

Successful succession planning and company succession | Reasons for succession

Why is a succession plan important?

Succession planning at an early stage

To ensure that the company continues successfully in the future, it is important to start succession planning at an early stage. This not only involves finding a suitable successor, but also the legal and tax aspects that need to be taken into account during a handover. A careful analysis of the company's situation as well as a realistic assessment of the market and the industry are essential here. Early familiarization of the potential successor and the creation of a corresponding basis of trust are also of decisive importance. The earlier succession planning is started, the better the necessary steps and decisions can be prepared and implemented. Successful [succession planning](#) is therefore of great importance not only for the future of the company, but also for the outgoing entrepreneur.

Risks of a lack of succession planning

A lack of a [succession plan poses great risks for companies](#), because in the worst case, situations can arise that threaten their very existence. Without a clear regulation, disputes can

arise within the family or among the shareholders. This can lead to important decisions not being made or even to unprepared successors having to take the helm. There may also be a risk that the business will have to be sold to a buyer who does not share the same vision and goals. Another risk is that there will be no suitable successor and the company will eventually have to be liquidated. It is therefore essential to make a succession plan in good time and to review and adjust it regularly. Only in this way can the company be continued in the long term and the employees and customers are permanently secured.

Company succession from the point of view of the successor

Company succession is a very important phase in the life of the successor. This may involve a family [business that is to be continued](#) over several generations. But succession can also play a decisive role in the takeover of another company. The successor must be prepared for many challenges and bear a great responsibility. In addition to maintaining and expanding the company, employees and customers must continue to be satisfied. Good [planning and clear communication](#) are therefore crucial for a successful company succession. The successor should also deal with the various issues such as legal and tax aspects as well as financing at an early stage. Only in this way can a [smooth handover be ensured and the company successfully](#) continued.

Secure life's work and make retirement provisions

It is important to safeguard one's life's work and make provisions for retirement at an early stage. Comprehensive planning can help assess financial resources and develop a

strategy. This includes evaluating insurance, investments and savings measures. It's worth consulting experts to discuss the various options and find a customized solution. A long-term perspective is critical to achieve retirement goals while ensuring a reasonable quality of life during your working life. A clean set of books and a budget help keep track of income and expenses and identify any gaps. It makes sense to start early and adjust plans regularly to respond to changes. With careful planning, the future can be approached in a calm and relaxed manner.

Successful succession planning as part of the business model

Successful succession planning is an essential part of a company's [business model](#). The course for this should be set early on to ensure the continuity of the company. Good planning and preparation are essential to ensure that the successor is able to successfully continue the company. All relevant aspects of succession should be considered, such as the choice of successor, financial security, legal arrangements and the social aspects of the transition. [Succession planning plays an important role for family businesses](#) in particular, as here the handover takes place from generation to generation. To avoid conflicts and uncertainties, succession should be planned in good time and transparently. A successful [succession plan](#) is thus an important building block for the long-term stability and development of a company.

What forms of succession planning are there?

Family-internal and family-external business succession

Company succession can take place either internally within the family or externally. In the case of internal family succession, a family member takes over the company from another family member. The prerequisite for this is that the company is family-run and the successor has the necessary qualifications and experience. Family-internal succession offers the advantage that the company remains in family hands and continuity is guaranteed.

Non-family succession, on the other hand, is achieved by selling the company to an external successor. This can lead to changes in the company, the corporate strategy and the corporate culture. One advantage of non-family succession, however, is that external succession is often accompanied by new impetus and the company often benefits as a result. In any case, it is crucial that the succession is planned carefully and in good time to ensure a smooth transition.

Prospective buyers and potential successors

When looking for a suitable successor or potential buyer for one's own company, thorough research and pre-selection are of the utmost importance. Both personal and [business requirements should be formulated for the potential](#) buyer or successor. A successful handover requires careful planning and coordination with the successor or buyer. The latter should have in-depth knowledge of the company and be prepared to take a close look at the business processes. The financial situation of the potential buyer or successor should also be checked to ensure a solid basis for the continued operation of the company. Here, expert advice from an experienced succession specialist can be helpful in ensuring a smooth handover.

Management buy-out and other succession solutions

A management buy-out (MBO) is one of the most common succession solutions, where a company is taken over by its senior executives or a management team. This option can be attractive to companies as it ensures continuity in the management of the business as well as providing a smooth transition period. Alternatively, a management buy-in (MBI) option may be considered, in which external managers or investors join the company. Other succession solutions include transferring the business to family members, selling the business to another person or company, or even closing the business. Careful planning and implementation of the succession solution is essential to minimize potential legal, financial and tax risks. [Professional advice](#) can play an important role in ensuring a successful handover of the business.

Company valuation and purchase price

A [business](#) valuation is an important process in a business purchase. It refers to the estimation of the value of the [company to be acquired](#). Various methods are used for this purpose, such as the [discounted cash flow](#), market or multiplier method. The purchase price is then determined based on the determined value as well as other factors such as the location of the business, the condition of the assets and the competitive strength of the business. It is also possible to take into account a negotiation margin between the negotiating parties. A high-quality [business valuation is key to a successful acquisition](#), as it helps buyers make an informed decision about whether or not the price is appropriate.

