASE STUDY

 **ÜLYSSES**

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS





SLOGAN/TAKE AWAY MESSAGE:

Internationalization and family business management in niche markets

KEYWORDS:

Family firm, sailboat industry, niche market; international expansion; value chain governance

ABSTRACT:

Schiffer is a family firm leader in the production of luxury sailboats founded in 1927. Production takes place entirely in Austria, and international expansion has been gradual with expansion into culturally close markets. Now the goal, while transitioning to the fourth generation, is to expand globally. The student is expected to identify with the CEO of the company and make suggestions on strategy in terms of value chain organization and marketing strategies.

INTRODUCTION TO THE SITUATION (STORYTELLING)

In 1927, Leopold Schiffer founded his company building boats on the Old Danube in Vienna. First, the company started producing sailboats and very few electric boats and selling them locally. For the Berlin Olympics in 1936, Schiffer built Olympic dinghies for the Austrian Sailing Club. In the 1950s, the Schiffer Shipyard built Fish and Starfish motor boats and took over the representation of the Norwegian regatta boat.

In 1971, the company was handed over to Jakob and Konstantin Schiffer, the sons of the founder. They came up with new and innovative ideas such as building boats out of polyester. After a legislative ban on motorboats on Lake Traun, the family invented lightweight electric boats made of plastic. Several hundred electric ships were



produced at the shipyard, which was built in 1976 in the city where Leopold had moved with his family. Since 1988, the headquarters of Schiffer Shipyard has been located in the same sailing harbour.

In 2000 Lorenz, Dominik, and Florian Schiffer, the third generation of the Schiffer family took over the business. The succession process took place without any major setbacks, as there was no rivalry between the siblings for a long time. However, at that time the companies' boats did not receive as much attention as the family had hoped for, which led to them reconsidering the Schiffer brand. During a restructuring in 1993, the company was transformed into GmbH & Co KG, and in 1996 Stefan Schiffer, son of Jakob Schiffer, joined the company. His brother Lorenz Schiffer was already a certified boat builder and has been with the company since 1982. They gave up the idea of selling sailboats and instead opted for luxury electric boats. The first boat they made was the 750 St. Tropez, along with Jonas Geiser, his cousin who joined the family as a yacht designer.

From the beginning, the company had a moderated international approach. Germany, Switzerland, and Austria were served from the beginning due to the country's linguistic and cultural proximity. The operating area was limited to lakes, as the main focus of the company was on sailboats and only a few smaller electric boats. However, the desire to internationalize and expand to non-German-speaking countries arose with the succession of the third generation. After numerous visits to boat fairs, the company started to gain international attention, which led to the expansion of the operating scope of Schiffer from lakes to the sea. Mallorca was chosen, given the majority of German-speaking inhabitants and the possibility to serve clients by sea. Consequently, the planning phase of the expansion to Spain started in 2006 and 2007. Not much later the company had its first sales in the United States. In 2010, the Schiffer 717 GT received the "Powerboat of the Year" award. Two



years later the production site was moved to Upper Austria, where the production, and the sales & marketing and controlling department, are currently based.

In 2012 a further subsidiary was founded in Port Adriano in Mallorca, which led to a substantial increase in the export share and the share of international customers.

Driven by the desire to leave the German-speaking area, Port Grimaud in France was selected as the second point of sale of Schiffer after conducting a detailed analysis.

For the past five years, the company has focused on further expanding its business overseas, having founded a third subsidiary in Miami, USA, and attracting customers from England, America, France, Belgium, Holland, and Scandinavia. The next step and plans for the company are building a new shipyard to increase production capacity which would allow to cater the needs of their international customer base and continue to strive forward with their internationalization process.

