



Lessons from a long-lived family business across generations

Rania Labaki

EDHEC Family Business Centre

October 2017

Case Abstract

This case presents the distinctive success factors of the enduring and long-lived Hottinguer family dynasty in the banking industry. Methodologically, this case is inclusive of different perspectives of Banque Hottinguer family and non-family stakeholders as well as of historical and archival material and publications.

The case is structured in three parts. First, an introductory part lays the ground for the current context and reflections on the future. The second part moves to the strategic vision upon which the business family has built. The third part provides a focus on the distinctive stakeholders' approach of the Hottinguer family.

An inside look at the past and present delivers as such outstanding learnings and directions for the future outlook of business families and their stakeholders.

Outline:**Part 1: Introduction****Part 2. The Hottinguer Strategic Vision : A business family journey from generation to generation****Part 3. The Hottinguer Stakeholders' Approach : A 4-circle model of multigenerational loyalties****Part 4. Concluding remarks**

Part 1. Introduction

Experience has two things to teach; the first is that we must correct a great deal; the second, that we must not correct too much. (Eugene Delacroix)

The essence conveyed by the Delacroix quote permeated the Hottinguer dynasty of bankers for more than two centuries. Jean-Philippe Hottinguer, member of the 6th generation, ardently emphasizes the importance of perseverance and humbleness as the building blocks of Banque Hottinguer, a historical reference in the world of European banking and finance. As Chairman of the Board, Jean-Philippe Hottinguer shares his views of the perpetuity of the family in business. For him, the successor must be able to reflect on life in constant movement and the need to keep the feet grounded in the floor. With humbleness, he is expected to be respectful of others while being a fine listener and observer before making any judgment. By transferring in turn these values and course of action to his own successor, he would ensure the continuous development of the family bank for another century with serenity.

His son, Jean-Conrad Hottinguer, currently member of the 7th generation, reflects on the day when he was formally asked to join the family business. Going back in time, the news came as he was working in the financial industry thousands of miles away from his family business¹. To put it more precisely, he was involved in M&A and other financial operations in “the New World”, New York, at a time where the industry was booming and where his career was flourishing with lots of learning opportunities combined with enjoyment. Jean-Conrad’s hesitation upon the call he received from his father was countless. As he puts it, his move to Banque Hottinguer was not only geographical; it was a cultural move, deeply rooted in the family connections and proud history. Today, he is vice president of the supervisory board and hold on to his vision of perpetuating the family business building on the historical foundational blocks.

This dual father-son perspective represents just the tip of the iceberg of a rich family history across the centuries. Projecting oneself in the future, let’s reflect on what story would Jean-Conrad tell the next generation members about the history in order to motivate them to join the adventure that his ancestors as well as himself engaged in since 7 generations.

¹In this case study, the family business as it stands in the 6th and 7th generation refers to The Hottinguer Bank, originally founded by Jean-Philippe, François and Emmanuel Hottinguer in 1989, which is a French institution approved by the Prudential and Resolution Control Authority (ACPR). This establishment and its subsidiaries: Messrs. Hottinguer and Cie Gestion Privée, a management company approved by the Autorité des Marchés Financiers (AMF), and Hottinguer Corporate Finance, a company specializing in advising companies and mergers and acquisitions, have no link whatsoever of capital, legal, commercial or other nature with the Swiss bank Hottinger et Cie SA.

Part 2. The Hottinguer Strategic Vision : A business family journey from generation to generation

Since 1786, the Hottinguer bankers contributed to the establishment of a renowned dynasty, with a unique ability to foresee and seize **innovative opportunities** and by building **resiliency** to overcome socioeconomic, political and family crises. The red thread that ties seven generations, determined for success, is ultimately the **entrepreneurial spirit**(2.1) combined with a strong sense of **family identity**(2.2) and the **human capital** representing the family business nerve center (2.3).

2.1 A sustainable entrepreneurial spirit across centuries:

Revisiting the milestones of Banque Hottinguer since its inception allows us to capture the different dimensions of the entrepreneurial orientation the family followed persistently, including its innovativeness, risk-taking and proactiveness attitudes.

2.1.1 From times of discovery and tradition...

- The emergence (18th century) :

Originally from Zurich, Hans-Konrad Hottinger joined in 1783 his uncle Johan-Heinrich in Geneva to train at the bank Passavant, de Candolle, Bertrand & Cie. Soon after, he expressed his desire to go to Paris to follow the footsteps of Jacques Necker, a Geneva financier who became General Director of the Royal Treasury from 1776 to 1781. He left Geneva for France in 1784 with a letter of introduction from his former employers and found a job at the bank Le Couteulx & Cie, an institution of very good reputation directed by Jean-Barthélemy Le Couteulx de Canteleu, who will become the first governor of Banque de France.

