

# German SMEs: Who will take up the baton?





Three out of four companies in Germany are customers of the Savings Banks Finance Group. Advising and financing SMEs in Germany is the core business of the Savings Banks and Landesbanken. To achieve this, they use their strengths – a detailed knowledge of their customers and their personal circumstances as well as their nationwide presence throughout Germany's regions.

In its 24th edition of the publication – SME Diagnosis 2024 – the German Savings Banks Association (DSGV) presents representative data on the current situation of SMEs in Germany. This issue focuses specifically on company succession in the German SME sector.

The S-Financial Climate Index of the DSGV and Deka is once again integrated into this analysis. It is based on quarterly surveys of economic developments conducted among the management boards of the German Savings Banks.

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# Foreword



*“It is important to remove structural barriers and create new incentives. We need to promote an environment that encourages innovation and supports entrepreneurship.”*

**PROFESSOR ULRICH REUTER**  
President of the German Savings Banks Association

## *Ladin and Gunkner*

German SMEs are often rightly referred to as the “engine of the German economy”. This is a sign of great appreciation. However, the SMEs’ concerns and critical assessment of their own circumstances can no longer be overlooked.

The good news is that the financial situation of SMEs remains stable. The equity ratio remains high and averages around 37 percent. This represents a solid financial basis in the vast majority of sectors. SMEs therefore have the strength to invest. However, many challenges are slowing them down. This is also reflected in the “Survey of Savings Banks Experts 2024” carried out by the Savings Banks Finance Group.

*“The challenge for businesses – and for the economy as a whole – is to raise awareness of the importance of entrepreneurship, to strengthen business education and to make support and financing services available locally.”*

A central topic of the survey was company succession in the German SME sector. Around a third of small and medium-sized companies are planning to hand over their businesses within the next three to five years.

Statistically speaking, the trend is not surprising: the average age for handing over a company is 64. Many company heads have almost reached this “age limit”. 1.2 million company owners in Germany – in other words, around one in three – are aged 60 or over. The so-called baby boomers from the years 1957-1965 are followed by lower birth rates. The number of those willing to hand over their businesses is rising steadily. Whereas the number of interested parties is shrinking. This is by no means just for demographic reasons.

Bureaucracy and a shortage of skilled labour are making entrepreneurial activity more difficult in the long term. These problems are exacerbated by high raw material, energy and food prices as well as additional risks such as cyber security and the CO<sub>2</sub> tax. The decline in interest in entrepreneurship is particularly alarming, making succession planning difficult in many companies. Although 90 percent of German companies are family businesses, only 36 percent of owners intend to hand over their business within the family. The plan to hand over the business to an external buyer is more common.

The challenge for companies – and for the economy as a whole – is to raise awareness of the importance of entrepreneurship, to strengthen business education and to make support and financing services available locally.

Savings Banks provide their expertise and their network to support both buyers and sellers during the complex transition phase. We see a great need for advice on suitable financing, but also on strategic planning and legal frameworks. Savings Banks are well positioned to provide all of this locally and within the Finance Group as well as through their close partnership with the KfW.

However, we have little direct influence on the energy supply structure, bureaucracy and the training of skilled workers. It is vital to set the right political course here so that SMEs can once again bring their full strength to bear for society as a whole.



Berlin, November 2024

Provision of risk capital

**Financial and economic education**

Acceleration of approval procedures

Planning security

Promotion of business start-ups

Support programmes, funding instruments, promotional loans

Reducing tax and duty burdens

Tax simplification

**Tackling the skills shortage**

Promoting entrepreneurship

**Reducing bureaucracy and regulation**

Creating incentives for start-ups and take-overs

**Reducing energy costs**

Stable raw material and energy prices

Location stability

**Reliable economic policy framework**

Stronger

start-up support

Support for new and take-over entrepreneurs

# Deka S-Financial Climate in the 3rd Quarter of 2024

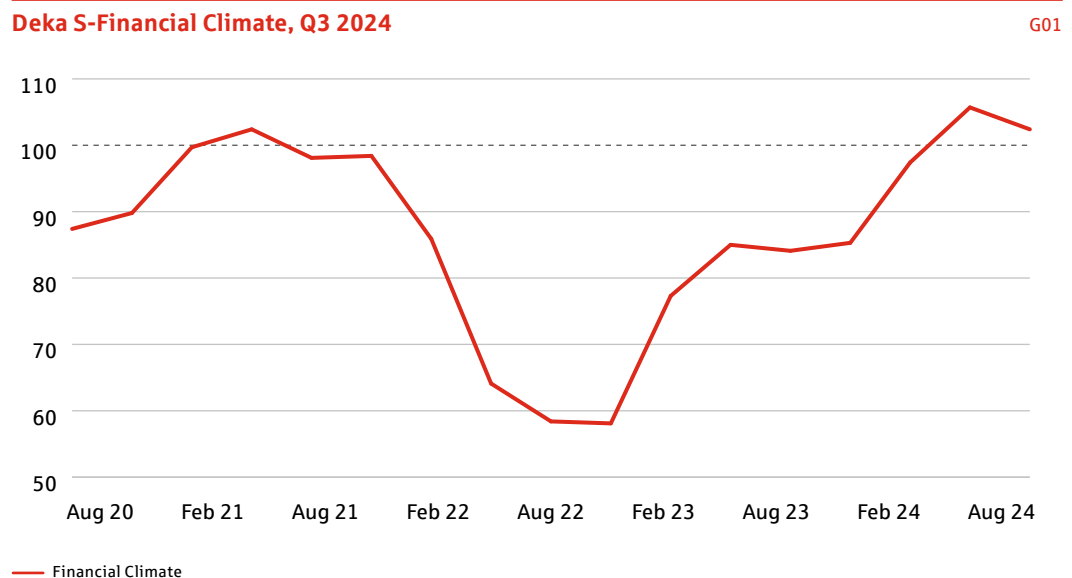
## Economic hopes disappointed

The Deka S-Financial Climate Index presents the assessments of Savings Banks board members regarding the economic environment and monetary conditions in Germany. After three increases in the previous quarters, the index fell again in the third quarter to 102.4 points.

The economic components of the survey recorded the sharpest decline. Both the situation and expectations of economic momentum are now well below 100 points again. This means that the predominant diagnosis is a deterioration in the economy.

In line with this, corporate demand for credit is estimated to be worse than in the previous quarter. Analysts regard demand for credit as a reliable, synchronous economic indicator.

The economic policy announcements on improving conditions for business locations have not had an encouraging effect among those surveyed. Confidence in the implementation and effectiveness of the measures is low. With an average equity ratio of 37 percent, SMEs would be well placed to take out more loans. However, there is currently a lack of motivation and impetus for investment.



Sources: DekaBank, Research Centre for Savings Banks Development, DSGVO



**S-Financial Climate down slightly: Economy fails to emerge from the gloom**

The upswing has once again stalled: After three consecutive rises, the Deka S-Financial Climate fell again slightly in the 3rd quarter from 105.7 points to 102.4 points. → G01 Of the main components of the financial climate, economic assessments have fallen the most. Both the assessment of the current economic situation (from 100.5 to 83.5 points) and expectations for the next six months (from 95.8 to 84.6 points) have collapsed. → G02 The rise in the credit climate had an offsetting effect on the overall climate index. However, here too, the Savings Banks' almost unchanged willingness to lend coupled with falling demand for commercial loans indicates that the economic downturn in Germany is set to continue. There are cautious glimmers of hope from the falling interest rates. This has led to a slight increase in demand for mortgage loans – just as falling interest rates have improved the assessment of capital costs. This effect should intensify in the coming quarters: Expectations of the European Central Bank with regard to further interest rate cuts increased again in the 3rd quarter. The overall economic message from German Savings Banks managers is clear: the German economy is not emerging

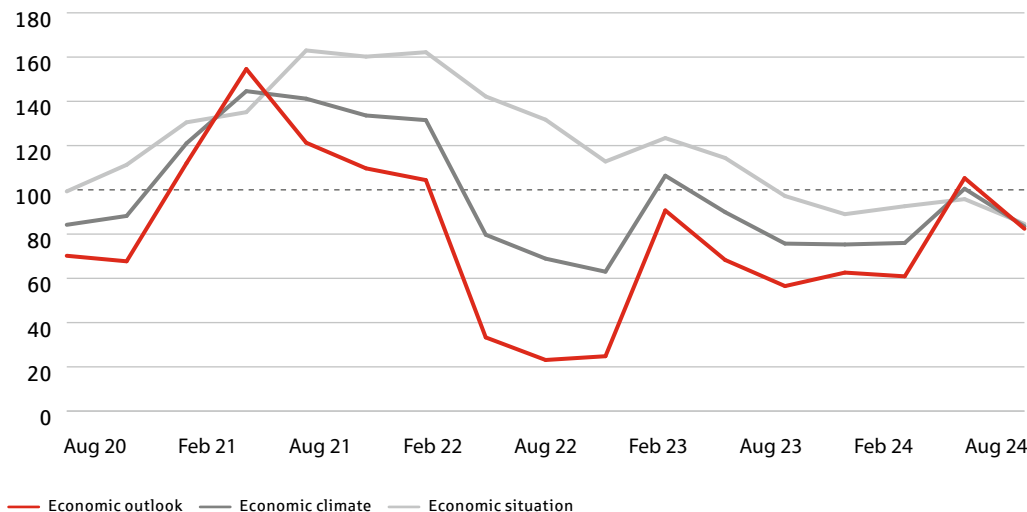
from its slump. However, the situation in the SME sector is robust with average equity ratios of 37 percent. Although Savings Banks managers see a good starting position for SMEs to be able to take out more loans, they also note a lack of motivation and impetus for investment.

In this respect, the forecasts of the Savings Banks board members from the first quarter of 2024 have been confirmed. Even then, 62 percent of the Savings Banks board members surveyed expected no or only a slight upturn in investment in the 2024 financial year. Only 6 percent saw a trend towards an upturn in investment activity, while no one expected a significant upturn in investment even nine months ago. → G03

When asked about the causes, almost 60 percent of Savings Banks board members blamed home-made problems. This is a clear signal to politicians to finally give a much higher priority to business location reforms. This also includes significantly greater reliability of framework conditions, as indicators on location conditions show that uncertainty with regard to economic conditions in Germany has increased significantly in recent years.

**Economic climate weak and trending sideways**

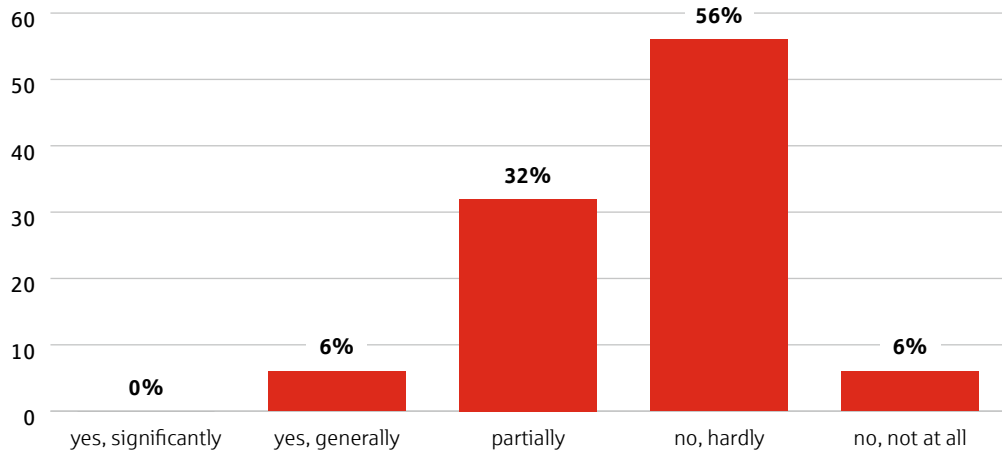
G02



Sources: DekaBank, Research Centre for Savings Banks Development, DSGV

## Investment recovery (from Q1 2024)

G03



Sources: DekaBank, Research Centre for Savings Banks Development, DSGV

Question: "Are there any signs of a recovery in the investment dynamics of companies in your business area?"

