



Case study

THE DASSLER BROTHERS



ORIGINS

The Dassler family lived in the northern Bavarian town of Herzogenaurach, which had for centuries been a center for the production of shoe. Adolf Dassler was born in 1900, and as a young lad was an active sportsman, setting up impromptu running races and competitions with his friends. The family were not well off, but hard-working. His father was a shoemaker, and to help make ends meet his mother ran a small commercial laundry from the back of their house. In the First World War Adolph, along with his two older brothers, joined the fight on the front. The Dasslers were fortunate to see all three sons return home after active duty. Adi, as he was known, returned with an ambition, and immediately set up a small shoe workshop in a space in his mother's washroom premises that had fallen out of use after the war. Adi devoted a portion of his time to experimental work in his beloved sport of running, dabbling in the manufacture of running shoes with spikes.

At first he and his friends were, in fact, the only customers for the product. By 1920 the venture was showing promise and the Adolf Dassler shoe company was set up. Of all the potential outlets for their products they spotted an opportunity in football, which was emerging as the most popular sport. The company started to sell its shoes and boots directly to sports and football clubs. But the big breakthrough happened when Adi managed to catch the attention of the German Olympic coach in the run-up to the 1928 Amsterdam Olympics. This budding relationship was the springboard to the company becoming the leading supplier of athletic running shoes.

ADI AND RUDI

By 1923 Adi was feeling the strain of success, and turned to his brother Rudolf to join the firm to focus on developing new business. Rudolf, two years Adi's senior, was a man cut from a different cloth. His expansive manners had proved unsuited to his first career choice, in the local police. He came to the realization that his skills would be better employed in sales. The brothers then officially became partners in July 1924, incorporating Gebruder Dassler, Sportschufabrik, Herzogenaurach.

Soon romance beckoned for Rudi, and in 1928, buoyed by the finances of the growing business, he married Friedl, a pretty brunette and with an easy-going personality. The couple moved into the large villa that the family shared in Herzogenaurach, where the new bride established a good relationship with her in-laws. A few years went by before Adi in turn decided to marry, in 1934. His choice was Kathe, a more assertive hard-headed character who found it a struggle to integrate into the family ménage of the communal villa.

The climate in the family started to become an emotional cauldron, through the chemistry of the contrasting personalities and the heat of their close proximity. On top of the contrasting characters of the wives, an ideological divide started to emerge between the brothers around their political beliefs and loyalties. This was the 1930s, and the region was not far from epicentre of the rise of National Socialism in Germany and the emergence of the Nazi regime. Both brothers became party members, but in differing ways. Whereas Adi was not committed, Rudi openly supported the ruling party's philosophy. There was an atmosphere of rising tension at the family villa, fuelled by the bickering couples. In the business too Rudi was becoming steadily more assertive, while Adi remained the linchpin of the company, the man with the knowledge that gave Gebruder Dassler its edge. Tension between the siblings was on the rise as the contrasting personalities of the brothers collided with ever-greater intensity. Rudi felt mounting impatience with his brother's detail-conscious tinkering, whereas Adi felt increasingly ill at ease with his brother's brashness and dominance.

THE SPLIT

With the advent of the Second World War the German state still needed industry to produce vital goods. Adi thus earned early release from the army so that sports shoes could be kept in supply. Meanwhile, Rudi was still away, posted to an administrative job at the customs service in occupied Poland. This disparity in fortunes left Rudi bitter and jealous. There he was, far from Herzogenaurach, while his brother was running the business. Rudi wanted to regain control, and bent his mind to a strategy for doing so.

The end of the war was not a good time for Rudi. He was arrested by the Americans and briefly imprisoned as a suspected Nazi sympathizer. But Adi also had a fight on his hands to clear his name so he could carry on with the business of making shoes. It was during this period – both of them, like many of their fellow countrymen, tender with the scars of the war – that they reached the tipping point at which they split. Adi's wife Kathe heard the rumour that Rudi had given the De-Nazification Committee false information, attempting to incriminate Adi. This infuriated her.

