

Press Release

Family-internal takeovers harbour fewer risks

IfM Bonn for the first time investigated business closures in the run-up to planned takeovers in Germany

15.3.2021. Business, where it is already planned at the beginning of the succession process that a family member will take over the business, are significantly less likely to be shut down than companies aiming for sale. This is one key result of a study of the IfM Bonn. For the first time, IfM researchers have investigated for Germany how many companies are shut down in the course of the succession process and which factors contribute to this.

Overall, about three quarters of the 90,000 businesses, whose succession was planned during the observation period, remained on the market. Those businesses that were closed down during the planned succession period tended to be small and mostly had a poor profit situation, a lower export orientation and/or a lower propensity to invest before the planned handover.

Less economically attractive businesses therefore seem to have greater difficulties in being handed over. This is the reason why IfM researchers only take selected companies into account in their regular estimates of how many takeovers can be expected in the next five years. Specifically, these estimates only consider companies exceeding a certain revenue threshold and for which a takeover makes economic sense for potential successors. For the last five-year period, the IfM Bonn had estimated that between 2018 and 2022 around 150,000 family businesses were due to be handed over, affecting around 2.4 million employees. The IfM researchers will present their new five-year estimate next year.

"A company closure in the course of the takeover process is still seen as a failure. However, it is an economically rational entrepreneurial decision that is made after weighing up the chances of success and the costs associated with the takeover - even if family entrepreneurs naturally do not prefer this outcome," says project leader Dr Nadine Schlömer-Laufen. She therefore recommends that every business owner should not only consider the timing of his or her own withdrawal at an early stage, but also get a realistic picture of the state of the business. "In view of the time and financial expenses of an unsuccessful search for successors and the subsequent business closure, a realistic assessment of

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the conditions under which a continuation of the business appears possible is central," explains Dr. Nadine Schlömer-Laufen.

The studies "Challenges related to Business Transfers: Companies between continuation and closure" and "Company Succession in Germany 2018 to 2022" are available on the homepage of the Institute for SME Research (www.ifm-bonn.org).

→ **Publication**