Two years later, in 1786, at the age of 26, he created the first bank after his family name. The following year, the name Hottinger appears under the heading "Bankers" of the Royal Almanac of France. In 1799, Hans-Konrad added an "u" and changed his name into Jean-Conrad Hottinguer in an effort of adaptation to the French peculiarities. Under the First Empire, the name of "Hottinger" was Frenchized into "Hottinguer" with the attribution of the title of baron by Napoleon 1er.

Following the creation of Banque de France in 1800, Jean-Conrad was appointed, in 1803, as Regent of Banque de France. For 133 years - a unique fact - the Hottinguer family will occupy a seat without discontinuity on the Regency Council.

The character and experience of Jean-Conrad, the founder of the Hottinguer dynasty of Bankers, made him early on a very influential member of the privileged and closed circle of the Protestant Banks, referred to as the Haute Banque. He was described as a man of rigor and vision. He was the first to imagine the central role of banks in a market economy at nascent stages, foreseeing the industrialization in Europe and the key role to be played by the financial bourgeoisie in the face of capitalism. Jean-Conrad embodied as such the founder-entrepreneur characteristics at best.

2.1.2.... to times of adaptability and innovation

- The expansion – a family business (19th century)

In 1833, Jean-Conrad passes the baton on to his son Jean-Henri in a period of political turmoil. Realizing his father's vision about the upcoming economic changes, Jean-Henri managed to place the Bank at the center of the emerging industrial development era. He contributed to the creation of Caisse d'Epargne de Paris in 1818 with associates from the Delessert Family. Among other important achievements, he participated in the financing of the Railways in France and Europe and the construction of the Trans-Siberian Railway, which links Moscow with Vladivostok and Compagnie d'Assurance. Following the visionary path of his father, Jean-Henri contributed to sustain the rhythm of business expansion.

- The adaptability to times of change (20th century)

In 1866, Rodolphe aged 34 will succeed into the family business with the challenge of making the transition from the 19th to the 20th century by holding key positions and taking over new ones. Described as "a man of choices", he contributed to a more discreet positioning of the bank in the national affairs while making it more flexible and accessible. He revised the role of the banker by opting for a "scientific economy" and a "rational financial policy" with a wider scope of the activity working with industrialists and their families. While still honoring the seat of the Regent of Bank de France, he will play other role ssuch as President of Compagnie Générale des Eaux, of the Imperial Ottoman Bank, Vice-President of Chemins de Fer Paris-Lyon and Caisse d'Epargne de Paris, and board member of the insurance companies "La Nationale". His siblings will be distinguished as innovators and pioneers too. Jean will be the cofounder of the Jockey Club and one of the pioneers of aviation while Joseph a world traveler and explorer. His son Maurice participated in the creation of the Automobile Club de France. Also called Toto, Rodolphe was not only a big banker but also struggler with a passionate and dense life.

As such, the third generation's members perpetuated the entrepreneurial spirit of their predecessors along with a strong embedment in the social networks that support the development of their activities. After their reign though, additional changes were awaiting the Hottinguer family: the first and second World Wars along with changes in the cartography of wealthy families and nationalization movements. In 1920, Henri took over the family bank in challenging times which made him "the man of big mutations". In his view, Europe became the main creditor of the world. The wealth shifted to other regions, the United States of America and Japan. He will contribute to the negotiations for the nationalization of Banque de France in 1936. During the WWII, he will continue taking risks by protecting the clients' interests through a secret relocation of the bank.

In 1943, during a difficult war period and shifts of coalitions, Henri dies and his son, Rodolphe, becomes his successor. Rodolphe managed to maintain the business operations in spite of very difficult economic situations. Looking into the future, he admits that "pursuing the banking profession in the end of the 20th century, in the modern world, may be a problem for the succeeding generations". With a note of optimism though, he adds "The example of the past should allow the pursuit of this ancestral activity".

In 1985, his son Henri takes over following his death, maintaining as such the bank in the hands of the family for the 6th consecutive generation.

2.1.3 Towards Securing the future: beyond the 6th generation (21st century)

The message that Rodolphe conveyed prior to his death and passing the baton on to the 6th generation could be viewed as premonitory, both a warning and a guide for action in the face of the foreseen challenges ahead. It points out the fragilities that the Hottinguer family will be dealing with and how to overcome them: "Qualifying, defining, predicting the banking profession is the secret of the future. It will, within the family cohesion, through the behavior and example of the old generation, embody an encouragement to persist, an intelligence to modify and adapt, a temperament to resist to difficulties and a hope to be entrepreneurial". With these wise words, his hope was to guide the upcoming generations in reinventing the business model towards a secure future.