**Economic outlook continues to deteriorate**

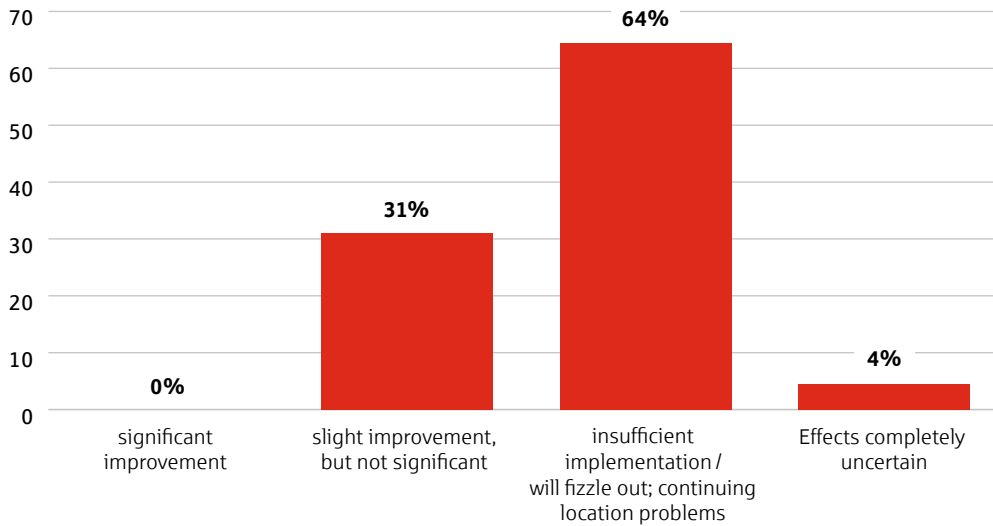
The Savings Banks' assessments of the economic situation in the German SME sector reflect the largely disappointing economic data of recent weeks and months. As the year progresses, hopes of a consumption-driven recovery in the second half of the year eroded. It remains true that consumers' purchasing power is increasing again in view of high wage increases and falling inflation rates. But having a bigger wallet is not enough, you also have to spend the money. And this is where the problem lies: bad news is coming from Germany as a business location, politics is paralysed and unemployment figures are rising. In such an environment, the extra euros become a nest egg and are channelled into savings instead of consumption. At the same time, German companies are no longer able to benefit from the slight upturn in global trade as they used to. Since the beginning of 2018, global exports have risen by around 8 percent, while German exports have only increased by around 3 percent. And as if that wasn't enough, companies are holding back on investments – so it's no surprise that the economic situation and prospects are being assessed less favourably. → G02

**Little hope for better conditions**

The Savings Banks are not seeing a broad-based downturn in the German economy. But there are no signs of a recovery either. One way of restoring lost consumer and investor confidence would be a bold programme of economic policy reform. So far, however, instead of a large, cohesive reform package, politicians have repeatedly presented small reform steps. These have not been enough to turn the tide and restore confidence.

The German government's most recent and largest initiative was the announcement of a package of 49 individual points in July, some of which included measures already discussed and adopted in previous months. They cover a wide range of economic policy actions, from improved depreciation rules and better labour incentives to the promotion of electromobility and the reduction of bureaucracy. If economic policy reforms achieve some of their effectiveness from the psychological component of the announcement effect, then this has not been achieved in this case according to the current results of the S-Financial Climate. Irrespective of the possible successes or failures of actual implementation, the answers to the special

**In general, what effects do you expect from the government's 49 point programme?** G04



Question: "The German government has announced a programme consisting of 49 measures from a wide range of economic policy areas to improve the conditions for business locations in Germany – from improved depreciation rules to better work incentives and a reduction in bureaucracy. In general, what effects do you expect from this initiative?"  
 Sources: DekaBank, Research Centre for Savings Banks Development, DSGV

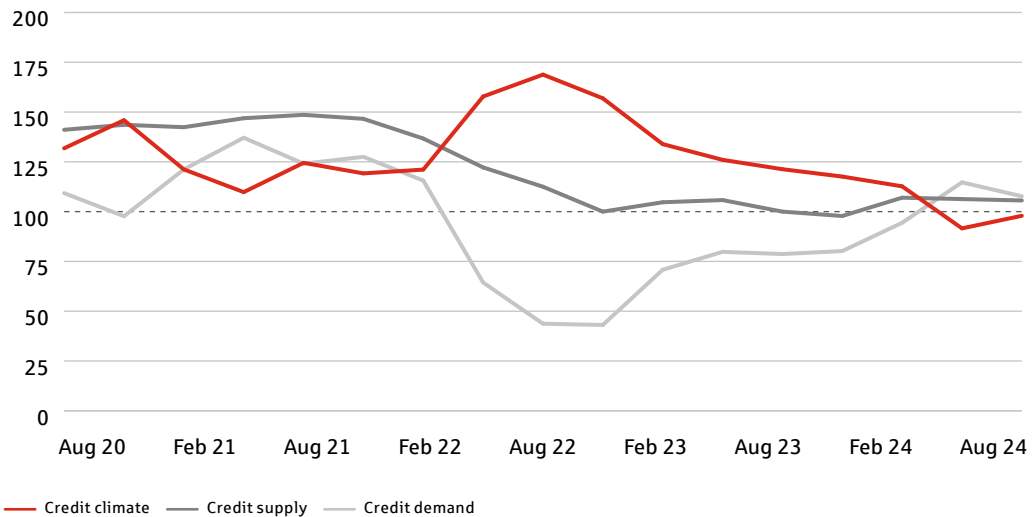
question about the effectiveness of this package of measures reveal very little sense of optimism. None of the experts anticipate a "significant improvement in the location assessments". At best, 31 percent expect a "slight, but not significant improvement in the framework conditions" for companies. → G04 64 percent of regional financial managers, on the other hand, believe that the location problems in Germany will persist and a good 4 percent consider the effects of the economic policy reform plans to be completely uncertain.

**Slightly improved credit climate**

After falling below the 100 mark for the first time in the second quarter, the credit climate – the balance of the Savings Banks' willingness to lend and the expected demand for credit plus 100 – has now recovered slightly. → G05 While the Savings Banks' willingness to lend remained almost unchanged, this is mainly due to the fact that companies are requesting fewer loans as the economic outlook has deteriorated again – despite lower interest rates. Only the demand for residential construction loans was able to benefit from the fall in interest rates. The weak momentum in lending is mainly demand-driven and therefore an indication of the weak economy and, in particular, weak investment demand.

## Credit climate

G05



Sources: DekaBank, Research Centre for Savings Banks Development, DSGV

### Expectations of a more expansive monetary policy

In September, the European Central Bank lowered the refinancing rate for the second time. The Savings Banks board members had anticipated the turnaround in interest rates early on, and they also expect monetary policy to become more expansive over the next twelve months. The Fed's surprisingly large interest rate hike in mid-September played no role in this. It only took place after the survey was completed, whereas the European Central Bank's second interest rate hike still fell within the survey period. Irrespective of the interest rate hikes that have already taken place, expectations remain unchanged: The Savings Banks expect key interest rates to fall further.

The fact that the scepticism of the Savings Banks board members mainly relates to Germany as a business location, but not to all German companies, is made clear from their expectations regarding the development of the German stock market. 67 percent of participants expect

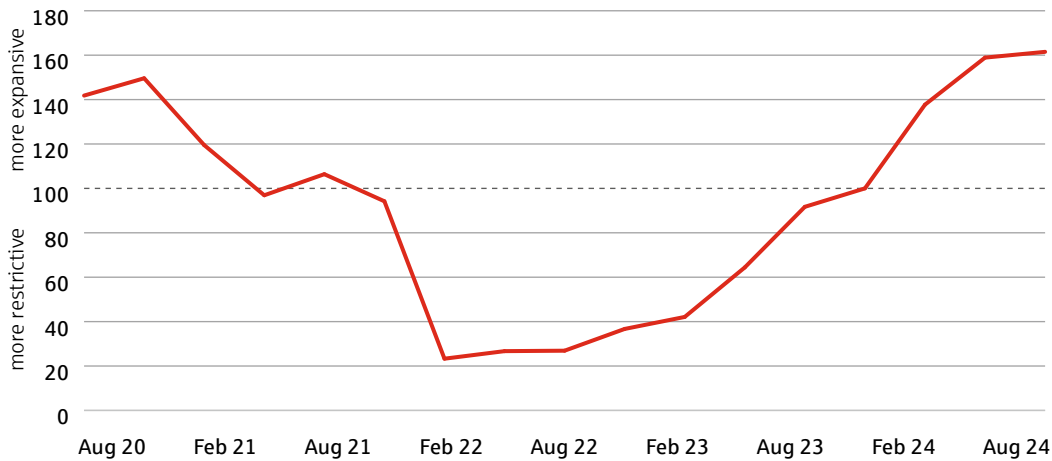
the DAX to be above 18,000 points at the end of the year. Listed companies are global players and their earnings performance is much less dependent on the German economy than smaller companies such as suppliers. In contrast to the situation in Germany, two thirds of the Savings Banks therefore continue to trust in strong global economic growth.

### Conclusion

According to the Savings Banks, economic development in Germany remains stagnant. Neither falling interest rates nor recent economic policy announcements to improve local conditions have been able to brighten the gloomy mood.

**Direction of monetary policy**

G06



Sources: DekaBank, Research Centre for Savings Banks Development, DSGV

**Summary: Deka S-Financial Climate Index Q3 2024**

**Key economic indicators**

T01

	2024 Q3	2024 Q2	
S-Financial climate	<b>102.4</b>	105.7	↓
S-Economic climate	<b>83.5</b>	100.5	↓
S-Credit climate	<b>97.9</b>	91.6	↑
Economic situation	<b>84.6</b>	95.8	↓
Willingness to lend	<b>105.6</b>	106.3	↓
Regulatory framework	<b>25.3</b>	15.8	↑
Capital cost	<b>89.0</b>	78.7	↑
Profitability	<b>118.7</b>	147.4	↓
Economic outlook	<b>82.4</b>	105.3	↓
Credit demand (commercial)	<b>107.7</b>	114.7	↓
Demand for real estate loans	<b>140.0</b>	136.8	↑
Personnel planning	<b>109.9</b>	96.8	↑
Expectation of monetary policy	<b>161.5</b>	158.9	↑

Sources: DekaBank, Research Centre for Savings Banks Development, DSGV



## Focus Topic

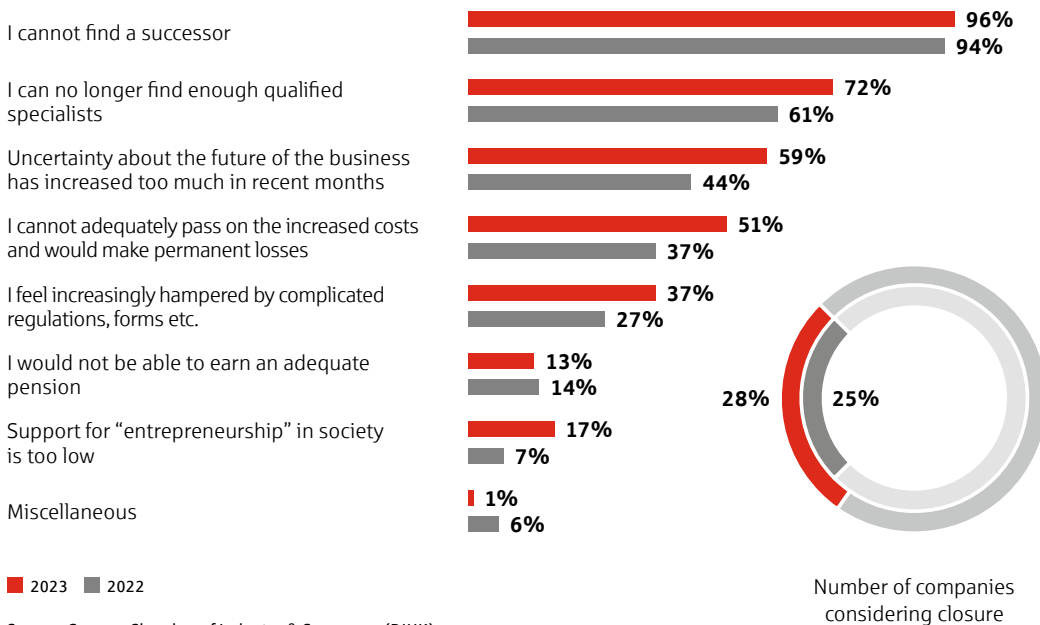
### **Company succession in the German SME sector: Securing a company's future with the right strategy**

The vast majority of German SMEs are in family hands – and therefore have a huge task ahead of them: succession planning. As the backbone of the German economy, these companies must ensure that their legacy continues in the future. However, company succession is often difficult and complex. The central problem is the lack of a clear succession strategy. This often involves a successful combination of different approaches. The Savings Banks Finance Group already has specific expertise in this area.

