



elobau

How modern family-owned companies switch the narrative

In a nutshell

Founded in 1972, elobau has been a family-owned and family-operated company for two generations. In 2010, Michael Hetzer, the second-generation owner and current chairman of the advisory board, began to question whether family succession was the right path for elobau in the future. Hetzer wanted to give his children the freedom to pursue their passions while ensuring the company's independence, values, and purpose were permanently enshrined in its legal structure. He found an answer in steward-ownership and set out to develop a double-foundation structure with two main objectives. First, to ensure that control of elobau could never be sold and that the company would always be led by qualified, value-aligned successors. Second, to further strengthen the sense of social responsibility that had always been integral to the organization. In doing so, elobau exemplifies how steward-ownership can offer a future-proof and purpose-driven approach to succession.

A future-oriented SME

Established half a century ago, elobau is a globally active, family-run business in the engineering and manufacturing sector. As such, it stands as a beacon of the German Mittelstand. Over the years, elobau expanded its product line, and its range now includes components and systems for equipment control, machine safety, and level measurement, all made in Germany with nearly all processes performed in-house. With a widespread presence in Europe, the Americas, and Asia, elobau earned a reputation as a provider of cutting-edge technological products that help make industrial processes more efficient. elobau's mission is to empower industries through smart, sustainable solutions, while also being a trusted, long-term partner not only for its customers, but also its employees, the environment, and society. elobau's commitment to sustainability has continuously shaped the company's journey and values. Ultimately, this focus on multidimensional sustainability was also one of the factors in transitioning to steward-ownership.



FOUNDED: 1972



LEUTKIRCH, GERMANY



**SALES: €160 MILLION
(2024)**



**1200 EMPLOYEES
(2024)**

STEWARD-OWNED SINCE: 2016

STEWARD-OWNERSHIP MODEL:
Double-foundation

Rethinking a family legacy

In 2010, Michael Hetzer, then the sole shareholder and managing partner, began to grapple with a very personal and pressing question: What would happen to elobau if something were to happen to him – suddenly and unexpectedly? With his children still too young to take over, he found himself questioning what a sustainable succession solution could look like and whether family succession was the right path for elobau. This reflection sparked a deeper inquiry into the

foundation of the company's success: Who or what truly drives the value of the company? For him, the answer was as simple as clear: The employees. In Hetzer's view, value in a company is created by its people, and each employee plays an equally important role.

Hetzer always saw himself more as a steward than an owner. Employees work together, and everyone shares responsibility for the company's success. Why, then, should ownership belong to just one individual? Selling the company was also never an option for him. elobau had grown into a unique organization, driven by a commitment to innovation and uncompromising quality. "Everything we do is centered on being a reliable partner for the long term." Hetzer feared that a new owner might steer the company in a completely different direction, compromising its strong focus on quality, innovation, reliability and sustainability. Another significant concern for Hetzer was his responsibility to the employees, fearing that new owners could consider moving operations elsewhere.



I asked myself 'Who or what is responsible for the value of the company?' and my answer was clear: 'It's the employees. They are the most important.'

— Michael Hetzer



Inspired by German pioneers like Bosch (p. 44) and ZEISS (p. 40), he discovered the foundation ownership model – specifically, the kind of foundation-owned structure that would later be known as steward-ownership. He decided to simply draft a will that will include this foundation solution as the succession model for elobau. In this, he only specified that the company's ownership should be transferred into a foundation, without any further specifications about the timing and structure.

The level of urgency, however, changed with a pivotal moment. While driving around, Hetzer had a conversation with his second-born son, then eight years old. Out of the blue, his son asked, "Dad, if my brother doesn't take over the company, I will have to do it, right?" Hetzer was surprised; he had never spoken much about the company or its future with his sons, yet his young son already felt the weight and obligation of carrying on the family heritage. To realize that his sons were carrying around this load at such a young age did not feel right to Hetzer. He wanted his children to have the freedom to pursue their own paths in life without feeling obligated to the family business. After this key moment, Hetzer realized that he would prefer to implement his new succession plans as soon as possible.