A family breakdown, however, threatened the cohesion of the family. Differences in perceptions regarding the need to redefine the banking profession triggered the end of the family unit around a single eponymous banking institution.

Following the steps of Rodolphe's call to action, members of the 6th generation decided to act entrepreneurially and took upon the challenge of maintaining a Hottinguer Bank in Paris, successfully and without discontinuity.

Jean-Philippe Hottinguer together with his cousins François and Emmanuel decided to create in 1989 the French Financial Institution HR, that became HR Banque in 2006, Banque Jean-Philippe Hottinguer & Cie in 2007 and Banque Hottinguer in 2012. He was described by non-family partners as being not only a heir but also an entrepreneur with a sense of intuition and taste of discovery like the previous barons of the dynasty. Through a re-definition of the bank activities into private bank, investment bank and asset management activities, Jean-Philippe, his son Jean-Conrad and his cousins François and Emmanuel adapted the business model to the market changes and needs. They are today the last members to hold the Bank named after their family in France. As such, the Hottinguer family continues to successfully serve its clients and aim at excellence.

A nod to history: the year of the Bank's approval (2006) was also the year of the withdrawal of the historical Banque Hottinguer, which led the Governor of the Banque de France to say that there has never been a year without a Hottinguer banker in France.

2.2 An enduring attachment to the Hottinguer Family Identity:

The Hottinguer family bank offers a strategic competitive advantage as compared to other banks: Trust stemming from the Family Name (2.2.1) and the Common Values it vehiculates over centuries (2.2.2).

2.2.1 The Family Name: Pride, responsibility and wealth

The surname Hottinguer is today the oldest present in the banking sector in Paris, representing by itself a rare and valuable resource for the family business. Over generations, not only the financial wealth is transferred across generation but also the socio-emotional wealth including the family reputation. As such, it stems at the heart of succession in the family's hands. The ownership that being transferred is rich of meaning and goes along with the pride the family has and its responsibility to maintaining its reputation intact.

At the time of the approval of his establishment as a bank in 2006, Jean-Philippe takes over, as a logo, the original coat of arms of the founder Jean-Conrad, except the original colors, to emphasize the continuity of the project of his grandfather. Jean-Philippe insists today on the importance of perpetuating the "very honorable family name" through noble actions that are respectful of the achievements of the predecessors.

Primogeniture was a traditional pattern over generations allowing to carry the honorable title of "Baron", another historical heritage of the family. The first name is also traditionally transferred over generations on this basis. As such, "Jean-Conrad", the name of the founder is being given to the eldest of the 7th generation currently active at Banque Hottinguer. One of the main risks of a family business, such as Banque Hottinguer, is the "Hottinguer risk".

The reputation risk, attached to the family name, can be seen as detrimental to the family continuity in the banking business. As Jean-Conrad explains, “Having both the first and the last name of the founder of the dynasty is not simple to carry. In the same time, I am very proud to hold that name”.

2.2.2 Towards a unity of aspiration: Respect of the human condition and financial consciousness

As Gerard puts it on his concluding remarks of his book (1972, p. 787), the obstacles that the Hottinguer were able to surpass were not made through miracles but simply through the unity of aspiration: an evangelical respect of the human condition and a financial consciousness. This rigor allowed the family bloc to resist.

Jean-Henri left to his children a spiritual testament with a code of conduct in the bank affairs. Still today, the 6th generation follows these footsteps. Jean-Philippe stresses a “core principle” for the clients: The services provided should be aligned with the interests of the clients without risking their wealth, especially in times of crises. The Hottinguer Bank is intended as an independent bank dedicated to its clients and aimed at excellence. It still operates with a lot of discretion, which is particularly of importance when it comes to generations of clients loyal to the same Bank.

