

**MENDEL UNIVERSITY IN BRNO
FACULTY OF BUSINESS AND ECONOMICS**

DISSERTATION

Brno 2016

Ivica Ivo Odak

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Ivica Ivo Odak

**MENDEL UNIVERSITY IN BRNO
FACULTY OF BUSINESS AND ECONOMICS**

**Applying the
Principal-Agent Theory to
Company Succession at SMEs**

Problematic Areas and Recommendations from
a Role-Specific Perspective

DISSERTATION

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Abstract

The tremendous significance of small and medium-sized businesses for the German economy is indisputable. This is why the long-term preservation of small and medium-sized businesses is regarded as a key topic for the German economy. In particular, the securing of company succession is a major challenge for many of these companies. Company succession can be described as a process of transferring management and ownership. Consequently, whether the company was previously owned and/or managed by a family or within another proprietary structure is insignificant.

This dissertation focuses on trying to answer the research question “What are the problematic areas, resulting risks and solution mechanisms in the process of company succession when the asymmetry in information is considered within the scope of the principal-agent theory?”, from which it derives two main objectives:

- Identification of the problematic areas and resulting risks.
- Determination of the solutions and specific recommendations.

The process of company succession is fundamentally depicted in the St. Gallen succession model. Its essential phases are preparation, execution and follow-up work. Due to the particular significance of asymmetries in information during the succession process, the principal-agent theory has been used as the theoretical foundation in this dissertation. This widespread basic theory is applied in various company-relevant areas such as human resources management or contract management. The principal-agent theory served to identify issues in the course of the research work. These issues may relate to the succession process from the perspective of the transferring party, as well as that of the acquiring party. The issues and problem areas are identified in methodological steps that build upon each other. The first step involves an analysis of the relevant literature, followed by the iterative collection of data in each case as a part of the different qualitative data collection methods.

The findings in the dissertation support the conclusion that the fundamental phases proposed by the St. Gallen succession model are suited as a basic structure in a company transfer. Nonetheless, the possible solutions in the principal-agent theory appear to be appropriate as support for the succession process. In addition, it is possible to identify other process-supporting measures, which can be considered from the perspective of the transferring party and the acquiring party. In a consolidated form, these measures result in a model of company succession.

The dissertation concludes in accordance with its intention in generating specifically formulated hypotheses, which are based on the principal-agent theory, considering the perspectives of the transferring party and the acquiring party and also including other significant supportive aspects in the transfer process.

Key words: SME, company succession, principal-agent theory, St. Gallen succession model

Souhrn

Obrovský význam malých a středních podniků pro německou ekonomiku je nesporný. Proto je také dlouhodobá ochrana malých a středních podniků považována za klíčové téma pro německou ekonomiku. Zejména zajištění následnictví v podnicích je velkou výzvou pro mnohé z nich. Nástupnictví v podniku lze popsat jako proces převodu řízení a vlastnictví. Proto je také skutečnost, zda byl podnik v minulosti vlastněn a/nebo řízen rodinou nebo v rámci jiné majetkové struktury, zanedbatelná.

Tato disertační práce se zaměřuje na hledání odpovědi na výzkumnou otázku „Jaké jsou problematické oblasti, výsledná rizika a mechanismy řešení v procesu nástupnictví v podniku, při zohlednění asymetrie informací v rámci teorie zastoupení?“, z níž odvozuje své dva hlavní cíle:

- Identifikace problémových oblastí a výsledných rizik.
- Návrh řešení a specifických doporučení.

Proces nástupnictví v podniku je od základu popsán v následnickém modelu St. Gallen. Jeho základní fáze jsou příprava, realizace a zpětná vazba. Vzhledem ke zvláštnímu významu asymetrií v informacích v průběhu procesu následnictví, je jako teoretický základ této práce použita teorie zastoupení. Tato rozšířená základní teorie je aplikována v různých firemně-důležitých oblastech, jako je řízení lidských zdrojů nebo řízení smluv. Teorie zastoupení sloužila k identifikaci problémů v průběhu výzkumné práce. Tyto otázky se mohou týkat procesu následnictví z pohledu převádějící strany, stejně jako strany nabývající. Tyto otázky a problémové oblasti jsou uvedeny v metodických krocích, které na sebe navazují. První krok zahrnuje analýzu příslušné literatury následovanou iteračním shromažďováním údajů v rámci různých kvalitativních metod sběru dat.

Výsledky výzkumu provedeného v rámci zpracovávání disertace podporují závěr, že základní fáze navržené v následnickém modelu St. Gallen jsou vhodné jako základní struktura převodu podniku. Nicméně možná řešení v teorii zastoupení se zdají být vhodná jako podpora pro proces nástupnictví. Kromě toho je možné identifikovat další vhodná opatření podporující proces převodu, která lze rovněž posoudit z pohledu převádějící strany a nabyvatele. V konsolidované formě vyústila tato opatření v model následnictví ve firmě.