The shortage of skilled labour is the subject of much discussion in Germany – and rightly so, as insufficient manpower slows down economic development. However, another shortage is perhaps even more of a threat in the long term: a lack of entrepreneurs. According to Landesbank Baden-Württemberg Research, almost a third of SMEs are managed by an owner who is over 60 years old. Around half of all bosses are older

than 55. The demographic trend is particularly evident when it comes to entrepreneurship and therefore age is a fundamental and simple reason why company owners want to stop. According to a survey conducted by the ifo Institute for Economic Research and the Family Business Foundation at the beginning of 2024, 43 percent of the companies surveyed are due to transfer their business in the next three years. The expert

**28 percent of advised successor companies are considering closure:** G07  
**Chamber of Industry & Commerce (IHK) experts see the following reasons for this (in percent)**



survey for the SME Diagnosis 2024 also revealed a similar picture. At 67 percent, the majority of business customer advisors surveyed stated that between 20 and 40 percent of their business customers are looking to transfer their company in the next three to five years. The IfM (Institute for SME Research) in Bonn specifically refers to 190,000 companies between 2022 and 2026 that are looking for successors.

This is an issue that is likely to become increasingly difficult: Due to the lower birth rates after the baby boomer generation, it is not just that many older entrepreneurs are finding fewer people willing to take over. There are other challenges too: Although 90 percent of German companies are family businesses according to the Institute for SME Research, only 33 percent of owners intend to hand over the business within the family, as outlined in the DIHK report (see p. 15 ↘ [DIHK Report on Business Succession 2024](#)). 28 percent of the advised successor companies are even considering closing their business → G07. 50 percent want to hand over the business to an external seller as a management buy-in (MBI). The remaining 17 percent are planning a management buy-out (MBO), i.e. a takeover by an employee. A large number of handovers are also taking place in a less orderly fashion. According to KfW research, 70,000 of the around 190,000 successions planned by the end of 2023 still had no concrete solution in the first half of 2022. Statistics show that there are 4.5 people willing to hand over a business for

every interested party in the retail sector, while the ratio in industry and manufacturing is only 1 to 1.5.

Not only these points, but also general conditions such as the high energy costs in international comparison, the bureaucratic burden and the increasingly difficult search for personnel make company succession a complex challenge that also involves additional legal, financial and emotional aspects. Precise planning is therefore the key. As financiers of SMEs, Savings Banks are already in contact with many small and medium-sized enterprises and can provide targeted support in this area. One of the success factors here is the combined expertise within the Savings Banks Finance Group. This includes proven succession specialists on site to provide personal support through challenging business phases. Additionally, there is also the possibility of using platforms, networks and active approaches to bring together those willing to hand over their business and interested parties. However, the prerequisite for this is a strong external image from the Savings Banks to draw attention to their expertise in business succession.

Sparkasse Bremen and Sparkasse Vest Recklinghausen are two banks that have succeeded in doing this, as the following project examples show.

# Ready for the match in Vest

Business succession means connecting people and their ideas: Daring to do something new to preserve the old. In the Recklinghausen district, Raffael Wildner, Head of Specialised Financing at Sparkasse Vest Recklinghausen, and his team are experts in this complex topic. They have managed almost 60 of these succession solutions since 2019. In this interview, team member Andreas Krüger, Succession Officer, explains their successful concept.

## **Sparkasse Vest Recklinghausen and its specialised financing division**

As a broad-based financial institution, Sparkasse Vest Recklinghausen is the market leader in the Rhine-Ruhr metropolitan region and an important business partner. It has more than 1,100 employees and 55 advisory centres, branches and self-service locations. Its strong position in and around the city of Recklinghausen is demonstrated by more than 8,000 commercial customer relationships and total assets of around EUR 7.8 billion. The specialised financing division, which is responsible for company succession, is assigned to the Savings Bank's business customer division. In addition to succession planning, the ten-strong team in this division also looks after three other areas: business start-ups, leasing & factoring and public funds. Having successfully developed the succession service, the Savings Bank plans to promote the service even more strongly in future.

## **Mr Krüger, what makes this particular service offered by Sparkasse Vest Recklinghausen so special?**

→ The issue of company succession is often primarily associated with lawyers and tax consultants. In contrast to this, we concentrate on the aspect of networking suitable partners and have developed our own Savings Bank service for this purpose. This "matching" is already increasingly known in another league of the business world: in mergers and acquisitions, i.e. mergers and takeovers with a purchase price of EUR 10 million or more. We have scaled the concept down to reflect the situation in the district of Vest, and are focusing on the small and medium-sized companies that are typical here.

## **How did the Savings Bank come to consider offering such a follow-up service in Vest?**

→ One reason was the analysis of the general figures. Here in North Rhine-Westphalia alone, the Bonn Institute for SME Research forecast almost 40,000 company successions between 2022 and 2026.



And this figure seems to be proving accurate. Another reason is that we have repeatedly seen local companies being sold to interested parties outside of Vest. We then often lost the business relationship and, in the worst cases, regional jobs were also lost. Our Management Board then suggested that we develop a concept to counter this development. This is exactly what we are now doing.

**What do you do specifically in each case?**

→ In principle, we offer our support to both sides. For example, we search for takeover candidates on behalf of our clients. However, it is more common for us to search specifically for potential successors or companies that want to grow. To do this, we first present our offer to a client and then decide together with them on the breadth and intensity of the search. The fact that the Savings Bank has a business relationship with around 70 percent of the companies in Vest is a more than advantageous starting point. We know the area better than almost any other provider. In addition to our own network, we also use various other databases and platforms for researching and presenting companies, such as the S-Unternehmensbörse (S-Company Exchange)

↘ ([s-unternehmensboerse.de](https://www.s-unternehmensboerse.de)).

**Will an interested party or buyer be found for every succession request?**

→ So far, our matching has been surprisingly successful. However, it requires a realistic price range and a buyer may need to be patient. A project usually runs for several months to a year. In addition to the research, it takes time for buyers and sellers to reach an agreement.



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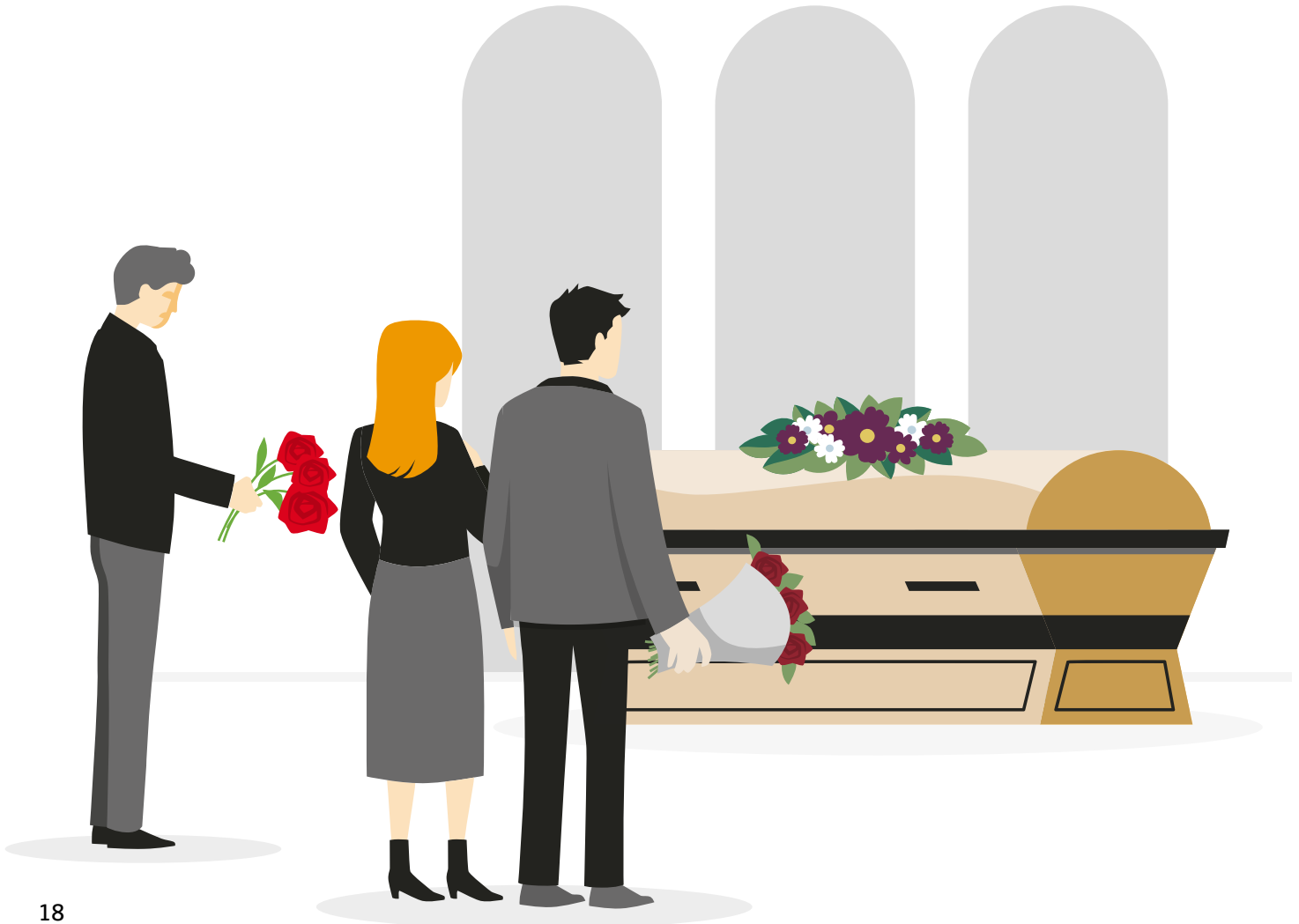
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Andreas Krüger  
Company Succession Officer  
Sparkasse Vest Recklinghausen

## MBI: A second lease of life for a funeral home

Owners of thousands of companies are currently looking for a succession solution. Funeral parlours are less common among them due to the very specialised and traditional nature of the industry. But in just such a case, company succession specialist Raffael Wildner and his team from Sparkasse Vest Recklinghausen were able to successfully bring sellers and buyers together as part of a management buy-in (MBI).



The subject has strong connections with the afterlife, but the business of funeral homes, such as that of one funeral director in Castrop-Rauxel, is very earthly – and demanding. After many years in the business, owner Joachim F. wanted to spend more time with his family. There were no potential successors in his family circle. F. therefore considered selling his long-established business. Hagen undertakers Carsten and Sebastian Laatsch, on the other hand, were looking for a way to become self-employed. The three were brought together by the Savings Bank as part of an MBI.

Although, at 50 percent, takeover by external buyer is the most frequently sought succession solution according to the DIHK report Company Succession 2024, the implementation did not prove to be quite so simple. Joachim F. had already looked into the issue of succession before the MBI process started and was already a business customer of the Savings Bank, but he had never met Raffael Wildner before. When his business advisor learned of the plans to sell, he put him in touch with Wildner: “We had to build up a relationship based on trust during the sales process” explains the succession expert. In addition to Carsten and Sebastian Laatsch, there were two other potential buyers for the company.

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In my view, the investment in Sparkasse Vest Recklinghausen’s succession service of has really paid off.