Even though the Schiffer shipyard put a focus on international expansion recently, a very strong connection with Austria still exists. Indeed, all the company production facilities are located exclusively in Austria and the boats are developed by the company itself. From a marketing or communication perspective, Schiffer Shipyard is maintaining a local presence, thanks to its connection with Austrian and regional newspapers. All suppliers are situated in the immediate surrounding and an emphasis is put on the creation and preservation of a strong regional network. The business is counting on long-term supplier relationships and cooperation within the region by outsourcing individual work steps only to very regional companies within the country. At present, the Schiffer company is in the process of succession to the fourth generation. This third succession is accompanied by an external partner who advises. Therefore, there is tension between the family members at this moment, as everyone wishes the best for their children. The two sons of Lorenz Schiffer are currently working in the company; Elias Schiffer, who is responsible for the sale of electric boats at the third level of management, and Georg Schiffer, who is in a training program for



a leading position in technology, production, and technical engineering. In addition, Emilia, the daughter of Stefan Schiffer, is responsible for the online marketing of the Schiffer company.

INFORMATION ABOUT FAMILY BUSINESS

The business model of Schiffer shipyard is producing motorboats, which are suited for the sea, as well as electric boats, which are marketed in lake areas. The business operates in a niche market and is positioned in a high-price segment. The company's strengths are its appealing design and a strong brand reputation. The company values can be described by extinct design, innovation, and family spirit, referring to proximity to the client as well as the long family history, based on which a strong commitment to quality and continuity has been established. This devotion is not only observed by clients all over the world, but the company has also recently won the award for the best family business in Austria.

The company's target group can be defined through the following characteristics: customers are mostly property owners either at a lake or at the sea, who use their boats for leisure purposes meaning day or weekend trips with friends and family. They tend to be part of the age group of 40- to 60-year-olds and typically operate in the entrepreneurial sector as managers or directors.

When it comes to the selection process of internationalization partners, Schiffer Shipyard has very clearly defined criteria. As the company operates in the premium segment, no price war exists, making price a less crucial factor for other manufacturers competing in a low-price market. Instead, much more focus is put on the exceptional quality and good reputation of potential internationalization partners. Business partners should be well established specifically within the boating industry and equipped with the necessary infrastructure in the area of the port and mooring. Additionally, flexibility and geographical proximity of potential partners are required.



Furthermore, Schiffer considers the good service of a potential partner as one of the main selection criteria, as service qualities can either harm or profit the reputation of the company.

“We want to work only with partners with whom we would also go on a picnic [...] If on the human level does not fit, then everything else does not matter”

(Florian Schiffer)

Thanks to the strong brand reputation of Schiffer, the company can now choose its partners mostly according to their personality and likeability. As the enterprise seeks to create strong relationships with its partners and views the partner selection process from a long-term perspective, it is exceptionally important that the personality of the partner fits with the company values. This could allow Schiffer to create long-lasting partner relationships. Also, most of the selected partners of the company are family businesses. Schiffer shipyard believes that it is easier to work with other family businesses in contrast to non-family businesses. These businesses are described as fitting well with Schiffer shipyard, as they generally have many similarities in their organizational structure, working habits, and a long-term orientation, as well as the opportunity to exchange experiences unique to family businesses. Currently, Schiffer Shipyard cooperates with many regional family businesses across different departments, including sales and marketing as well as procurement. Some of the partnerships and friendships have been passed on from the previous generation to the current one, which indicates Schiffer's strong social capital and long-term orientation.

DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

In Schiffer, each family branch has different decision-making approaches. However, values such as loyalty, honesty as well as diligence are shared among each family branch. Over the years, family members and non-family members have created



strong ties, also in the form of friendship. Respect and caring for each other as well as compliance with individual wishes are said to characterize the company atmosphere.

Within the family, business positions and functions or tasks are distributed among the family members based on personal interests. Also, no one is forced to work in the family business. All family members who decide to join the company are encouraged and supported, but additional approval from external partners is still required. In the early stages of the company, no specific process existed, while currently a human resource department clearly defines roles within the company and the corresponding qualifications necessary for this role. According to these qualifications, training programs are designed. Applicants for leading positions in the company have to go through a program lasting several years including training in all relevant departments. Finally, a shareholder vote confirms or declines the applicant based on the skills required for the corresponding position. However, different criteria apply to different departments.