Disertační práce je v souladu s původním plánem zakončena formulací specifických hypotéz, které jsou založeny na teorii zastoupení, berou v úvahu pohled převádějící strany a nabývající strany, a zahrnují také další významné podpůrné aspekty v procesu převodu.

Klíčová slova: MSP, následnictví, teorie zastoupení, následnický model St. Gallen.

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Abbreviations

AG	Aktiengesellschaft (incorporated company)
BMWi	Bundesministerium für Wirtschaft und Energie (German Federal Ministry for Economic Affairs)
ca.	circa
cf.	compare
e. g.	for example
et al.	et alii
etc.	et cetera
f., ff.,	following pages
FBI	Family buy-in
FBO	Family buy-out
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
H	Hypothesis
Hrsg.	Herausgeber (publisher)
HSG	University of St. Gallen
i. e.	id est
IfM	Institut für Mittelstandsforschung Bonn (German Institute for SME Research)
KfW	Kreditanstalt für Wiederaufbau (German Credit Institute for Reconstruction)
KMU-HSG	Schweizerisches Institut für Klein- und Mittelunternehmen der Universität St. Gallen (Swiss Institute for Small and Medium-Sized Enterprises at the University of St. Gallen)
MBI	Management buy-in
MBO	Management buy-out
No.	number
p.	page
p. a.	per annum
PAT	Principal-Agent Theory
SME	Small and medium-sized enterprises
www.	world wide web
ZEW	Zentrum für Europäische Wirtschaftsförderung (Center for European Economic Research)

1 Introduction

1.1 Starting point and problem

The business landscape in Germany is very diverse. In addition to large corporations, there are especially small and medium-sized companies that are typically referred to as SMEs. Small and medium-sized enterprises or companies are largely characterised by their small staff and low annual sales revenue. In Germany, small and medium-sized enterprises assume a place of great economic importance. Besides their contribution to overall economic output, they play a prominent role especially due to their dominant share of the private economy and their relevance for vocational training. Consequently, it is not surprising that statements or headlines such as “Germany’s strength is the strength of our SMEs”¹ or “SMEs considered backbone of the German economy”² are accepted by the public and frequently appear in the headlines.

Due to the strong significance of SMEs for the economy and employees, the long-term survival of small and medium-sized enterprises is a central issue. This is due in particular to the fact that the majority of SMEs are run by their owners and often involve family companies (*Familienunternehmen*). In simple terms, family companies are characterised by the combination of ownership and management. A central characteristic of German small and medium-sized enterprises is therefore the heavy concentration of ownership in the company.³

Securing the company succession is a major challenge for many SMEs. A study by the Center for European Economic Research (ZEW)⁴ and the IfM Bonn (Institute for SME Research)⁵ analysed company succession in SMEs in general and family companies in par-

¹ Gabriel (2015), p. 1.

² Wirtschaftswoche (2015), article of 16 April 2015.

³ Cf. Hilpisch (2005), p. 96.

⁴ The Center for European Economic Research (ZEW) is a non-profit economic research institute [...]. It was formed in 1990 at the initiative of the Baden-Wuerttemberg state government, the economy in the state and the University of Mannheim and started its work in April 1991. Since then, the Center for European Economic Research has established itself as one of the leading German economic research institutes with a very solid European reputation. Source: www.zew.de.

⁵ The IfM Bonn (Institute for SME Research) was formed, at the initiative of Ludwig Erhard, by the Federal Republic of Germany and by the state of North Rhine-Westphalia as a foundation under private law. The job of the IfM Bonn is to research the situation, development and problems in SMEs, make the research results accessible to the public and use its work to contribute to fulfilment of the tasks in the area of its founder. Source: www.ifm-bonn.org.

ticular from 2002-2008, showed that family-internal successors had the least professional experience in the industry, management positions and running a company relative to all successors who were considered. This leads to the conclusion that the requirements in terms of professional qualifications and experience are lower for family-internal successors than for external successors.⁶ The study also reveals that after taking over the company, a large percentage of the successors made organisational changes and also altered external business relationships. After taking over a company, a higher percentage than average also pursued process innovations.⁷ Comparing an internal and external assumption of a company basically demonstrated that companies with an external successor had higher growth and higher returns on sales than other successor-run companies, which also includes companies with internal succession. External successors tend to take over companies that appear less profitable than family companies. However, the former generally have a larger potential for development, which the external successors can take advantage of.⁸

Company succession is essentially a complex topic. Company succession can be described as the “transfer of ownership in a company and the associated management powers independently of whether the ownership of the affected company is in the hands of a family or other economic subjects – such as a legal entity or individual natural people dependent upon each other.”⁹

While previous definitions understood company succession to be solely the succession in family companies, Hering and Olbrich adopt a broader understanding of company succession with their definition. Company succession goes through a process that consists of the decision phase, matching phase (search phase), transfer phase and withdrawal phase.¹⁰ In literature and in the practice, a few phase models have been developed and are addressed in greater detail in section 3.1.