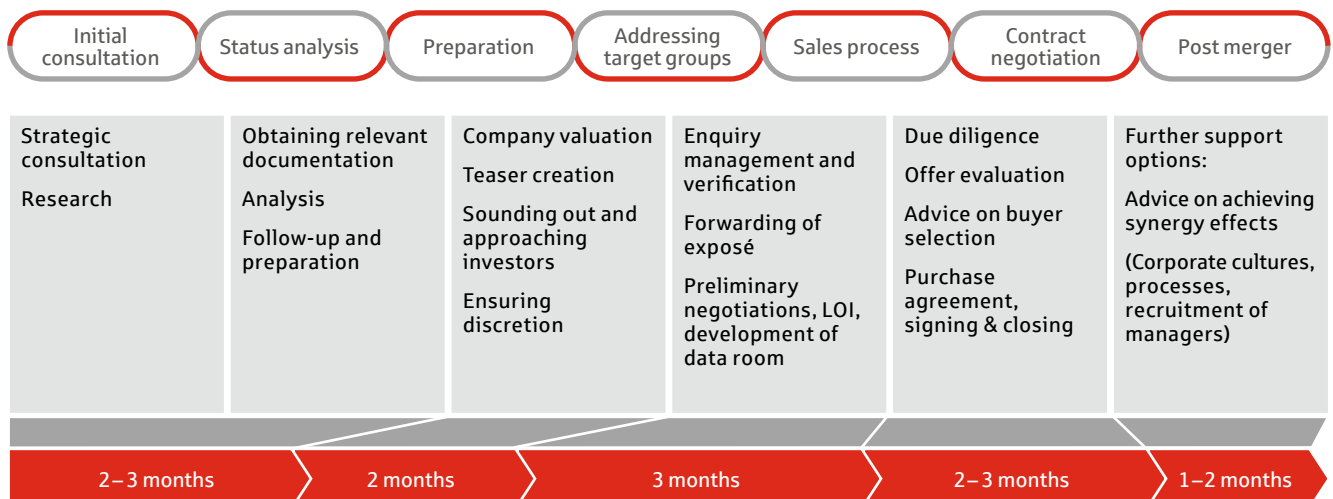
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Joachim F.  
Seller

All of them expressed serious interest and increased their bids during the discussions. As is usually the case, the MBI required numerous rounds of intensive negotiations. After all, a great deal often depends on a successful sale – especially when the potential proceeds are used to provide for the business owner’s own retirement. The undertaker was therefore delighted with the help of the Savings Bank specialists in determining the market value, the targeted search for interested parties and the subsequent support during the sales process and contract negotiations.

Sales process: Structure at Sparkasse Vest Recklinghausen

G08





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The proximity and mutual trust proved to be a definite advantage in the overall process. Within six months, the seller and buyer reached a targeted result with which both parties were satisfied.

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Raffael Wildner  
Head of Specialised Financing  
Sparkasse Vest Recklinghausen

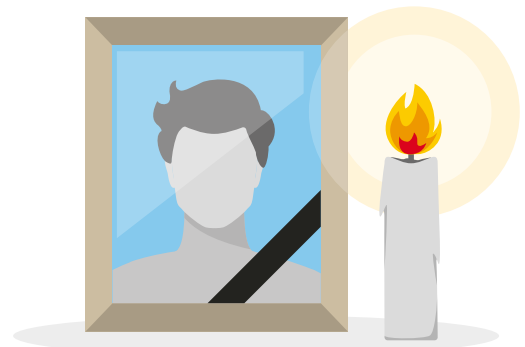
During these discussions, Carsten and Sebastian Laatsch sat on the other side of the negotiating table. The former had been working as an employed funeral director for more than 20 years and wanted more freedom to develop his own ideas. He had found a like-minded person in his nephew Sebastian Laatsch, who also worked for a funeral home. Together they decided to become self-employed, which, according to Sebastian Laatsch, was only possible by taking over an established business: "Due to the nature of the funeral business, there was no question of setting up a new company because it is locally based and relies heavily on recommendations."

### Company exchange as a valuable point of contact

As funeral parlours are not sold very often, the uncle and nephew chose a relatively large radius for their search to increase the chances of finding an attractive offer. They finally came across the advertisement from Castrop-Rauxel on the S-Company Exchange. "The exchange is a Savings Bank portal," says Wildner and adds: "For anyone who wants to buy or sell a company in the region, the exchange with its company exposés is the first port of call."

Another tool he and Joachim F. chose was a targeted local search in the industry. The Savings Bank team identified around 60 funeral homes. They filtered the results in consultation with Joachim F. and then wrote to the companies personally. "We also reached interested parties this way, but not Carsten and Sebastian Laatsch, who were just planning their own business," says Wildner, "which shows how important broad, balanced buyer research is."

The aim of this first step of the process is to reach as many contacts as possible in order to gain more than one potential buyer. The decisive factor here is the stated sales price. F. used the services of the Chamber of Industry and Commerce for a concrete valuation. On this basis and with the help of the Savings Bank's market experience, he and Wildner formulated a price range for the offer that was not too narrow so as not to scare off interested parties prematurely.



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## We benefited greatly from the Savings Bank's recommendations for a variety of development loans.

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Carsten and Sebastian Laatsch  
Buyer

Although the funeral industry is small, they found three seriously interested buyers this way: in addition to Carsten and Sebastian Laatsch, another local entrepreneur and a start-up from Berlin.

### A challenge for buyers

What was positive for F. as the seller was a challenge for Carsten and Sebastian Laatsch. In the constellation of three bidders, they had to decide several times how far they wanted to go in the price negotiations and were ultimately able to reach a precise agreement. The acquisition of the company was a huge step for both of them. Their contact with the Savings Bank during the sales process was no less intensive than the contact between the seller Joachim F. and the Savings Bank. The chemistry with Raffael Wildner was good so they also decided in favour of the Savings Bank for the financing. "We benefited greatly from the recommendations for a variety of development loans, for example, and to this day we are grateful for the advice we received in this unusual situation of taking over a company," they both say in unison, drawing a positive conclusion.

This was not unexpected for Wildner. Acquisition financing is the linchpin on the buyer's side. According to the DIHK report Company Succession 2024, 36 percent of those interested in succession have difficulties with financing: "That's why we have extra teams in the area of

specialised financing. On the one hand, there is the area of business creation & start-ups and, on the other, expertise in public funding. The proximity and mutual trust proved to be a definite advantage in the overall process. Within six months, the seller and buyer reached a targeted result with which both parties were satisfied," explains Wildner.

In this case, the process, which can take up to a year, was fairly quick. Today, Carsten and Sebastian Laatsch look back on the first phase of their self-employment with pride: "It was exhausting, but we managed it." The two family men have no regrets about swapping the security of their jobs for self-employment.

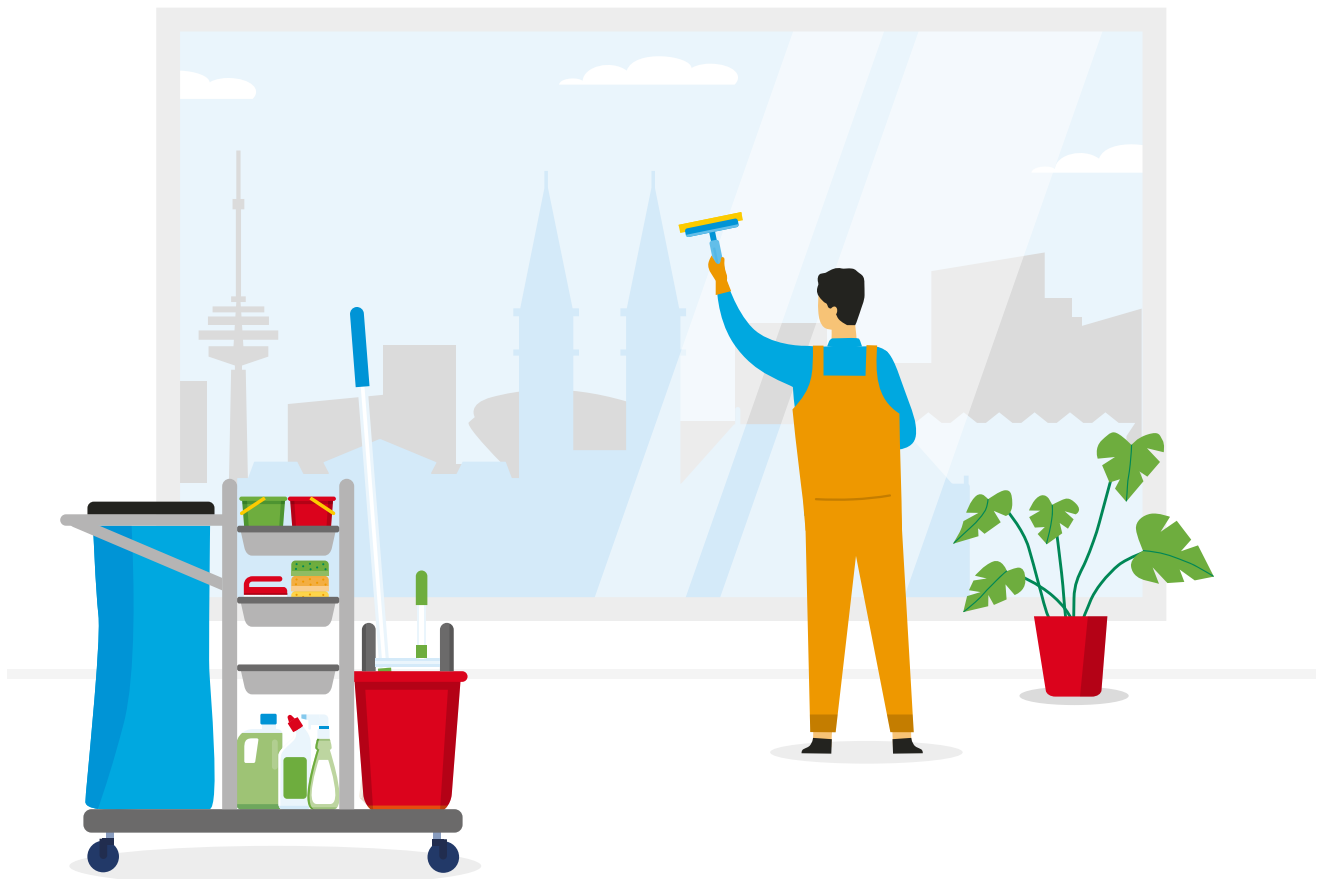
It was important for Joachim F. to find buyers who would continue and develop the company successfully, regardless of the proceeds from the sale. "In my view, the investment in Sparkasse Vest Recklinghausen's succession service really paid off," he explains. It has also been beneficial for the region. Thanks to the successful networking of all those involved the company remains anchored in Vest.



Experienced mediator between seller and buyer: Raffael Wildner and his team also succeeded in creating the necessary relationship of mutual trust for a successful succession plan in the case of the funeral home.

# A clean solution: From family succession to MBI

The issue of company succession has been one of Sparkasse Bremen's strategic business areas as a holistic solution since 2013. In close cooperation with external network partners, company succession specialist Mirko Pillatzki and his small team have already successfully supported several hundred of these "smooth transitions". A successful formula has been established that can also be used to implement more unusual cases, such as the reassignment of a building cleaning company, where everything already seemed to be settled.



According to the website “Nachfolge-in-Deutschland.de” (succession in Germany) from the Institute for Entrepreneurship, SMEs and Family Businesses at the HWR Berlin (Berlin School of Economics & Law), around 1,500 companies are due for succession in Bremen alone by 2026. The customers of Sparkasse Bremen account for a good 150 company transfers every year. One of these was the case of a large commercial cleaning company with around 75 employees from north-west Germany. The entrepreneurial family wanted to withdraw from the business in 2022 after the son had actually already taken over the management of the company. However, the son was under a great deal of pressure from the overall situation and the usual conditions in the industry, such as price pressure, strong competition and constant new customer acquisition. He had been able to manage the situation with the help of his parents, but they now had to step down due to their age. In this situation, the decision was made to revisit the issue of succession as part of a management buy-in (MBI).

#### **Sparkasse Bremen and its specialist sales team**

With total assets of more than EUR 14.5 billion, over 1,160 employees and a total of more than 20 branches with personal service on-site, Sparkasse Bremen is the market leader for financial services in the Hanseatic city. Founded in 1825 as a free Savings Bank by the citizens of Bremen, it is now one of the largest Savings Banks in Germany. Free Savings Bank means that Sparkasse Bremen is not tied to a specific municipality. As a universal bank, it is also a strong partner for SMEs and supports entrepreneurial growth with industry expertise and local competence. This expertise also includes the know-how of the succession planning team in specialist sales in the corporate customer department. Since it was founded in 2013 and optimised in 2021, the team has already successfully managed several hundred company successions.

»

If we can get one party to hand over with a smile and the other to take over with a smile, then we've done everything right.

«

Mirko Pillatzki  
Specialist for Company Succession  
Sparkasse Bremen

“At Sparkasse Bremen, we benefited from the fact that the previously family-run company had been a business customer of our bank for more than 50 years. So we already had a foundation of trust,” explains Mirko Pillatzki. The long-standing good relationship with the business customer advisor and investment consultant at the Savings Bank was a very important building block for the success of the MBI process. Without this personal basis, it would have been difficult to transfer trust from the advisor to the succession specialist who the entrepreneurial family did not know beforehand.