At this point Rudi and his family made the first move, quitting the family villa together with his mother Paulina, who by now was a widow, to move across the River Aurach to the other side of town. Marie, the Dassler sister, remained with Adi. She was also daggers drawn with Rudi, unable to forgive him refusing to employ her two sons in the shoe factory, which would have kept them away from the war. Both had been killed in action, and she blamed Rudi.

With the split widening between them, the brothers decided to divide the firm's assets, with Rudi taking over the smaller factory on his side of town. The employees were left to decide which brother they would like to work with. Most of the sales team joined Rudi while the production staff largely stayed with Adi. In 1948 the brothers registered their respective companies. Each of them chose names that were to become leading brands, Adidas and Puma. The break was not only a major event in the family; it was a cause célèbre in the town, which was also divided in its support for these two local firms. The dispute heralded decades of rivalry in the fast-growing sports-wear market. Herzogenaurach became known as the town where people always looked down at your feet when greeting you, so they could see whose shoes you were wearing and therefore what camp you belonged to, before starting a conversation.

ESCALATION

The fight that set Adi and Rudi Dassler at each other's throats was to reach even greater heights as the second generation started to join the business. At first Adidas was spurred on by Adi and Kathe's son Horst Dassler, who displayed much of his uncle's commercial flair, successfully promoting the Adidas brand. Yet Horst in turn was to create a split in his family. The stimulus was his parents dispatching him to France to establish a new division based in the Alsace region. So successful was Horst that Adidas France grew in size to rival the mother company in Germany. Horst, a workaholic entrepreneur, had the bit between his teeth and set himself on a path to outdo his parent's business.

Horst's rise ruffled feathers, not least of his mother. Kathe, ever the tough one in the family, was determined to retain full control of the family empire. Horst then alienated his father, defying company policy by entering the market for sports clothing. As this internal wrangling went on unabated, the fight in the marketplace was also intensifying. During the 1958 World Cup in Sweden Puma filed a complaint against Adidas's advertising slogan. The brothers, who drove their respective companies hard, never relented.

The next generation was standing in the wings to continue to fight when the first generation protagonists had left the stage. Rudi, always the more difficult of the two brothers, also had a poor relationship with his eldest son Armin, whom he constantly berated. As the brothers aged, their relationships with their successors did not mellow. Indeed, as Rudi fell into terminal ill-health in the 1970s, he impulsively amended his will, excluding Armin from his estate, in favour of Gerd, the younger of his sons. Rudi died in 1974 and when the will was read, Armin was devastated at this final and unexpected blow from his late father. His brother refused to listen to Armin's entreaties and so Armin sought legal counsel. He eventually found redress, and was installed as the general partner of Puma, with Gerd holding a minority stake.

Another four years went before Adi also passed away in 1978, to be buried in the same cemetery as Rudi, though conspicuously laid to rest in a different part of the burial ground. Although the brothers had met face to face a few times towards the end of their lives for private discussions, to the very end the families remained bitterly divided.

COMMENT

What are the lessons from this case? One of the most obvious is to consider character before you get in the box and start working with someone, especially if that person is your close relative. People who might have coexisted happily in separate spaces were not only forced into harness together, but in the same villa, along with a volatile concoction of spouse differences. The rivalry between mother and son that subsequently emerged is highly unusual, and yet springs from the same root as most parent-offspring conflict – the desire for control pitched against the desire for autonomy. Strong personalities make this a major liability.

In a tale where making a clean break between business interests of warring brothers did not yield a solution. The reason was that they continued to be in the same competitive space. This suggests some more creative division of responsibilities across the empire might have worked, though by the time the split came there was probably too much bad blood. The ideological differences between Adi and Rudi Dassler were always going to make any kind of joint decision making tough. All of this leads to the conclusion that complete separation including non-competition agreements is probably the only way in a low-trust context, such as the Dasslers experienced.