As the preceding explanations show, family-internal and family-external succession means that there are different options for succession. Another alternative is also the liquidation or discontinuation of the company.

A characteristic feature of family-internal succession is that the shareholding ratios as well as management tasks stay within the family, which typically means that the

⁶ Cf. ZEW/IfM (2009/2010), p. 8.

⁷ Cf. *ibid.*

⁸ Cf. *ibid.*, p. 9.

⁹ Hering/Olbrich (2003), p. 4.

¹⁰ Cf. IfM Bonn (2009), p. 2.

children take over the entrepreneurial position from their parents. However, a lack of interest in taking over the family company and a lack of qualifications often prevent family-internal succession from occurring.¹¹ Then a family-external succession is taken into consideration. Family-external succession can occur in three different ways:

1. The company continues to be owned by the family: e. g., external management, renting or leasing
2. Transfer to a foundation
3. Sale: e. g., to a strategic investor, financial investor, management buy-out or management buy-in.¹²

Above all, company succession is a central issue and also frequently a main problem in small and medium-sized companies.

1.2 Relevance of small and medium-sized companies

Since the focus of this dissertation is on small and medium-sized companies, they must be defined more precisely. The literature does not provide a uniform definition of the term SME or small and medium-sized enterprise or company. In order to still be able to define it, the two or three main characteristics of annual sales, size of the company and its total assets are often used. One of the most popular definitions is the system employed by the IfM Bonn and the EU Commission, which are described below:

Size group	Quantitative criteria			Additional criterion
	Employees	Annual sales revenue in EUR	Total assets in EUR	
Institut Bonn (IfM)				
Small	< 10	< 1 m	–	–
Medium	< 500	< 50 m	–	–
Large	> 500	> 50 m	–	–
European Commission				
Very small	< 10	< 2 m	< 2 m	Independence
Small	< 50	< 10 m	< 10 m	Independence
Medium	< 250	< 50 m	< 43 m	Independence

Figure 1: SME criteria according to the IfM Bonn and EU Commission

Source: Senn (2013), p. 9.

¹¹ Cf. Ciesielski (2007), p. 17.

¹² Cf. Lüders (2008), p. 3.

The IfM Bonn considers the number of employees and annual sales to be critical quantitative criteria for differentiating between small, medium-sized and large companies. The EU Commission also considers the quantitative criterion of total assets and fundamentally distinguishes between very small, small and medium-sized companies. The EU Commission also takes the independence of SMEs into account as an additional characteristic. This means that no other company may hold more than 25% of the capital or the voting rights in the company. Furthermore, the company may not hold more than 25% of one or more companies.¹³

Quantitative criteria alone are usually not sufficient to correctly define a SME in an objective way, which is why consideration must be given to qualitative characteristics.¹⁴

Qualitative characteristics of SMEs may include “personal” company management by the owner, limitation to a narrow product or service spectrum, individualised offers and personal network structures.¹⁵ These characteristics will be addressed in greater detail in the following section.

Above all, German small and medium-sized companies are characterised by a heavy concentration of ownership in the company; in many cases, the handling of the company’s management is also in the hands of the owner or partner.¹⁶ The IfM Bonn describes companies in which the ownership and management are combined as family companies. Companies in which the owner does not hold a significant share of the capital or the control rights cannot be defined as a family company.¹⁷ The combination of ownership, liability, decision-making, risk and management in one person results in a linking of private and professional risk for the owner.¹⁸ This concentration of functions makes the entrepreneur the central person in the SME, influencing its values and therefore representing the defining figure.¹⁹ This is associated with the fact that the entrepreneur has an influence on the important decisions in the company,²⁰ which typically exhibit an intuitive character.²¹ The close intertwining of entrepreneur and company frequently has the conse-

¹³ Cf. Senn (2013), p. 8.

¹⁴ Cf. Kluth (2011), p. 6.

¹⁵ Cf. Fueglistaller et al. (2013), p. 92 f. Other characteristics are flat hierarchies and short communication and decision-making processes.

¹⁶ Cf. Hilpisch (2005), p. 96.

¹⁷ Cf. Haunschild/Wolter (2010), p.3.

¹⁸ Cf. Kluth (2011), p. 6.

¹⁹ Cf. Bergmann/ Crespo (2009), p. 10.