»

## Business succession advice is also asset succession advice.

«

Mirko Pillatzki  
Specialist for Company Succession  
Sparkasse Bremen

### Professionalism is the decisive factor

In the case of the commercial cleaning company, the entrepreneurial family first approached their business customer advisor, who then established contact with the succession specialist Pillatzki and remained involved throughout the entire process. The initial meeting with the client – for which there is normally only one chance – was decisive, i.e. professionalism is crucial, which Pillatzki as a Certified Estate Planner (CEP) undoubtedly demonstrates. In addition to getting

to know each other personally, the main topics of the initial meeting are the economic situation of the company and the individual situation of the entrepreneur. “Business succession advice is also asset succession advice,” Pillatzki clarifies in this context. The cleaning company demonstrated that it is well anchored in the region and has a solid foundation. Key factors such as financial transparency, operational efficiency and stable customer and supplier relationships were met. Additionally, the sale was planned and the parents wanted to retire with the necessary security. Up until then, they were still minority shareholders in the company structure and the son was the main shareholder. The desired proceeds from the sale had been set at one million euros. This was the father’s idea, without having carried out a real company valuation.

### Support from external network partners

This shows just how important qualified support is when it comes to company succession. The next steps for successful realisation are to conduct a realistic and well-founded company valuation and to develop a clear sales strategy. To this end, Sparkasse Bremen’s succession

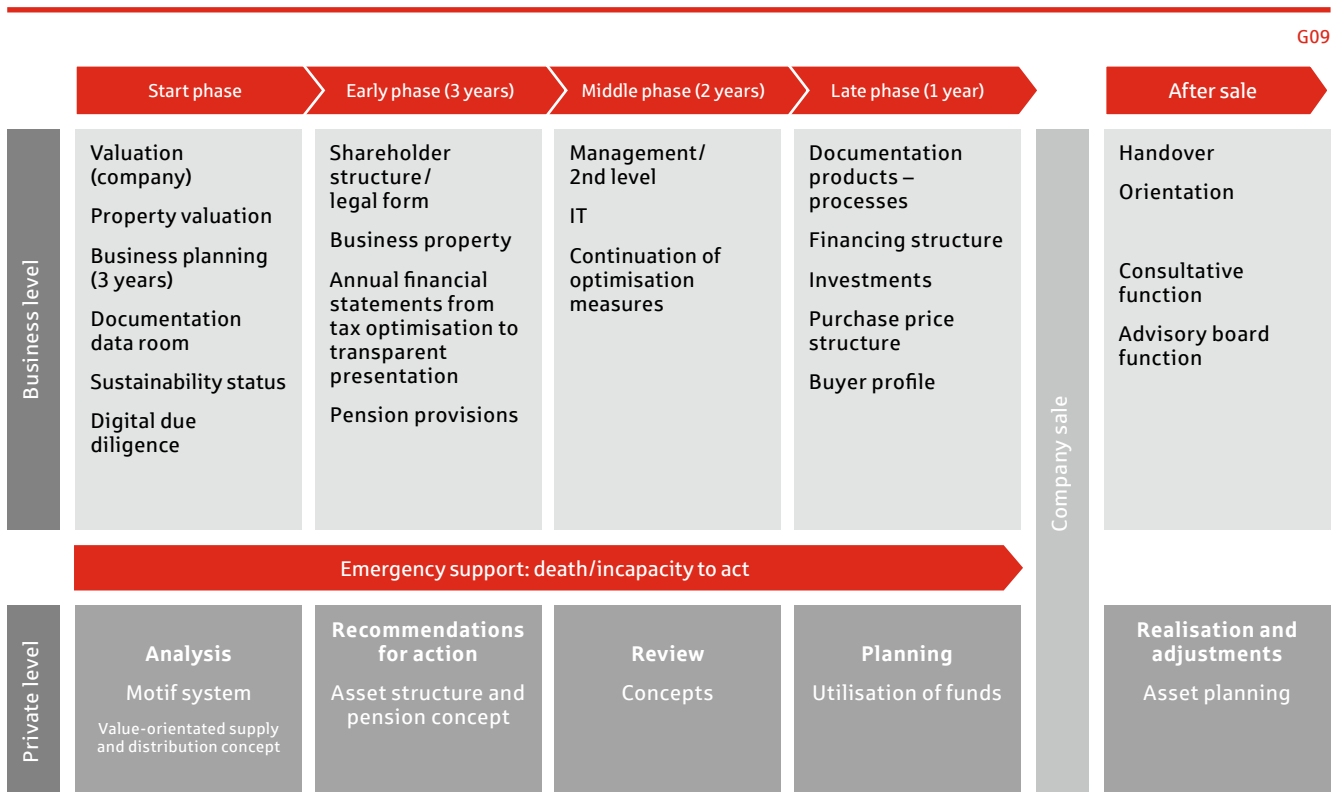


concept includes the involvement of long-standing external network partners. In this case, it was the M&A consultancy Avestio, already established at several Savings Banks in the Sparkasse network, which Pillatzki introduced to the client during a follow-up meeting and commissioned to carry out a comprehensive valuation. All approaches based on the usual market value calculations are included in order to determine the maximum possible and at the same time realistic market price. This can also lead to big surprises on the seller's side, as the valuation resulted in a market value of between 8 and 10 million euros, which is significantly higher than the company's own estimate. On the basis of these figures, the entrepreneurial family immediately and definitively decided in favour of the sale, while at the same time attaching great importance to the long-term continuation of the company and the continued employment of its staff under the new owner.

The sale was then advanced by Avestio in close coordination with Pillatzki. In addition to many

other individual measures, the actual sales process began with the creation of the sales prospectus and its publication on portals specially selected by Avestio. Ideally, around three years are envisaged for the overall planning of a company succession from the initial phase to the post-sale phase at business and private level. The Savings Bank is kept continuously informed about the individual process steps, which ensures optimal support for the seller.

"In this case, the MBI was completed to everyone's satisfaction after just one year thanks to solid preparation and a great deal of commitment from all those involved," says Pillatzki happily. The search for a buyer yielded seven seriously interested parties, from which a strategic investor finally emerged as the buyer. He has built up a nationwide portfolio of several trade businesses and service providers, which he intends to continue expanding. In doing so, he is pursuing a long-term strategy that precisely matches the requirements profile of the previous owners. The company has remained in the region, has



continued to grow over the past two years since the takeover and new employees are being sought. The family's son will remain with the company as an employed managing director until the end of 2024 and will train a successor selected by the investor. The company's business model with its broad customer portfolio and good price-performance ratio continues to operate successfully. A vendor loan of one million euros deposited in the company as collateral was paid back by the investor after just one year.

### **Personal financial situation also in focus**

At the same time as initiating the company succession, Pillatzki also analysed the personal asset situation of the outgoing entrepreneur. No weak points were identified, so the former shareholders placed the proceeds from the sale entirely in the Savings Bank's private banking division. In addition, the Savings Bank retained and even expanded the business relationship with the companies and acquired the investor as a new customer. Following the successful completion of the transaction, a final meeting was held with the customer to review the entire process retrospectively. Nothing is more important to Pillatzki in this context than a satisfied seller, as this is often the basis for recommendations: "What I love about my work is that we find genuinely good solutions. If we can get one party to hand over with a smile and the other to take over with a smile, then we've done everything right."





### 3 questions for Mirko Pillatzki, company succession specialist at Sparkasse Bremen

#### What skills and qualifications does a succession expert need?

→ There are many things: a succession expert should have a great deal of empathy. He or she must also be able to listen, present difficult issues simply and be highly committed. Mediation skills are also required, as well as good training, for example as a Certified Estate Planner. Knowledge of legal and tax issues, good coordination with the company or business family and a highly effective network are also essential.

#### Why is your team in Bremen so successful?

→ We have been involved in the execution of wills since 1971 and, at the request of our clients, we introduced the power of attorney in 1998 to take care of their financial needs in the event of illness. We listen carefully to our clients and always try to find a good solution, be it in the area of business succession, asset succession, personal retirement planning or other topics that concern our corporate and private clients in the area of succession. The company succession team has developed strong links with the business customer advisors. And, of course, we also benefit from our excellent nationwide

network. We are also currently networking with other Savings Banks in order to create benefits for our customers and the customers of other Savings Banks in the case of MBIs or MBOs.

#### Why should more Savings Banks include the issue of company succession in their product portfolio?

→ There is a very great demand from customers. Many of our customers are personally affected, whether as the entrepreneurial family or the employee. If we achieve a succession solution, we secure the future of our regions, the companies and the local employees. In this way, we create added value along the entire value chain. Savings Banks customers trust us and we should return this trust by providing good advice. It's about addressing problems openly and finding good solutions together. That's what makes us successful as a Savings Bank. If we manage to use our extensive network to successfully support entrepreneurs and their legal and tax advisors with succession issues, we have a unique selling point. We are regional and close to our customers. This is much more difficult for large banks and is therefore our advantage.

# Survey of Savings Banks Experts

The survey of Savings Banks experts supplements the results of the S-Financial Climate Index from the DSGV and Deka as well as the focus topic of the SME Diagnosis. A total of 258 business customer advisors from Savings Banks across Germany were surveyed between August and September 2024. Not only do they have in-depth knowledge of the small and medium-sized enterprise (SME) sector, they also regularly hold a large number of discussions with their SME customers. This puts them in an ideal position to provide a well-founded and highly up-to-date assessment of the economic situation and the expectations and plans of their more than two million business customers.

## Company succession in the German SME sector

Company succession in the German SME sector faces considerable challenges. Bureaucracy and a shortage of personnel and skilled workers are still among the biggest hurdles for the development of SMEs. In addition to these ongoing problems, high raw material, energy and food prices, rising wages, cyber security and the CO<sub>2</sub> tax continue to burden German companies. These factors are making the necessary investments in the real economy more expensive, while the combination of escalating bureaucracy and a shortage of skilled workers is making business activity increasingly difficult. Yet it is precisely this activity that is essential for the continuation of small and medium-sized enterprises and the basis for growth and progress – a strong SME sector remains essential for Germany's prosperity.

Moreover, an alarming trend is emerging: fewer and fewer people are interested in entrepreneurship, which is particularly noticeable when it comes to company succession. Around a third of

SMEs are facing a change at the top within the next three to five years, but interest in succession remains low.

Interest in the issue of company succession is, however, very high among business customers. The Savings Banks see the issue of succession as an opportunity to provide their business customers with targeted advice and support. Savings Banks can draw on their in-depth regional knowledge and their network within the Savings Banks Finance Group to guide both buyers and sellers through the complex process of company succession. This includes not only financing issues, but also strategic planning and the legal framework, where there is also a great need for advice.

The Savings Banks believe they are well positioned to tackle the issue of company succession in cooperation with their Group partners and external experts and thus play their part in safeguarding the SME economy.

The political and economic framework conditions will therefore be crucial for the future economic development of German SMEs. A smart foreign, economic, education and investment policy from the German government will provide German SMEs with a reliable framework to master the major current challenges and future changes.