Legal form and tax aspects

In Germany, various legal forms are available for companies, such as the GmbH, AG, sole proprietorship or partnership. However, the choice of legal form not only affects the liability of the entrepreneur, but also the tax burden of the company. When choosing the legal form, therefore, the tax aspects should also be taken into account. For example, limited liability companies can benefit from a lower tax burden than sole proprietorships. The type of income tax, corporate tax, sales tax or trade tax may also vary depending on the business form. It is therefore important to look into the tax aspects of the various legal forms before setting up a business and, if necessary, seek professional advice. After all, the choice of legal form and the associated tax burden can have a major impact on the success of the company.

How does the succession process work?

Handover duration and handover process

When handing over a project or work order, it is important to consider both the handover duration and the handover process. Handover duration refers to the time frame in which the project or job is handed over from one person to another. Here, it should be ensured that enough time is planned for a thorough handover and that all relevant information and documents are handed over. The handover process itself describes the process and steps that are carried out during the handover. Here, it is important that both parties communicate clearly and can discuss any questions or problems that may arise. A clear and structured handover helps to ensure that the recipient of the project or order is well

informed and can continue the project successfully. A poor handover, on the other hand, can lead to errors and delays. Therefore, the handover process should not be underestimated.

Supporting measures for successful succession planning

A successful succession plan must be well prepared to ensure a smooth transition. Various supporting measures can be helpful here. One of these is the early involvement of potential successors in the company. In this way, they can gain experience and familiarize themselves with the processes and structures. Another measure is to hold training courses and seminars to prepare them for taking over the management position. Here, for example, topics such as employee leadership, financial [management and risk](#) management can be covered. Creating a clear succession plan that includes tasks, responsibilities and timetables, among other things, can also facilitate succession planning. In addition, aspects such as tax and legal issues should be taken into account to eliminate potential stumbling blocks. Professional advice from experts can provide support and security.

Ensuring a suitable successor

To ensure that a suitable successor is found for a position, a comprehensive and systematic process should be carried out. This includes identifying candidates within the company as well as looking for external candidates who have the required skills and experience. An important step is to create clear job descriptions and job specifications to ensure that the requirements of the position are known and that candidates can be evaluated accordingly. It is also important to assess candidates for their fit with the company's culture and their ability to lead and develop employees. A structured selection process that includes assessments by employees, managers and

outside consultants can help ensure an informed decision is made. Developing and training potential successors is another important aspect of ensuring they are ready and able to take over when needed. A successful succession process can help ensure the continuity and stability of a company.

Transfer of ownership and financial security

Transfer of ownership is an important step in purchase or sale contracts. As a rule, it is carried out by handing over the property in return for a payment. A public notarization is often necessary here to fix the ownership in writing. However, not only the transfer of ownership, but also the financial security is essential. Here it is important to find out about various options, such as construction financing or real estate insurance. For many people, construction financing is the only way to purchase their own home. The focus here is on financial security, so that one can keep the property in the long term. Real estate insurance, on the other hand, protects the property from damage caused by natural disasters or human error. Comprehensive financial protection gives the owner the necessary security and creates freedom for relaxed use of the home.

Enterprise value and selling price

Enterprise value and selling price are of immense importance for every entrepreneur. The enterprise value is the value of the entire company, including all assets and liabilities. This value is usually determined by a comprehensive valuation of the financial and non-financial factors of the business. The selling price, on the other hand, is the amount the business owner would like to obtain for the sale of his or her business. The selling price thus depends heavily on the value of the business, but also depends on other factors such as

current market conditions or the industry. A realistic assessment of the value of the business as well as the selling price is crucial for the successful sale of a business. It is advisable to seek professional help in order to obtain an accurate assessment of the company's value and to set the selling price accordingly.

Who is affected by a succession plan?

- Entrepreneurs and businesswomen
- Individuals with ownership in a company
- Potential buyers and successors

Perspective of different stakeholders in the business succession process

Company succession affects different stakeholders such as family members, employees, customers, suppliers and investors. The view of family members is often shaped by emotions and it is [about the continuation of the company](#) as a family business. Employees are concerned about their jobs and their future prospects. Customers and suppliers want security and continuity to continue their business relationships. Investors are looking for a profitable and long-term investment and want to know how the succession is arranged. The various stakeholders have different expectations and interests that must be taken into account in the succession process. Open communication and transparent processes as well as the involvement of all stakeholders are essential to ensure a successful company succession.

Special features for Swiss SMEs

Swiss SMEs (small and medium-sized enterprises) have some special features compared to other countries. An important role here is played by Switzerland's geographical location, which promotes a high density of SMEs. In addition, there is a high number of family businesses in Switzerland, which often exist over generations and are thus very long-term oriented. Another aspect is the strong networking between companies, which promotes cooperation and exchange. The high level of innovation and quality awareness are also hallmarks of the Swiss SME landscape. One drawback, however, is that the cost of wages and means of production is relatively high, which can limit competitiveness. Overall, however, the diversity, quality orientation and innovative strength of the Swiss SME landscape contributes to a stable economy.