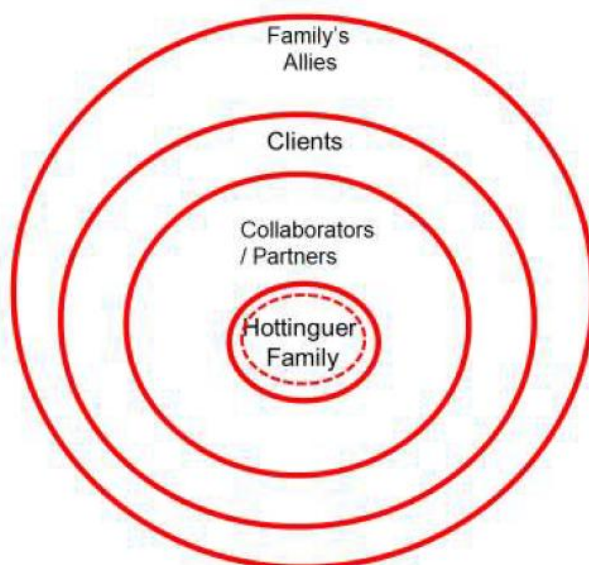
Its mission is to support the clients in the development projects of their companies and in the management and transmission of their assets. Its credo is that “everything is possible as long as we put the efforts to go to the utmost of our possibilities”, according to Jean-Philippe Hottinguer. A non-family partner testifies of the extreme and rare honesty and prudence that the Hottinguer Bank is able of when it comes to counseling the customers. Unlike in other banks during the times of the global financial crisis in 2008, the customers were not oriented towards risky assets investments which were common in the industry back then. The family bank does not make speculations but rather manages the long-term. The “value of money” is another important aspect that the family handles thoughtfully. The money is not looked upon as a source of power and objective by itself but rather as means to achieve projects in line with the customers’ interests. The long-term view is another distinctive factor of the banking activities which goes along the customer base unique characteristics, as it is significantly made with families of clients over several generations.

Part 3. The Hottinguer Stakeholders' Approach : A 4-circle model of multigenerational loyalties

As Rodolphe Hottinguer made it explicit in his speech to German bankers in 1963, “bankers are relationship men”. Still today, Jean-Conrad, member of the 7th generation considers that the family’s networks are the family DNA.

In a family business, the family and business systems constantly interact. The strategic vision presented in the previous section is infused with attributes stemming from the interaction between the family and the business, such as the family entrepreneurial spirit and the family identity. Focusing on the underlying processes that facilitated the preservation of the family identity and the transfer of entrepreneurial spirit leads to the identification of an agile Hottinguer business model with a long-term orientation and with the human capital as the backbone. Four categories of hidden champions are at the heart of this business models. These champions refer to stakeholders rooted in interconnected systems, bonded by reciprocal loyalties, gravitating around the Hottinguer family.

Figure 1. The Hottinguer 4-Circle Loyalty Model



The loyalty of the stakeholders around and within the Hottinguer family was key in the survival of the bank across generations. The human capital refers to all the stakeholders where the family is embedded. As such, “the Hottinguer Bank evolves in a universe of reciprocal loyalties”, according to a non-family partner.

Figure 1 represents the systems of relationships that bind the Hottinguer family stakeholders overgenerations, explaining its survival and success despite the challenges it had to overcome. Basic loyalties are formed at the system level. Each system of stakeholders is connected with other systems through interactive behavior and flows of different nature such as financials, ownership, information and emotions. The family is the centre of gravity (3.1) with different circles representing the stakeholders' ecosystem of loyalties around the Hottinguer family: the partners and collaborators (3.2), the clients(3.3), and the allies and other social networks (3.4).

The unique characteristics of the loyalties across systems is that they are predominantly multigenerational, being perpetuated from one generation to another.

3.1. The Hottinguer family system :

The central circle represents the Hottinguer family system around which other systems gravitate. The full circle represents the male family members who had active roles as owners and contributors to the Hottinguer Bank. The dotted circle represents the women who contributed sometimes on the invisible scene at the education level by raising the next generation and on the social level by supporting the communities around, and as such contributing to the social standing of the Hottinguer family. These loyalties stem mainly from the traditional rule of primogeniture over generations and an attachment to the family name and values and their transmission into the business system, as explained in Part 2. Just like some Hottinguer successors were identified and described through their distinctive characteristics, three illustrative women will allow us to understand their contribution in their own way to the Hottinguer dynasty.

Women contributed in the creation of an affective climate in the family that complemented the business climate in which the successors and other family members were often embedded. The writings of Caroline Hottinguer, third generation and mother of Rodolphe, show the prevalence of altruistic behavior where her son's successes lead to her happiness and where his absence lead to her suffering.

Jean-Philippe Hottinguer acknowledges the fundamental role of his spouse, Brigitte born Montgolfier-Rivaud, 6th generation member, as a supporter and educator: "I do not always mention it, but I sincerely think that my spouse was essential in the Hottinguer Bank construction. While I was developing the affairs, she contributed to the rise of the next generation based on the solid values of our family.