## Part 1: Current business situation, outlook and economic conditions

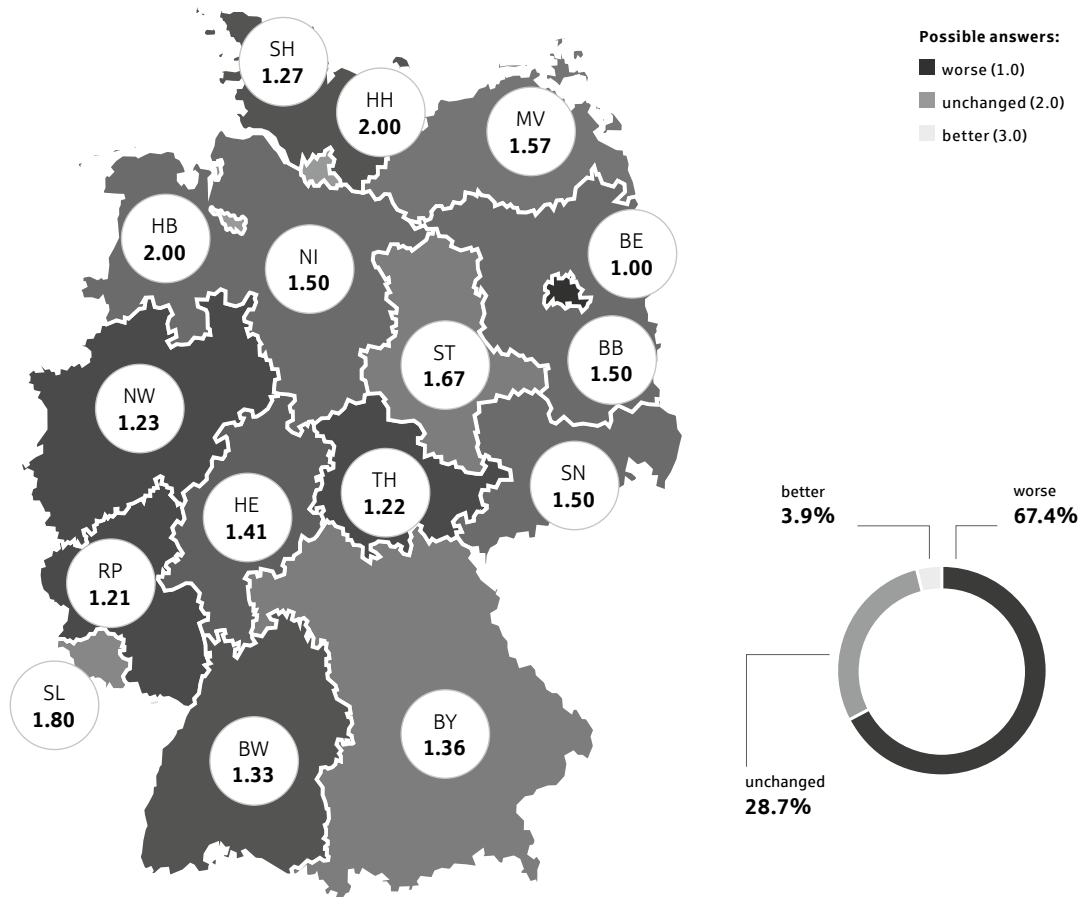
**Question 1: How would you assess the current business situation (orders, turnover, earnings situation) of your SME business customers compared to the previous year?**

The rather gloomy assessment of the current business situation has hardly changed since last year. Just under 68 percent of respondents once again assessed the current business situation of their customers as worse (previous year: just under 66 percent). This assessment reflects the ifo Business Climate Index, which fell steadily from 89.3 points in April and May 2024 to 86.5 points in October 2024. Germany has thus suffered another setback.

The persistently difficult economic conditions, such as high energy and material costs, an increase rather than a reduction in regulation and bureaucracy, and a shortage of skilled workers are leaving their mark and leading to a creeping deindustrialisation.

The price-adjusted decline in GDP of 0.3 percent in the second quarter of this year shows a contraction in economic output, which is mainly due to the slump in the construction industry and weak investments. Uncertainty among companies appears to remain high.

G10

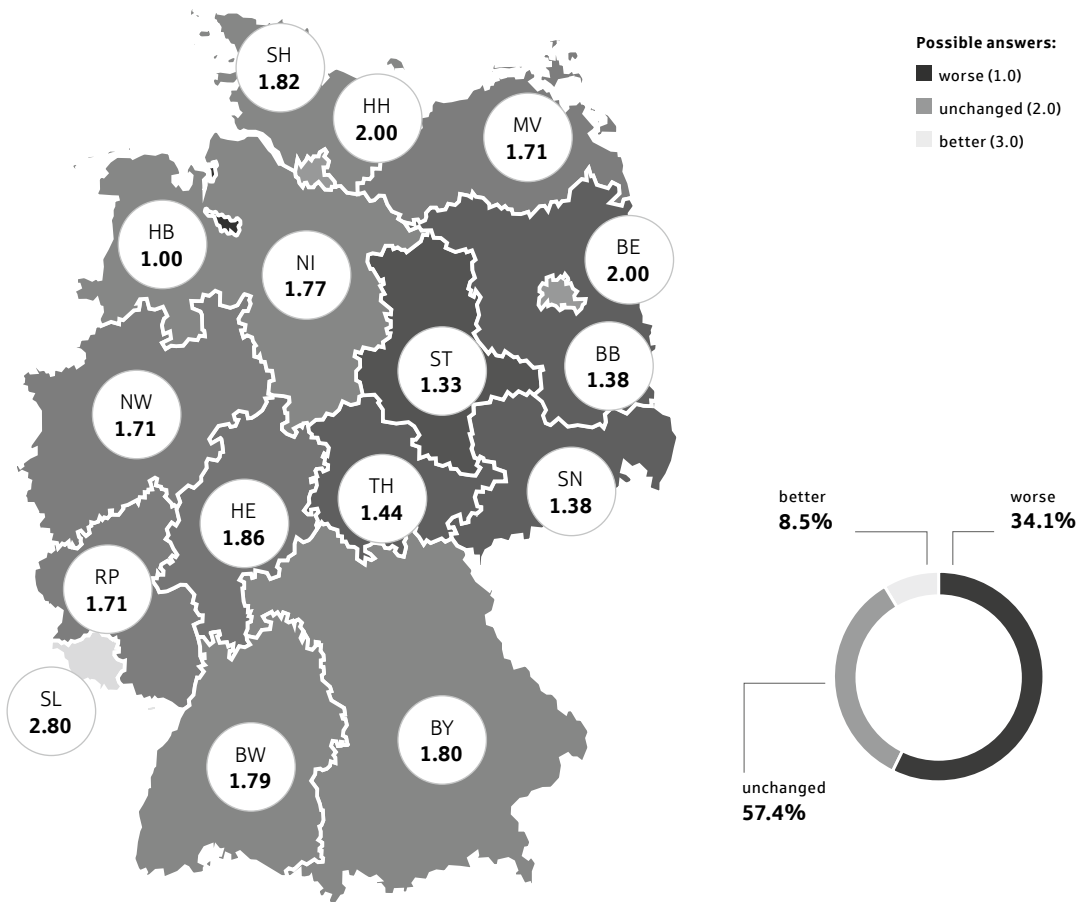


Private consumption is also sluggish. According to the German Retail Association (HDE), consumer sentiment weakened for the third month in a row in September 2024. The HDE consumer barometer fell from 97.7 points in August to 96.93 points in September. This means that not only will the economy as a whole fail to recover this year, but future investments and growth impetus will also be impaired if the economic policy framework does not change in the very near future. → G10

**Question 2: Do your SME business customers expect the business situation to remain roughly the same, improve or deteriorate on average over the next twelve months?**

At around 34 percent, a third of respondents still expect the economic situation of their business customers to deteriorate, but this figure has fallen significantly compared to the previous year (55.5 percent). However, 57.4 percent of respondents also do not anticipate any major positive changes in the next twelve months. Only 8.5 percent of respondents expect the business situation to improve in the coming year – a slight increase compared to the 6.5 percentage points of the previous year.

G11



The ECB's interest rate cut on 17 October 2024 by 25 basis points to 3.25 percent could be a glimmer of hope. This was the third interest rate cut this year.

This could reduce interest costs for mortgages and consumer loans, which could stimulate demand for property and construction loans and consumption. It could lead to a boost in the economy – especially in the construction industry. However, this must be supported by accompanying economic policy measures such as increased investment in infrastructure, education or the energy transition. → G11

**Question 3: How would the majority of your SME business customers assess the following factors with regard to the future development of their companies?**

The leading risks continue to be bureaucracy at 99.6 percent (previous year: 100 percent) and the shortage of staff and skilled workers at 98.4 percent (previous year: 99.6 percent), followed by the war in Ukraine at 98.4 percent (previous year: 96.8 percent). Bureaucracy and a shortage of skilled labour remain the “perennial issues” and continue to be the biggest obstacle to the development and growth of SMEs in Germany.

Rising wages, cyber security and CO<sub>2</sub> taxes are also still seen as high-risk factors. This is not surprising, as these – in addition to the persistently

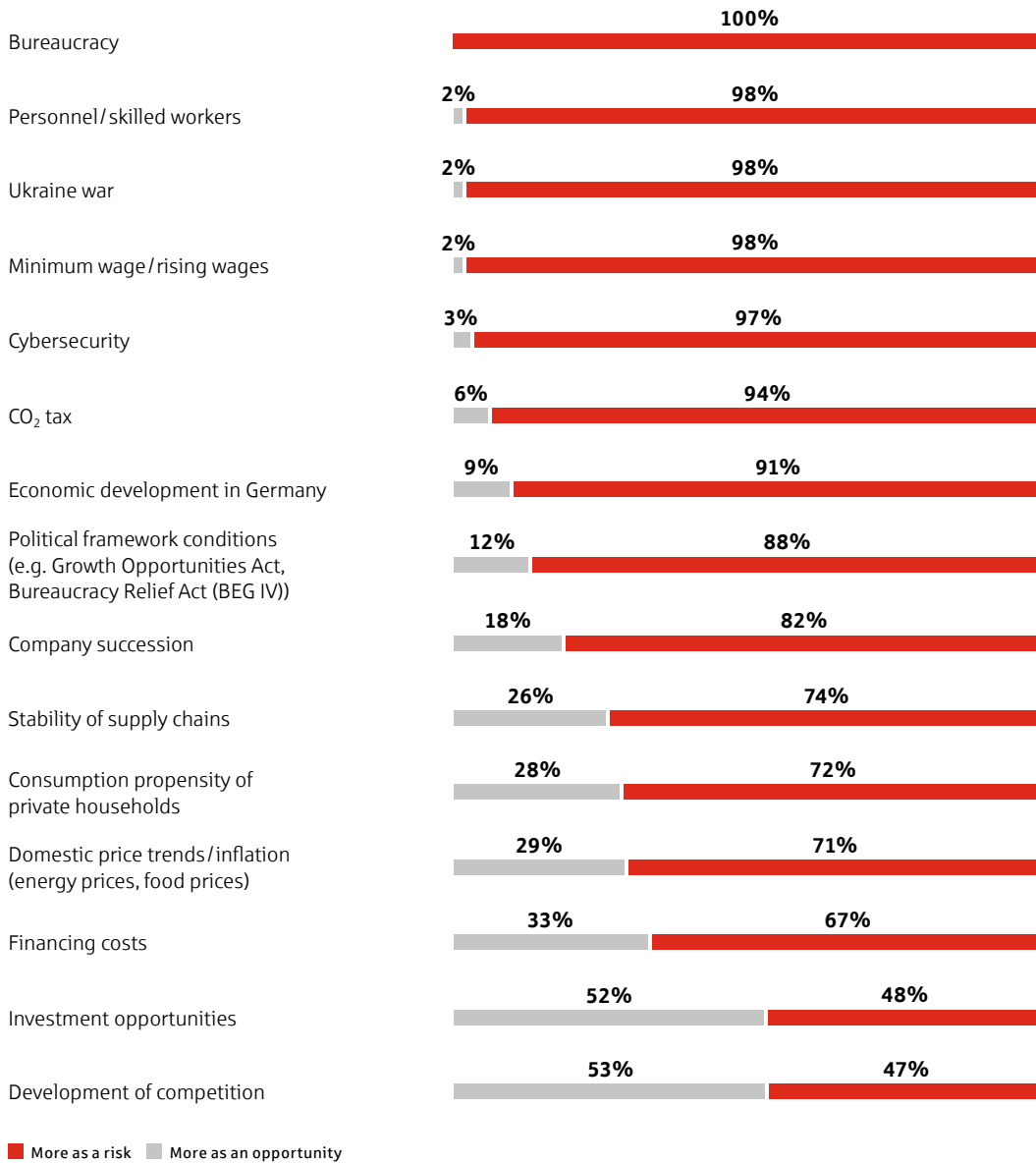
high energy and material costs – make the necessary investments in the real economy more expensive and, alongside the escalating bureaucracy and shortage of skilled labour, make entrepreneurial activity more difficult.

Overall, the risks have not decreased compared to the previous year. It is to be hoped that political decision-makers will address this and take the necessary measures to create a sustainable economic policy in the interests of German SMEs.

Entrepreneurial activity is the basis for growth and progress and a strong German SME sector is essential for our prosperity. Unfortunately, fewer and fewer people are interested in entrepreneurship. According to the Chamber of Industry and Commerce, there are three times more successor companies than interested parties (see p. 7

↘ **DIHK Report on Business Succession 2024**). This is also confirmed by the results of our survey. Around a third of SMEs are due to undergo a change of ownership in the next three to five years – and there is little interest in succession from the next generation. This is viewed critically by 84 percent of business customer advisors and is seen as a major risk for the future development of companies.