In the following, the functions of the different family members of the Schiffer family will be elaborated. Currently, the organization is in the hands of the third generation: **Lorenz, Stefan, and Florian Schiffer**. Along with the other two non-family members, they form the team of managing directors of Schiffer Shipyard.

Lorenz Schiffer is the head of the production and development department ensuring the outstanding quality of their high-end products.

His brother, **Stefan Schiffer**, works as head of marketing and sales.

Schiffer shipyard employed **Emilia Schiffer**, daughter of Stefan Schiffer, in the same department. Her tasks are to handle the online marketing of the company. Next to Emilia, Lorenz Schiffer's son, **Elias**, works for the marketing and sales department taking care of the sale of electric boats. Lorenz's second son, **Georg**, is working in production, managing the electrical engineering department. He is currently



undergoing the training program of the company for a leading position in technology, which will take another four years until graduation. With the completion of this program, Georg will be able to take on a leading position within the company. **Robert Schiffer**, the cousin of Stefan and Lorenz, holds shares in the company and has a function as managing director, which she does not exercise at the moment. Next to that, there are also two family members, who did not join the company and work in different industries; Stefan Schiffer's second daughter works in a start-up in Austria, whereas his niece works in the tourism industry in Vienna.

When discussing family or work-related disputes or sibling rivalry with the interviewees, it became apparent, that the company has an organization chart, which precisely defines the responsibilities of each position leaving no room for misunderstandings in the area of responsibilities. As responsibilities and decision-making authorities are strictly regulated, there have not been any major disputes within the company.

"A family business is the best thing you can imagine if everyone always agrees, but the worst thing is when you start arguing due to emotions and personal relationships"

(Stefan Schiffer)

Concerning the internationalization process of Schiffer shipyard, some differences between family members emerge. On one hand, the new generation members put their focus on risk assessment rather than on the development of further internationalization strategies. On the other hand, the third generation still seeks to internationalize further:

"Until now we sold electric boats in Austria and Germany, where motorboats were forbidden anyways. And now we see that new markets all over the world are opening up for us. And with our experience, 60 years of electric boat production, we are well-positioned in the global market and we will continue to be".

(Stefan Schiffer)



The differences in the way of thinking of the different generations can be noted. Every generation prioritizes different aspects of the business and brings up new and innovative ideas. Sometimes this can be difficult with so many family members within the company, however, it also brings great advantages if these ideas are collected and bundled. Nevertheless, the company only implements strategies, which all generations agree upon. If this is not the case, these strategies are not pursued further, as the succession process will take place shortly.

PROBLEM TO SOLVE

"In recent years, we have achieved an export quota of over 90%, so the domestic market is still suitable for us, but it is only a tiny part of what we build and sell in market terms. On the other hand, we are exceptionally regionally connected because it is essential for production" (Schiffer's Head of Sales and Marketing).

Schiffer has exponentially increased its presence in the international markets. In the past, the company had always focused on markets with a strong presence of German-speaking consumers, but now it wants to expand globally. In addition, the partners within the value chain are always mostly family businesses based in Austria.

Imagine you are the CEO of Schiffer. Based on the information in the text, how would you change the company's internationalization strategy to achieve global success while maintaining the family business culture? According to you, which levers should remain unchanged, and what needs to be changed/improved in the value chain orchestration to gain a competitive advantage? Moreover, most of the relationships with suppliers have been going on for decades and over multiple generations. Should the approach be changed to reduce costs and increase economies of scale?



INSTRUCTIONS FOR STUDENTS

The student must identify him/herself as the CEO of Schiffer and try to suggest solutions for the problems highlighted.

Assessment is based on the ability to identify Schiffer's distinguishing features and provide innovative solutions to pursue the company's global growth while preserving the family business culture and image.

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EVALUTATION

The evaluation parameters will basically be based on two main criteria:

- Knowledge of family business theory to identify the problem.
- Imagination in devising practical and non-trivial solutions to the problems raised.



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