²⁰ Cf. *ibid.*

²¹ Cf. Meyer (2011), S. 94.

quence that the entrepreneur's departure is difficult and a replacement of the SME's management cannot be achieved in the same way as in a major corporation.²² The heavy concentration of ownership is also clear in a consideration of the SME's legal form. Many small and medium-sized companies operate as an individual business (*Einzelunternehmen*), civil-law partnership (*Gesellschaft bürgerlichen Rechts // GbR*), limited liability company (*Gesellschaft mit beschränkter Haftung // GmbH*), limited partnership (*Kommanditgesellschaft // KG*) or limited partnership with the general partner as a limited liability company (*GmbH & Co. KG*).²³

Furthermore, SMEs usually have an easily understandable range of services. By limiting themselves to a narrow range of products or services, SMEs may be able to focus on their core competencies but this concentration comes with heavy dependency on one market.²⁴

Individualised products and services let SMEs react flexibly to customer wishes and changes in market conditions, which gives them an advantage over big companies that tend to produce a large quantity of standardised products.²⁵ A less formalised organisation supports the flexibility of SMEs.²⁶ However, the limited resources of the entrepreneur make it challenging to adapt the company's internal capacities to changes in the order situation.²⁷

A characteristic feature of SMEs continues to be the personally defined contacts with customers and suppliers, whereby the entrepreneur also has a major influence on purchasing and sales relationships and the relationship with competitors.²⁸

Small and medium-sized enterprises are of particular significance for the economy. Within this context, the German Federal Ministry for Economic Affairs and Energy speaks of SMEs as the "motor of the German economy."²⁹ The importance of SMEs can also be seen in the following figures:

- 99.6% of all German companies are SMEs (this was roughly 3.65 million companies in 2012).

²² Cf. Fueglistaller et al. (2013), p. 92.

²³ Cf. Hilpisch (2005), p. 96.

²⁴ Cf. Fueglistaller et al. (2013), p. 92.

²⁵ Cf. *ibid.*, p. 93.

²⁶ Cf. Bergmann/ Crespo (2009), p. 11.

²⁷ Cf. *ibid.*

²⁸ Cf. Fueglistaller et al. (2013), p. 93.

²⁹ Cf. German Federal Ministry for Economic Affairs and Energy (2014), p. 1.

- German SMEs contribute over 56% to the entire economic output and accounted for roughly 36% of all sales by German companies (this was €2.1 billion in 2011).
- Small and medium-sized enterprises employed 16.8 million people in 2014, which corresponds to 62.3% of the entire labour force required to contribute to social security.
- Sales abroad by small and medium-sized companies have been growing annually and were €199 billion in 2012.³⁰

It should be emphasised that 84% of all trainees worked in companies with less than 500 employees at the end of 2012.³¹

Due to their economic importance, German SMEs are also supported by political policy. This especially applies in regard to topics such as investments in research and development, demand for skilled labour, the need for financing, start-ups and company succession plans.³²

³⁰ Cf. *ibid.*, p. 3 ff.

³¹ Cf. IfM Bonn, www.ifm-bonn.org.

³² Cf. German Federal Ministry for Economic Affairs and Energy (2014), p. 4.

Company size	Companies											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
	Number											
Small companies	3 009 249	3 051 068	3 119 903	3 152 470	3 188 110	3 158 065	3 170 671	3 182 402	3 191 049			
Medium-sized companies	406 606	404 731	419 099	425 806	434 943	426 695	436 474	452 748	458 002			
SMEs in total	3 415 855	3 455 799	3 539 002	3 578 276	3 623 053	3 584 760	3 607 145	3 635 150	3 649 051	3,67 m	3,70 m	
For info, purpose:												
Large companies	10 757	11 326	12 238	12 989	13 442	12 488	13 431	14 247	14 381			
All companies	3 426 612	3 467 125	3 551 240	3 591 265	3 636 495	3 597 248	3 620 576	3 649 397	3 663 432	3,69 m	3,71 m	
SMEs in total	99,7 %	99,7 %	99,7 %	99,6 %	99,6 %	99,7 %	99,6 %	99,6 %	99,6 %	99,6 %	99,6 %	
	SME share											
	Sales revenue of companies											
	in € billion											
Small companies	404,87	414,65	427,18	431,24	441,52	434,68	433,29	450,93	453,79			
Medium-sized companies	1 357,89	1 403,93	1 497,95	1 540,32	1 597,75	1 513,29	1 584,07	1 677,27	1 695,50			
SMEs in total	1 762,76	1 818,58	1 925,13	1 971,56	2 039,27	1 947,97	2 017,37	2 128,20	2 149,29			
For info, purpose:												
Large companies	2 460,09	2 675,10	1 947,28	3 152,22	3 323,37	3 030,97	3 426,21	3 792,74	3 947,11			
All companies	4 222,84	4 493,68	4 872,41	5 123,78	5 362,64	4 978,94	5 443,57	5 920,93	6 096,39			
SMEs in total	41,7 %	40,5 %	39,5 %	38,5 %	38,0 %	39,1 %	37,1 %	35,9 %	35,3 %			
	Percentage SMEs											
	Company employees sub. to social sec.											
	Number											
Small companies	3 602 685	3 515 858	3 534 122	3 561 460	3 552 909	3 596 986	3 578 174	3 560 978	3 592 824			
Medium-sized companies	11 112 066	10 901 965	11 168 980	11 422 656	11 621 919	11 693 855	11 901 182	12 148 254	12 379 466			
SMEs in total	14 714 751	14 417 823	14 703 102	14 984 116	15 174 828	15 290 841	15 479 356	15 709 232	15 972 290			
For info, purpose:												
Large companies	9 221 131	9 403 742	9 657 801	9 904 787	10 175 730	9 874 445	10 254 996	10 741 849	10 934 522			
All companies	23 935 882	23 821 565	24 360 903	24 888 903	25 350 558	25 165 286	25 734 352	26 451 081	26 906 812			
SMEs in total	61,5 %	60,5 %	60,4 %	60,2 %	59,9 %	60,8 %	60,2 %	59,4 %	59,4 %			
	© IfM Bonn											

