



## JEBSEN & JESSEN FAMILY ENTERPRISE: MASTERS OF ENTREPRENEURIAL PARTNERSHIPS

LESSONS FROM THE WINNER OF THE 2016 IMD-LOMBARD ODIER GLOBAL  
FAMILY BUSINESS AWARD

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Receiving one of the most prestigious accolades for "excellence in family business" was a memorable moment for Hans Michael Jebsen and Heinrich Jessen – the two principal shareholders of Jebsen & Jessen Family Enterprise who gathered in Suzhou, China last November to be presented the IMD-Lombard Odier Global Family Business Award. Both belonged to the third generation of their respective families originating from Aabenraa in modern-day Denmark who entered into an entrepreneurial partnership in 1895 to establish a trading house in Hong Kong.

For the last 120 years, Jebsen & Jessen Family Enterprise (JJFE) has been connecting East and West, evolving into a highly diversified federation of businesses, spanning across distribution, manufacturing, engineering and mining activities. Organized around four main business entities, Jebsen & Co., Jebsen & Jessen (SEA), Jebsen & Jessen (Hamburg) and GMA Garnet, Jebsen & Jessen Family Enterprise employed over 7,700 people worldwide and generated more than US\$4.5 billion in sales in 2015.

The family business was recognized for its exceptional commitment to sustainability, its original governance principles inspired by the shipping and seafaring history of its ancestors and founders, as well as its mastery of entrepreneurial partnerships.

One captain – one ship: Key governance principles

The two families always stayed in full control of their joint destiny through a strong wish to also stay private and financially independent. "It is vital for people to know that we are absolutely religious in our tradition of financial prudence. The money is not being played around with" said Heinrich Jessen.

To stay nimble and entrepreneurial, the ownership has always been concentrated in very few hands: through the concept of "principal shareholders," each family would be represented by a single family member. Based on the "one captain - one ship" mentality, Hans Michael Jebsen was the principal shareholder in Jebsen & Co. and Heinrich Jessen the principal shareholder in Jebsen & Jessen (SEA). For the other corporate entities, they applied a "hand in glove" leadership style, with equal cross-shareholdings and consensus-based decision making, facilitated by the small number of shareholders.

The principal shareholder in a generation in each family selected its successor, an individual who had to work in the firm and be vetted by the family. The successor would not inherit the shares but instead would acquire them from their predecessor, sometimes taking decades to pay the seller off. "You need to be committed to put your life and soul into the business. I was asset rich and cash poor. It took me 15 years to pay off my shares with any dividends that came," commented Heinrich Jessen.

Principal family shareholders were also willing to temporarily extend ownership beyond family members to key managing directors, who upon retirement would sell the shares back to them, guaranteeing the sustainability of family ownership. This rule was inherited from ancestors from both families who, as ship captains, not only navigated the ships but also – according to time-tested rules – often had to own part of the loads they transported to align their interest with those of their cargo clients.

Such governance rules reinforced a strong "business first" principle, reflected also in the low dividend appetite of the shareholders. "Corporate wealth does not equal private wealth," emphasized Hans Michael Jebsen.

Masters of entrepreneurial partnerships

The company was founded on a partnership and shareholding based ethos and has retained its exceptional ability to enter and stay in long-term entrepreneurial partnerships. The Jebsen and Jessen families were initially not blood related, but have always been related by a shared destiny. "We enjoy each other's success" said Hans Michael Jebsen. Paramount to this relationship were values such as prudence and commitment, which have also been "the best glue" for the two families, which – having worked together for three generations – still kept differentiated identities.

The experience of generations-long partnerships and the ability to select business partners based on shared values were key competitive advantages of the firm. “Jebsen & Jessen Family Enterprise’s sustainability is based on the sustainability of relationships,” emphasized Jebsen & Co. Managing Director Helmuth Hennig, whose father and grandfather also worked for the company and who himself had worked for the company for over 30 years.

The power of those core values was evident in many other partnerships, such as the 61-year dealership relationship with Porsche, and manufacturing joint-ventures with Air Liquide (JJ-Lurgi Engineering) and Terex Group – the owner of Demag Cranes AG (MHE-Demag) that spanned decades. Further, what had started as an entrepreneurial partnership with GMA Garnet resulted in a full integration into the Jebsen & Jessen Family Enterprise.

Would such entrepreneurial partnerships based on strong values be possible if governance wasn’t also characterized by extreme concentrated ownership? Would quick decision-making be even possible with numerous, often feuding, family shareholders? Could there be also major issues with keeping control in such a limited number of hands? Would an internal succession within a family provide a chance for preserving the company’s entrepreneurial spirit and values-based partnerships, or could it turn into a constraint? For Jebsen & Jessen Family Enterprise, these questions still remain to be answered...

*Benoit Leleux is Stephan Schmidheiny Professor of Entrepreneurship and Finance at IMD, where he co-directs Foundations of Business Leadership (FBL) and The Next Generation (TNG). The latter is a program for young family members, those already involved, and those who have been identified as potential next leaders in the management, ownership or governance of their family business.*

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*The IMD-Lombard Odier Global Family Business Award was created in 1996. The aim of the award, which provides a unique platform for sharing best practices and analyzing the economic backdrop, is to promote family businesses by highlighting the exceptionally high standards they are capable of and the many forms they may take. The 2016 award ceremony took place during the 27th Summit of the Family Business Network International (FBN-I) in Suzhou, China.*

*The next upcoming family business programs at IMD are: “Leading the Family Business” in Lausanne, from October 1 to 5, 2017; “Leading the Family Business” as part of IMD’s Orchestrating Winning Performance in Lausanne, from June 26 to 30, 2017 and in Singapore, from November 20 to 24, 2017; “The Next Generation”, in Singapore from March 6 to 16, 2017 and in Lausanne from September 4 th 15, 2017; and “Leading the Family Office” in Lausanne, from May 22 to 24, 2017.*

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