The reasons for the difficult succession situation are manifold: demographic change, low interest in entrepreneurship, unfavourable economic conditions and the general complexity of the issue. → G12





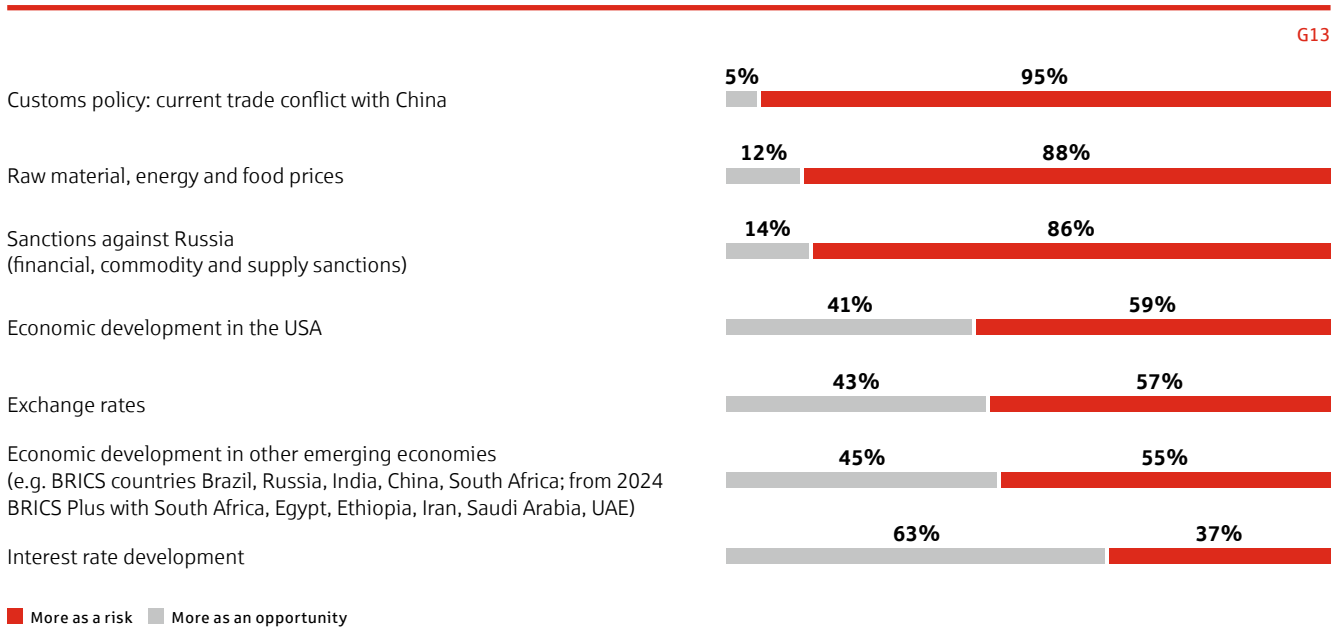
**Question 4: How do the majority of your SME business customers assess the following global economic factors with regard to the future development of their companies?**

Commodity, energy and food prices in Germany, which remain at a high level, are again seen by 88 percent of business customer experts (previous year: 91 percent) as the main negative factors for the future development of companies. However, the trade war with China, including customs policy, has moved to the top of the list of main negative factors at 95 percent (previous year: 87 percent). This is easy to understand. Trade relations between Germany and China are and will remain a key component of the German economy. In 2023, China was Germany's most important trading partner for the eighth year in a row – with a trade volume of EUR 253.1 billion (exports and imports, Federal Statistical Office) and German direct investment of just over EUR 100 billion. Around 5,200 German companies are active in China – the majority of which are German SMEs.

The experts' assessment of economic development in the USA is also interesting in this context. The risk/reward ratio has reversed here: 59 percent of respondents now see the development as more of a risk (previous year: 30 percent). This could be due to the unpredictable outcome of the US elections in November 2024 and the associated uncertainties in economic policy.

The interest rate trend has eased significantly this year due to the ECB's triple interest rate cut and is now only classified as a risk by 37 percent (previous year: 91 percent) of respondents.

The sanctions against Russia and the economic development in the BRICS countries (Brazil, Russia, India, China and South Africa) are still seen as risks by the Savings Bank experts at 86 percent (previous year: 87 percent) and 55 percent (previous year: 60 percent) respectively. They continue to represent a burden for small and medium-sized enterprises. → G13

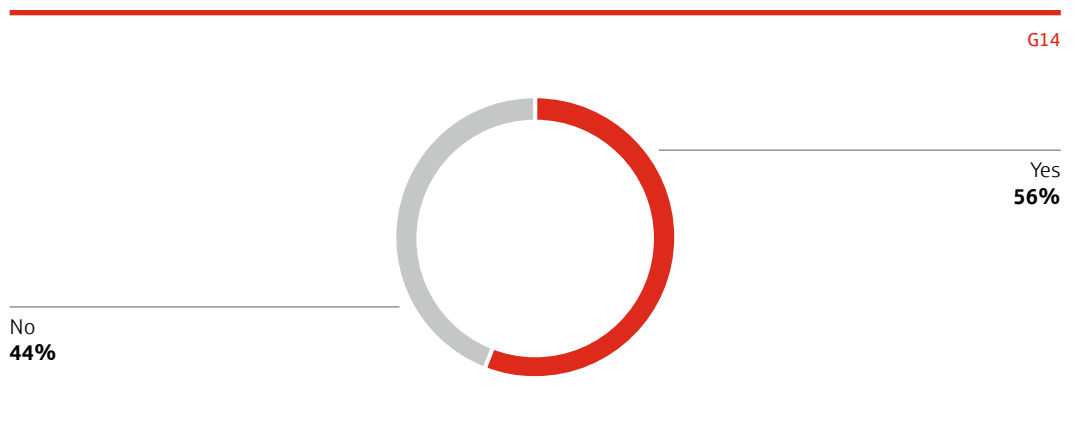


## Part 2: Company succession in the German SME sector

### Question 5: Are you often asked about the issue of company succession?

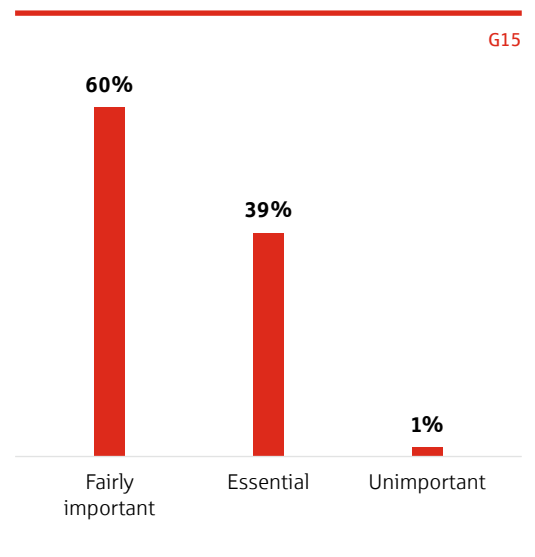
More than half of the Savings Bank experts (56 percent) answered this question in the affirmative. This shows that there is a high level of interest in the issue of company succession among the Savings Banks' business customers.

→ G14



### Question 6: What role does the issue of company succession play for your business customers?

The majority of respondents (60 percent) state that company succession is an important issue for their business customers. Over a third (39 percent) consider the issue to be very important. Business customers attach great importance to the issue of company succession. The Savings Banks have recognised this and are seizing the opportunity to use their expertise and that of their partners in the Savings Banks Finance Group to provide SMEs with targeted advice and support in succession planning. → G15

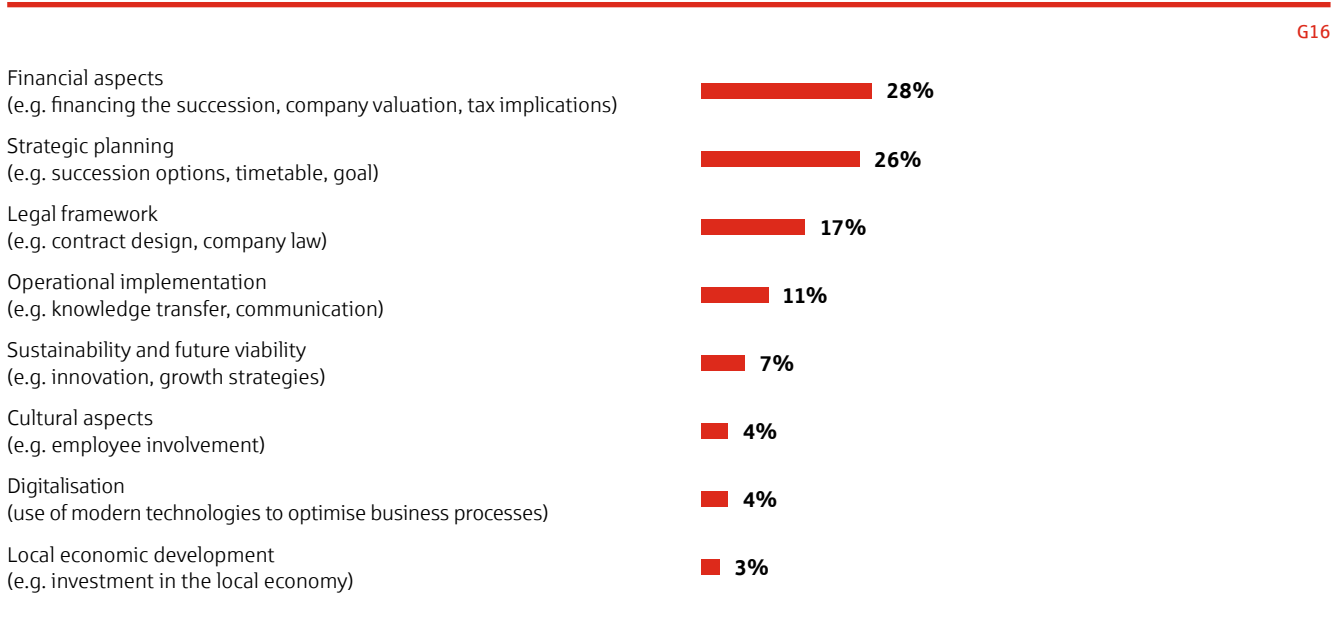


**Question 7: What are the main issues for business customers when it comes to company succession?**

Just under a third (28 percent) of those surveyed stated that financial aspects are the main focus for business customers. In other words, the greatest need for advice is in relation to financing succession and company valuation. The DIHK Report on Business Succession 2024 also shows that financing is the linchpin of successful business succession, with 36 percent of those interested in succession stating that they have difficulties with financing. Thanks to their local presence and proximity to their customers, Savings Banks have in-depth knowledge of the economic situation in their region. Due to their proximity and trust, they are predestined to support both buyers and sellers with advice and financing.

There is also a relatively high need for advice on strategic planning (26 percent) and the legal framework (17 percent). Business succession is a highly complex issue and a lengthy process. A well-considered timetable, the evaluation of different succession options, the drafting of contracts as well as tax and company law aspects are essential for a successful succession plan, in addition to financing issues.

Savings Banks can access the relevant specialists for the various subject areas within the Group or, if necessary, work together with external specialists in order to offer their customers the best possible advice and support. → G16



**Question 8: How many of your business customers are due to transfer their businesses in the next three to five years?**

67 percent of respondents state that more than 20 to 40 percent of their business customers are due to transfer their businesses in the next three to five years. This shows that the need for succession in the short to medium term is also high among the Savings Banks' business customers and is in line with the results of the survey conducted by the Institute for SME Research (IfM) in Bonn at the end of 2023, in which 43 percent of the family businesses surveyed stated that they were planning a company succession in the next three years.