Figure 2: Statistical data on SMEs (2004-2012)

Source: IfM Bonn (no year), p. 1.

The above table provides an overview of the number of SMEs, their sales revenue and the number of employees subject to social insurance contributions in Germany from 2004 to 2012, as well as estimates of the number of companies in 2013 and 2014. For example, it shows that all of the companies in total generated sales revenues of €6,069.39 billion in

2012, of which €2,149.29 billion or 35.3% was generated by SMEs. This sales revenue was generated by a total of 3,649,051 SMEs.

On the other hand, SMEs also have numerous problems and must repeatedly face new challenges that arise due to their particular characteristics. The most important challenges for SMEs include financing and succession. Since medium-sized companies tend to have a low equity ratio, it is often difficult for them to raise outside capital – a situation that is due in particular to changes in legislation. The securing of company succession is also considered to be an important topic for SMEs.³³

1.3 Importance and challenges of succession in Germany

Above all, company succession becomes a challenge because ownership and management are combined at medium-sized companies. Entrepreneurs must make decisions on the long-term continuation of the company, as well as their own provisions for old age and securing the needs of the family.³⁴ Succession arrangements at an early stage are also important. One of the most common reasons for a transfer is the departure of the entrepreneur due to age (about 86%), death (about 10%) or illness (about 4%).³⁵ But a frequent situation in the practice is that the majority of entrepreneurs do not prepare for succession in advance, even though they are aware that regulating succession is important.³⁶ The successful implementation of company succession frequently becomes more difficult as a result. However, successful company succession has a major influence on the long-term continuity of the company and is associated with other issues such as the securing of jobs and trainee positions.³⁷

From the entrepreneur's point of view, i. e. that of the transferring owner, the main problems in succession are frequently identified as:

- not prepared in advance
- purchase price too high
- owner cannot let go for emotional reasons

³³ Cf. *ibid.*, p. 3.

³⁴ Cf. Lüders (2008), p. 3.

³⁵ Cf. IfM Bonn (2014).

³⁶ Cf. IfUWS (no year), p. 7.

³⁷ Cf. *ibid.*, p. 8.

- no suitable successor
- delay of sale in order to increase pension plan.³⁸

Typical problems from a potential new owner's perspective are often identified as financial difficulties, underestimated requirements or even insufficient qualifications.³⁹

Prior to giving consideration to company succession, certain questions must be asked and answered in order to successfully plan for the company succession. Frey identifies the following categories among others:

- what should be transferred? (ownership, management/leadership and/or assets)
- to whom should this be transferred? (e. g. family buy-out, management buy-out, management buy-in or foundation)
- time of transfer (e. g. complete transfer at one point or in multiple stages).⁴⁰

As already mentioned, there are three major alternatives in company succession: family-internal succession, family-external succession and discontinuation/liquidation. Family-internal succession is usually the best solution.⁴¹ In this form of arranging succession, it is possible to identify the entrepreneur's specific family and personal objectives:

- financial securing of the entrepreneur and his or her family (maximisation of income, optimisation of tax payments and entitlement payments to departing generation)
- retention of family influence (family's capital investment in the company and cooperation of the entrepreneur after departure).⁴²

In addition, there are also economic and emotional goals such as the securing of the company's continuity. The latter includes the securing of liquidity, the realising of profits and maintaining the profit potential. The emotional goals include the continuation of the company's philosophy, the retention of jobs and the survival of the company's name.⁴³

However, these divergent goals in succession give rise to conflicts between goals, i. e. not all of the goals can be achieved equally. An example for this is the goal of compensation

³⁸ Cf. *ibid.*, p. 11.

³⁹ Cf. *ibid.*

⁴⁰ Cf. Frey (2014), p. 15.

⁴¹ Cf. Lüders (2008), p. 3.

⁴² Cf. Senn (2013), p. 45.