The process towards steward-ownership

In the years leading up to the transition, Hetzer restructured the company to ensure a high level of autonomy across the entire organization, minimizing the need for hierarchical leadership. Motivated employees are the heart of a company's success, and for them to thrive, they need the freedom to make decisions in the areas they know best. At elobau, this meant empowering each employee to make decisions within their own department, guided by clear principles.

Although Hetzer had aimed to finish the transition within one year, he ultimately spent six years devising an ownership structure that would ensure elobau continues to deliver on its responsibility to employees, society, and the environment. The bureaucratic processes were lengthy and troublesome: from tax offices taking years to review elobau's case only to redirect them elsewhere, to lacking guidance on business transitions of this sort. But Hetzer didn't give up and shifted his original plan of a single-foundation structure to elobau's double-foundation model. Today, the ownership model Michael Hetzer chose is known as steward-ownership – a concept that had not yet gained widespread recognition when he took this step.



Foundation-ownership

Hetzer had two objectives for the transition: First, to ensure control of elobau could never be sold, and that the company would continue to be led by qualified, value-aligned successors; and second, to enable charitable work that would further strengthen the sense of social responsibility that had always existed within the organization.

The six-year transition culminated in the establishment of a double-foundation, or also referred to as a trust structure, consisting of a charitable entity and a company (or family) trust. In this structure, 99% of the economic rights of the elobau holding company are held by the charitable foundation, with the remaining 1% held by the family trust. The family trust holds 99% of the voting rights, with the remaining 1% vested in the charitable foundation. The elobau holding company (“ensian group”) holds all ownership rights of the operating companies.

The family trust

The family trust holds 99 percent of elobau’s voting rights (or steward shares) and 1 percent of its economic rights. Although being called family trust, it has no direct ties to the Hetzer family. The trust is governed by a group of 3-5 external stewards who are elected unanimously for two-year terms, with an age limit of 70. Michael Hetzer, the current sole exception to the external steward requirement, also serves on the board. These stewards are intentionally selected to provide diverse perspectives, including financial expertise, younger viewpoints (e.g. from startup world), and sector-specific knowledge. As Hetzer puts it, “This diversity has proven to be a real strength over the past eight years.” The stewards primarily serve as advisors, offering an external perspective and acting as sparring partners to the elobau group. They also appoint the managing directors and advise on strategic questions concerning the company’s development. Importantly, the advisory board of the elobau Holding (ensian group) is composed of the same members as the family trust’s board, while the charitable foundation has a separate, non-

overlapping board of stewards. Trust agreements stipulate that stewards cannot sell their voting shares or pass them on to their children. Michael Hetzer is also preparing a non-legally binding guiding document to support future stewards in upholding elobau’s mission and values. As part of becoming a stewardowner, Hetzer stepped back from his role as managing director in 2021 and handed over operational leadership to two colleagues. The family trust holds 1 percent of the company’s economic rights specifically to cover inheritance tax payments, which are due every 30 years.