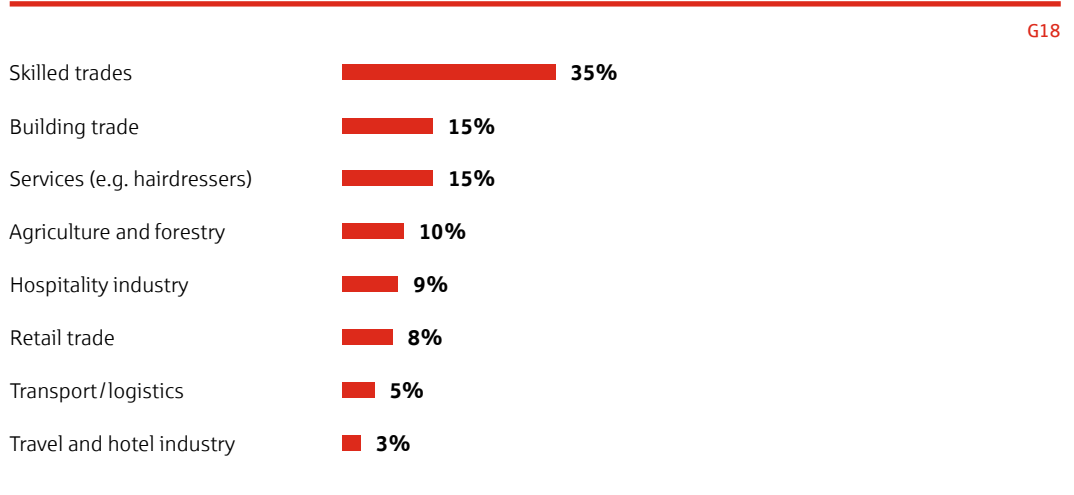
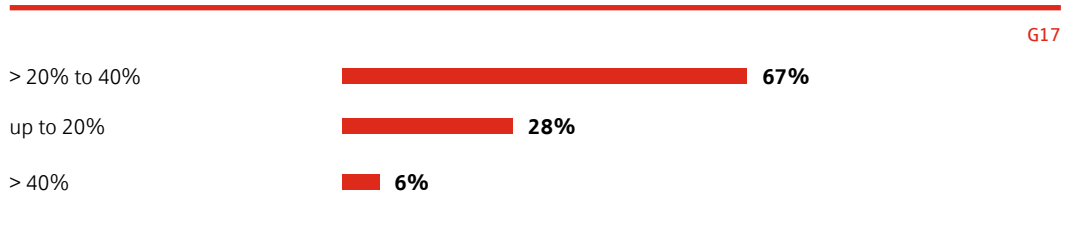
In 2022, 3 percent of SME entrepreneurs were already over 60 years old and a further 2 percent were older than 55. As a result, around 190,000 family businesses are due to be transferred in Germany between 2022 and 2026. That is an average of 38,000 handovers per year (source: ifo Schnelldienst 12/2023). → G17

**Question 9: Which of the sectors listed below are most likely to be affected by a company transfer in the next three to five years?**

More than a third of respondents (35 percent) see the skilled trades as the sector most affected by succession problems, followed by the construction industry and the service sector with 15 percent each.

These sectors are under particularly strong pressure from demographic change and the increasing shortage of skilled workers.

More and more entrepreneurs in these sectors are reaching retirement age. The unfavourable demographic trend is also having an impact on these sectors. Not only has the generation of 18 to 40-year-olds declined, but their educational and career paths are also determined by individual interests, meaning that taking over their parents' business is not a priority. → G18



**Question 10: How many employees do the affected companies have?**

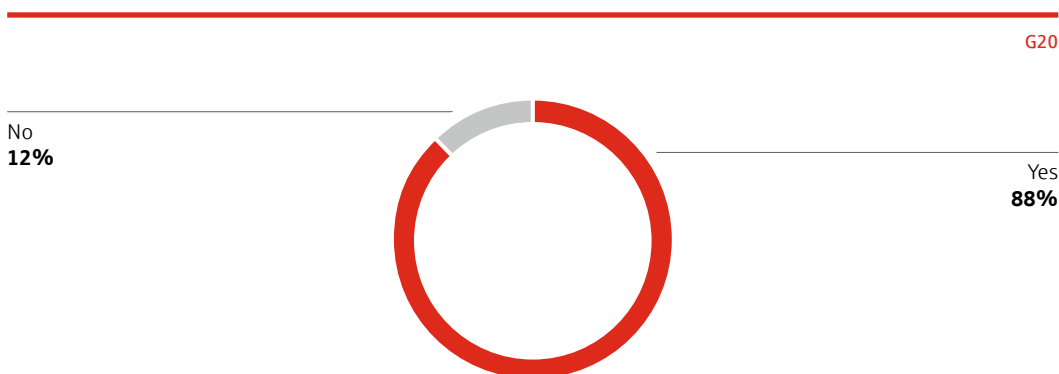
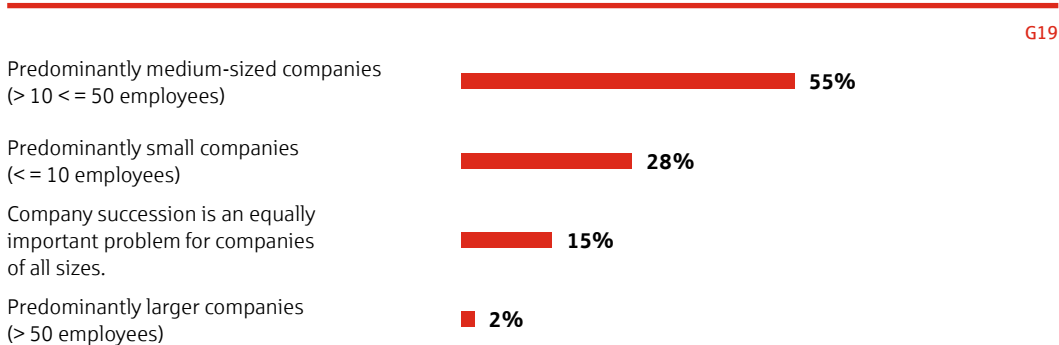
More than half of those surveyed (55 percent) state that it is mainly medium-sized companies with 10 to 50 employees that are affected by impending company succession. For just under a third of respondents (28 percent), succession mainly affects small companies with up to ten employees. 15 percent of respondents say that company succession is an equally important problem regardless of the size of the company.

In this context, it is also interesting to note that it is mostly small and medium-sized companies with fewer than 50 employees that seek contact with the Chamber of Industry and Commerce (95 percent) to obtain information and advice (source: DIHK Report on Business Succession 2024). → G19

**Question 11: Does your Savings Bank offer succession advice and support?**

The vast majority of Savings Banks offer advice and support for company succession. This is confirmed by 88 percent of Savings Bank experts. As previously mentioned, the Savings Banks have recognised the importance of this issue for their business customers and have acted accordingly.

→ G20



**Question 12: Do you have your own competence centre to deal with the issue of company succession?**

82 percent of Savings Bank experts state that their Savings Bank does not currently have its own competence centre for the issue of company succession. In many cases, the reason for this is undoubtedly the size of the Savings Bank in question. Cooperation with experts and the sharing of internal know-how can also enable smaller Savings Banks to gain more expertise in this area and make it available to their business customers (see more on this in question 13). → G21

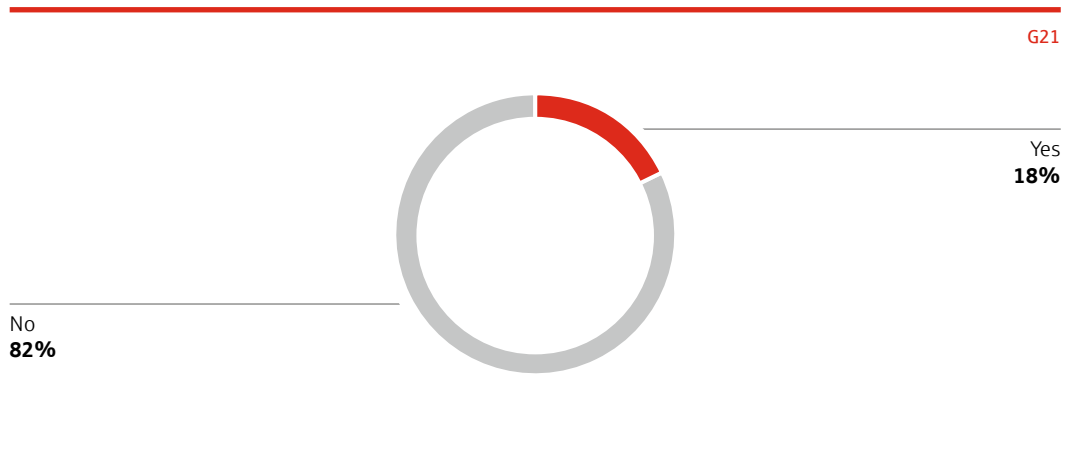
**Question 13: Do you offer your customers the following business succession services (including external support)?**

If we draw an interim conclusion on the subject of company succession, we can see that there is a very high need for advice and support on the issue. At the same time, it is highly complex and therefore requires specialised knowledge from different areas. Many Savings Banks – especially the smaller ones – are unable to master this on their own. Savings Banks therefore draw on the

expertise of their partners in the Savings Banks Finance Group or bring in external consultants with the relevant know-how to provide advice.

Additionally, initiatives have already been launched in the past in cooperation with other institutions and associations to network and connect entrepreneurs. These include, for example, the succession exchange *nexxt-change* ([www.nexxt-change.de](http://www.nexxt-change.de)) and the merger and acquisition consultancy *Avestio*, which has been introduced within the Savings Banks network.

Over a third of Savings Bank experts (35 percent) state that they use business platforms and exchanges to broker and network companies. A further third rely on comprehensive management consulting (e.g. strategic planning, operational implementation) or knowledge transfer. → G22



G22



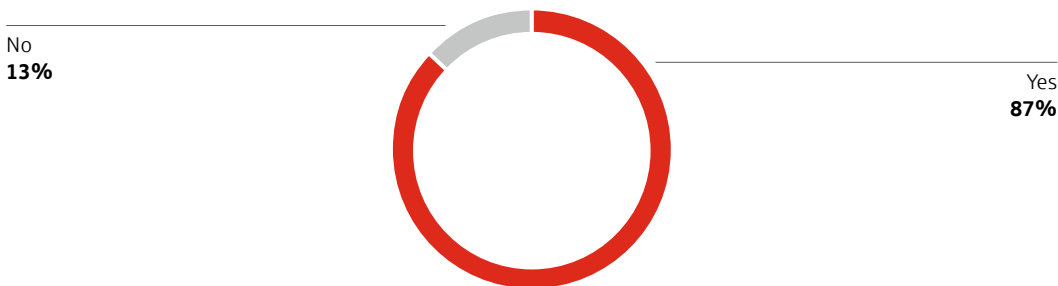
**Question 14: Do you support company succession through loan financing for management buy-ins (MBI) or management buy-outs (MBO)?**

Financing is pivotal in company takeovers. 87 percent of respondents say that their Savings Bank supports business succession through loan financing. On the other hand, according to the DIHK Report on Business Succession 2024, 36 percent have difficulties with financing. Almost four out of ten of those interested in taking over a business report financing problems to the Chambers of Industry and Commerce, especially with regard to the traditional financing pillar for

SMEs – bank loans (see p. 13 ↘ [DIHK Report on Business Succession 2024](#)). However, only a few potential successors can manage the take-over without borrowing.

Here, Savings Banks actively support their business customers with suitable financing offers. This is also confirmed by the Deka S-financial climate report for the 3rd quarter, according to which the Savings Banks are not experiencing a credit crunch (G05). The stagnating or declining new lending business is more likely due to the gloomy economic outlook and the general reluctance to invest on the part of companies, which are demanding fewer loans overall. → G23

G23



# Imprint

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The SME 2024 diagnosis is available in German and English.  
Both versions are available on the internet for download and as an online version at

→ [dsgv.de/sparkassen-finanzgruppe/publikationen/diagnose-mittelstand.html](https://dsgv.de/sparkassen-finanzgruppe/publikationen/diagnose-mittelstand.html)

In case of discrepancies, the German version applies.

### **Compilation of the Deka S-Financial Climate Index**

The Deka S-Financial Climate Index was developed in cooperation between the Research Centre for Savings Banks Development at the University of Magdeburg, headed by Professor Horst Gischer, and DekaBank with the involvement of the German Savings Banks Association (DSGV). The index is calculated from the results of a quarterly survey of 348 Savings Banks. It consists of ten subject areas, each of which can be subdivided into perspectives on the current situation and future expectations. In addition, there are varying special questions relating to the current economic or monetary situation.

The evaluation algorithm is based on the balance of positive and negative answers to each question. A completely neutral result produces an index value of 100, while a completely positive assessment in all questions by all participants signifies an index value of 200 points; in the opposite negative variant, the index value is zero.

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