⁴³ Cf. *ibid.*

payments to the old entrepreneur's family for financial security, which can have an adverse impact on liquidity and endanger the goal of securing the company's continuity.⁴⁴ Achieving the goal of maintaining the profit potential can be complicated by the search for an internal successor if the potential successor does not have sufficient qualifications. In turn, this situation has a major impact on the company's competitiveness.⁴⁵

⁴⁴ Cf. *ibid.*

⁴⁵ Cf. *ibid.*

2 Objective and methodological approach

2.1 Current state of research and objective of this dissertation

This section of the dissertation will draw on a few selected studies in order to determine the current state of research and gaps in the research before finally describing the objectives of this paper.

The goal of a study by the IfM Bonn in cooperation with RKW Sachsen GmbH was to prepare a survey that would give insight into the problems of searching for a suitable successor in eastern Germany and Saxony in particular.⁴⁶ On the one hand, the study involved a comparison of eastern and western Germany that was based on data that had already been used by the IfM Bonn for another study. However, in order to analyse the situation in the Free State of Saxony, new data was collected in the form of personal and telephone interviews.⁴⁷ Fourteen successors and seven owners of Saxon companies were surveyed.⁴⁸ Furthermore, an expert workshop was held for representatives of various institutions that support family-external succession processes by offering various services.⁴⁹ Nine experts participated in the expert workshop and also were asked to answer a questionnaire.⁵⁰ Among other things, the report showed that the majority of Saxon successors also come from the region. Companies that would like to transfer their business are encouraged to first search for a successor in the region, especially if the successor should be a private individual.⁵¹ But if an investor or entrepreneur is desired as a successor, the search should extend to all of Germany.⁵²

The German Chamber of Industry and Commerce (Deutsche Industrie- und Handelskammertag) offers a general overview of the current state of succession in Germany in its 2014 report on company succession. It discusses subjects such as the problem of too few potential successors, a higher percentage of women as successors, obstacles in suc-

⁴⁶ Cf. IfM Bonn (2009), p. 4.

⁴⁷ Cf. *ibid.*

⁴⁸ Cf. *ibid.*, p. 6.

⁴⁹ Cf. *ibid.*, p. 4.

⁵⁰ Cf. *ibid.*, p. 6.

⁵¹ Cf. *ibid.*, p. 49.

⁵² Cf. *ibid.*, p. 50.

cession (including money and inheritance tax) or even the successor's financial difficulties.⁵³

The gender of the successor was also an object of investigation in recent studies. For example, Schlömer-Laufen and Kay studied the determinants that cause the transferring owner to name his or her son or daughter as successor in cases of family-internal succession.⁵⁴

A study by the Nexus Institute for Interdisciplinary Research and Cooperation Management (Nexus Institut für interdisziplinäre Forschung und Kooperationsmanagement GmbH) and the Institute for Structural Policy and Economic Development (Institut für Strukturpolitik und Wirtschaftsförderung gGmbH) provides an overview of the numerous studies on company succession.⁵⁵ The studies listed there have the following focal points:

- general scope of transfer in Germany and Saxony-Anhalt in particular
- reasons for transfer of the company
- the issue of who is included among possible successors of departing entrepreneurs
- typical problems and solutions in company transfers.⁵⁶

Lüders also offers an overview of the current research, although he especially considers the financing of company succession. He demonstrates the alternatives in financing within this context and makes a distinction between family-external and family-internal succession. On this basis of a study by Kerkhoff et al., Lüders shows that bank loans, equity and subsidies are among the three most frequently used sources of financing.⁵⁷ Lack of equity, problems in the sector of the company to be acquired, unexpected capital requirements and a lack of security were named as the most frequent causes of the financing problems.⁵⁸

The selection of literature shows that studies on company succession are very diverse since many different topics and relationships are discussed. The outlined studies show that these topics and relationships are related to various aspects, especially the fundamental problems that the transferring owner and new owner face in the course of succession. Financing is also a topic area that has frequently been the focus of research in the

⁵³ Cf. DIHK (2014), p. 7 ff.

⁵⁴ Cf. Schlömer-Laufen/Kay (2013), p. 2.

⁵⁵ Cf. Nexus/ISW (2006), p. 14 ff.

⁵⁶ Cf. *ibid.*, p. 14.

⁵⁷ Cf. Lüders (2008), p. 58.

⁵⁸ Cf. *ibid.*, p. 59.

past, as Lüders' overview demonstrates. In addition, a very diverse range of data collection methods is used to examine how company succession in certain regions, particularly in the German states, has changed over a certain period of time and what conclusions should be drawn from this. In turn, other studies focus either on family-external or family-internal succession.