The excerpts of the letter that Blanche Hottinguer left for her loved ones before she passes away speaks for themselves.

“(...) Give peace, avoid everything that can endanger it, raise your children in the love of what is Beautiful, Good, and Right, do not make fighters, give them the example of smile, and even the big laugh that I love so much.

Each thing has its own good and less good face, look always at the better side.

Love each other, like I loved you, and surround with an infinite tenderness the loved one that I leave to you

(...)”

Today Jean-Conrad, member of the 7th generation, still holds a copy of this prayer in his wallet while his father beautifully remembers a scene of courage he witnessed when he was a little boy with Blanche successfully negotiating with a German regiment commander the salvation of a dozen inhabitants of the village of Guermantes during the WWII.

As such, the Hottinguer loyal women, in their own way, played a role of inspiration, education and affection, and are added in the dotted circle in the centre.

3.2. The Hottinguer Bank partners and collaborators:

The next circle represents the system of collaborators and partners of the family who gravitate closely around the family providing loyal support. A non-family partner refers to the relations between the Hottinguer family and the partners as being “quasi-family relations”. The partners, traditionally engaged at a young age, often ended up by pursuing all their career in the bank. They always looked for efficacy without excess (Gerard, 1972, p. 425). They were “the guardians of traditions”, adapting their activities to the new requirements across the centuries (; p. 411).

The ownership partners are also bound to the family through an shareholders agreement on the sale of the business upon their retirement so that the Bank is perpetuated in the family’s hands and along its strategic vision. They also contribute with their own networks and know-how to the family affairs.

The employees, although not holding shares, feel psychological ownership of the Hottinguer Bank. The employee turnover rate is close to 2%, denoting the high level of loyalty that they have in the business. Jean-Philippe describes Banque Hottinguer as being “a Humane House” . He explains that the employees have a strong level of identification with the family, which makes them stay for a long period of time. As such, both partners and employees to the bank are animated by strong loyalties allowing to sustain the Bank over time.

3.3. The Hottinguer Bank clients :

The Hottinguer Bank clients are loyal over generations. As Jean-Conrad Hottinguer of the 7th generation still perceives it today, it is very important to have a loyal clients base. The clients have been loyal, succeeding from generation to generation, which is a sign of satisfaction from their part about the quality of service being offered and most importantly of trust. As a non-family partner puts it, “there is a psychological and professional alchemy that contributes to the development of strong business and friendship ties with the customers, which are passed on from one generation of clients to the next, and from one generation of Hottinguer family to the next”.

3.4. The Hottinguer Bank allies and other social networks :

The fourth system is made of close allies of the family as part of the social networks whether in the economic or political spheres. These allies are partly formed by families of friends providing loyal support and contributing to developing and maintaining the customer base of Banque Hottinguer.

Since the beginnings of the bank and over generations, Gerard (1972, p. 139) outlines the importance of public relations in the career of a banker. In the same time, The Hottinguer family members brought added value to the cities and communities in which they were operating through a security factor which makes them less dependent on public money (p. 149).

These systems are rooted in a mutually balanced approach of loyalty. For example, as Jean-Philippe puts it, “the clients trust us and we trust them in return”. For these circles to be functional though, they require a fast adaptation to the changing environment by a regeneration of the business model and the extension of the customers, partners, and wider networks base beyond the historical ones given the evolution in the economy and the society. This is the bet that the last generation of Banque Hottinguer managed to win through the regeneration of Banque Hottinguer in the past three decades.

Part 4: Concluding remarks

Contributions for the Family, Business and Community of Stakeholders

As Jean-Conrad, 7th generation member puts it, “the family is the backbone of the business”. Writing the history of the future for the next generation, he will certainly have to imagine the evolving role of the family and its connections within the evolving circles of clients, allies, collaborators and partners. All this in a context where values continue to be shared, “I build on the teachings I received from my parents and replicate them with the next generation, particularly the importance of curiosity and respect”.

The family appears in the Banque Hottinguer case as a major strength across centuries. It is a distinctive vehicle of the development and transfer of the valuable Hottinguer name, the entrepreneurial spirit, the values, and the loyalties over 7 generations. It appears also a source of adaptability and resilience in times of crises and despite crises where resilience grew stronger, allowing to create a strategic competitive advantage in the privileged circle of the private and investment banks nowadays. The lessons drawn through this analysis leads us to conclude with Aristotle, “in the place where meets your inner passion, your great competencies and the world's needs, there lies your purpose”. Combined with the Delacroix opening of this case, Aristotle’s quote adds another interlink age to the red thread that permeated the Hottinguer dynasty over centuries.

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