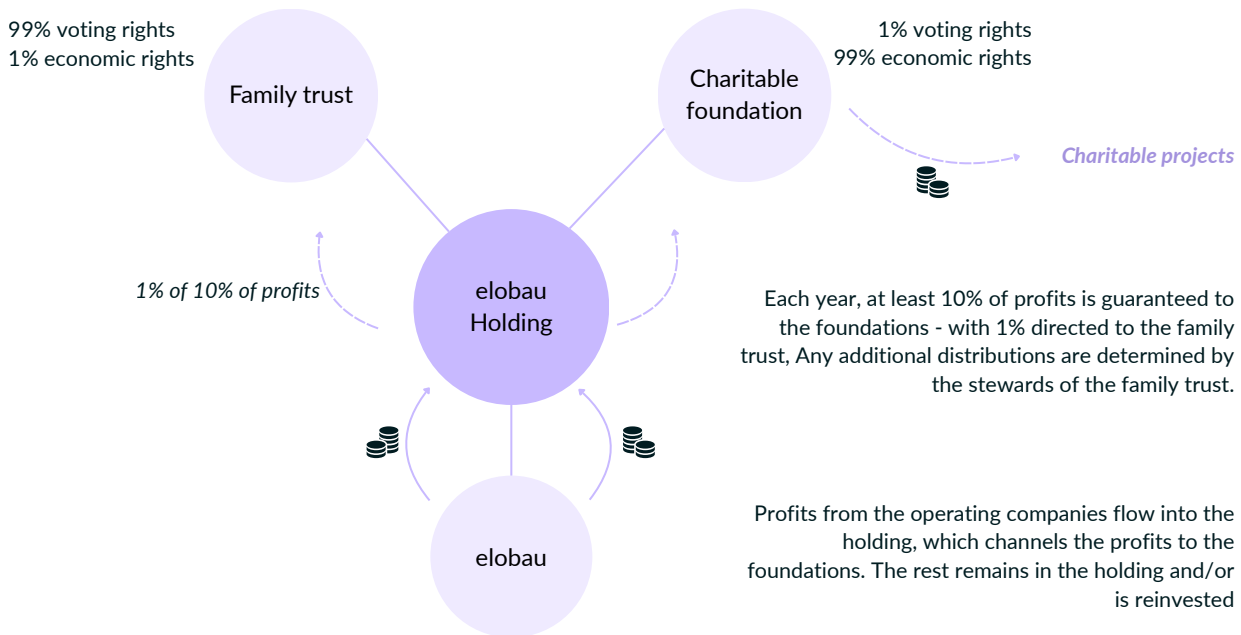


Photo: elobau GmbH & Co. KG

The charitable foundation

elobau’s charitable foundation holds 99% of the company’s economic rights and 1% of its voting rights – clearly separating money (economic rights) from decision-making power (voting rights). While the foundation holds the economic rights, it has no influence over how much is distributed. Each year, the foundation is guaranteed a minimum of 10% of the company’s profits. Any decision to distribute additional profits is made by the stewards within the family trust. All profits generated by the operating companies of the elobau group first flow into the

Profit distribution at elobau



holding company which determines the amount to be distributed. The remaining funds stay in the holding and are allocated to the operational units according to their investment needs. Any surplus that is not immediately required remains in the holding for future use and reinvestments (see illustration). The charitable foundation is managed by a board of three stewards who are all external to the family trust (the voting power entity) and are elected with an age limit of 70. These stewards oversee the foundation's funding allocation, focusing on projects in education, integration, and environmental protection. They fund existing charitable projects and also initiate their own projects to have a hands-on role in shaping support that wouldn't exist otherwise.

Sustainable succession beyond bloodlines: a community of skills and values

Today, elobau stands as a forerunner of sustainable succession in the German Mittelstand, showing that succession can extend beyond family lines to a "community of skills and values."

Hetzer's journey reinforced his conviction that a dedicated legal form for steward-ownership is essential to make it more accessible, particularly for smaller companies. At its core, steward-ownership is an evolution of the family business model – legally enshrining into the company's DNA what family-owned businesses embody through tradition. Therefore, unlike traditional family businesses, succession is no longer tied to a genetic family of owners but instead to a "community of skills and values." This significantly expands the pool of potential succession candidates, as it makes it considerably easier also for capable employees to take on the ownership role: While they would have to buy (parts of) the company in conventional legal structures, steward-ownership allows them to take over as stewards, without buying the company or going into debt. Also for employees, this structure offers stability, free from the uncertainties of family succession. And family members can still pursue careers or leadership roles in these companies. The difference is that they're selected based on ability, not lineage. Read elobau's full case study at steward-ownership.com/elobau.