A review of the literature suggests that most studies on company succession do not concentrate on the process and individual phases of company succession. Company succession basically just exists in a few scientific models that tend to focus more on the above-mentioned subject areas. However, there are also studies that examine the relationship between the transferring owner and the new owner. These explicitly take into account the unequal distribution of information between the old owners and the potential successors within this context. Such asymmetries in information as described in the principal-agent theory are depicted in greater detail within the context of company succession by Wolter.⁵⁹ In his work, Wolter focuses explicitly on asymmetries in information as part of family-external succession and also shows possible solutions. In order to determine the forms of pre-contractual and post-contractual asymmetries in information, discussion with experts and case studies were selected as the method for collecting data. Included in the survey were former owners and successors.⁶⁰ Typical pre-contractual asymmetries in information were identified as uncertainty about the quality of the company's value on the side of the acquiring owner and uncertainty about the quality of the successor from the transferring owner's point of view.⁶¹ The study found post-contractual asymmetries in information to be a hold up due to the successor or a moral hazard due to the successor.⁶² Moog et al. specifically examined asymmetries in information with family-internal company succession.⁶³

This current dissertation was motivated by the fact that there was a limited amount of information available about whether asymmetries in information also exist in the case of family-internal succession at the time when this data was collected.⁶⁴ Moog et al. chose a qualitative research approach for the collection of data by conducting interviews with family companies throughout Germany.⁶⁵ They interviewed both former owners and

⁵⁹ Cf. Wolter (2010), p. 7 ff.

⁶⁰ Cf. Wolter (2010), p. 22 ff.

⁶¹ Cf. *ibid.*, p. 33 ff.

⁶² Cf. *ibid.*, p. 38 ff.

⁶³ Cf. Moog et al. (2009), p. 2 ff.

⁶⁴ Cf. Moog et al. (2009), p. 8.

⁶⁵ Cf. *ibid.*, p. 8 f.

other relevant people within the companies, e. g. the younger generation of the owners as potential successors and the employees.⁶⁶ The data was evaluated by analysing the content in order to gain an overview of the important statements and their frequency.⁶⁷

Due to the particular significance of asymmetries in information within the scope of company succession, the principal-agent theory will be considered in this dissertation. This is a widespread basic theory that is applied in various company-relevant areas such as human resources management or contract management. An examination of the preceding descriptions reveals the following gaps in research:

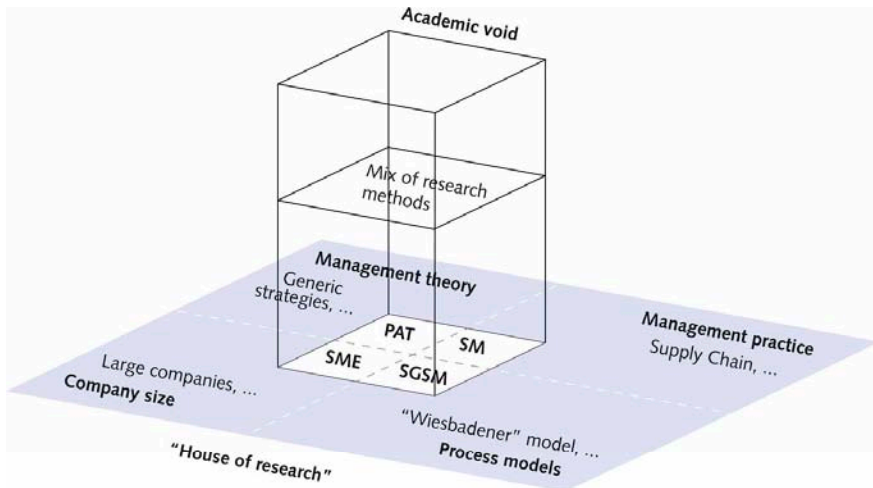


Figure 3: Derived gaps in research⁶⁸

Source: Author's chart.

Consequently, the following research question is the basis of this dissertation:

What are the problematic areas, resulting risks and solution mechanisms in the process of company succession when the asymmetry in information is considered within the scope of the principal-agent theory?

⁶⁶ Cf. *ibid.*, p. 9.

⁶⁷ Cf. *ibid.*, p. 19.

⁶⁸ Acronyms in the chart: PAT = Principal-agent theory, SME = Small and medium-sized enterprises, SM = Succession management, SGSM = St. Gallen successor management.

The following objectives can be derived from this question:

- O₁: Identification of the problematic areas and resulting risks
- O₂: Determination of the solutions and specific recommendations⁶⁹

Above all, the motivation for this dissertation is the fact that research on company succession in SMEs has largely lacked procedural and comprehensive consideration up to now.

For example, Halter focuses on the succession process in his work and concentrates on the transferring owner, shedding light on the emotions in the succession process.⁷⁰ Müller studies the phenomena of conflict that can arise between actors in the succession process in his work.⁷¹ As a contrast, Wiedmann's research work primarily concentrates on the causes that trigger crises in companies and how they endanger or influence the process of company succession.⁷²

There are many research papers that increasingly address the subject of company succession in SMEs. The areas of company valuation, company financing and taxes assume a position of central importance. As a contrast, the procedural approach is repeatedly adopted by Halter, Müller and Wiedmann but not within the context of asymmetry in information and independent of the family-internal and family-external succession.

2.2 Methodological approach

There are numerous methods for obtaining data in literature and the practice, so the first challenge of this dissertation was to select a suitable approach.

The collection of data serves to select and record information.⁷³ Depending on the survey method, the data is produced in various ways and must later be evaluated.⁷⁴ The medium chosen for the recording can have a significant influence on the quality of the data.⁷⁵

⁶⁹ In this dissertation, the terms recommendation for action, design recommendations, alternatives for action, etc. are used as synonyms.

⁷⁰ Cf. Halter (2009), p. 1 ff.

⁷¹ Cf. Müller (2008), p. 3.

⁷² Cf. Wiedmann (2002), p. 6.

⁷³ Cf. Schirmer (2013), p. 72.

⁷⁴ Cf. *ibid.*, p. 71.

⁷⁵ Cf. *ibid.*, p. 72.

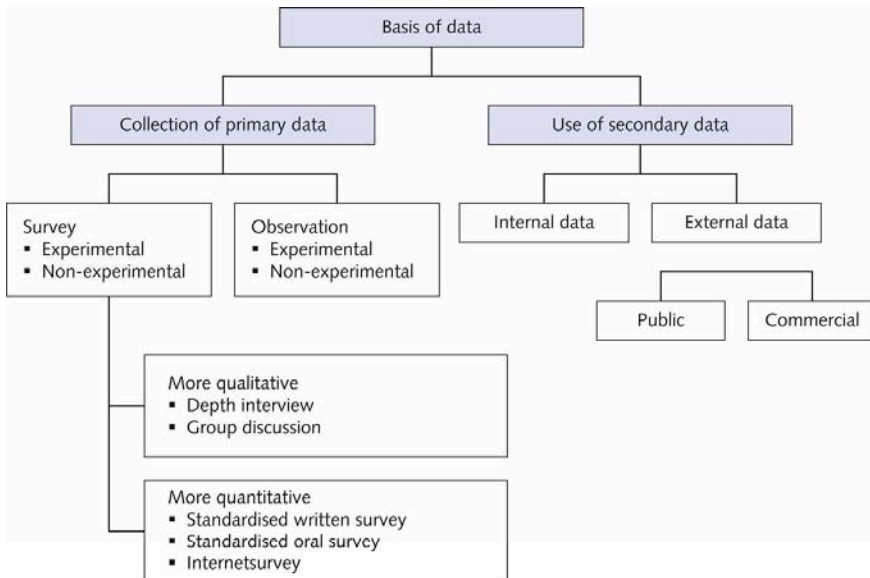


Figure 4: Overview of method for collecting data

Source: Kaya (2009), p. 50.

First of all, a basic differentiation between primary research and secondary research is required.⁷⁶ Whereas data material is collected by the author for the purpose of his or her own study in the case of primary research, material used from secondary research was already collected for an earlier study.⁷⁷

The difference between qualitative and quantitative research methods continues to be especially important. Qualitative and quantitative research methods differ in terms of which type of data material is used, the research methods and the object of the investigation, etc.⁷⁸

Quantitative research “records the variability of a characteristic by means of a defined categorisation of numeric values. The quantity of all the measurements of the characteristic in a study is described as the data.”⁷⁹ In the course of quantitative approaches, it is necessary to rely on standardised collection methods. To evaluate the calculated data,

⁷⁶ Cf. Erichson/Hammann (2011), p. 430.

⁷⁷ Cf. Hüttner/Heuer (2004), p. 76 f.

⁷⁸ Cf. Bortz/Döring (2006), p. 596.

⁷⁹ Albers et al. (2009), p. 7.

typical statistical methods are used.⁸⁰ As a rule, quantitative approaches are more suited for examining larger sample quantities. This is frequently due to the fact that quantitative data can be processed better.⁸¹

Since the quantitative research approach has exhibited some deficiencies according to Lamnek, he advocates a qualitative research approach that is largely defined by the following principles:

- Openness: In contrast to quantitative research in which solely hypotheses are examined, qualitative research involves methods in which hypotheses are formulated; the development of hypotheses is only completed at the end of the examination period.⁸²
- Research as communication: There is communication between the researcher and the person who is being studied, whereby the influence of this interaction is not to be understood as a disruptive factor but rather as a constitutive part of this dissertation.⁸³
- Process character of research and subject matter: In the qualitative research approach, both the object of investigation and the research itself is considered as a process; the involvement of the researcher is understood as a constitutive part of the research process.⁸⁴
- Explication: According to the principle of explication, it is necessary to outline rules that will facilitate an interpretation of the collected data such as responses from interviews.⁸⁵
- Flexibility: Flexible survey methods facilitate an adjustment to the specific characteristics of an object of investigation.⁸⁶
- Reflexivity of subject matter and analysis: A requirement for the reflexivity of the research methods is the researcher's reflected attitude and adaptability of the applied investigative instruments.⁸⁷

Qualitative research “records the variability of the characteristics of the object of examination by verbal description based on carefully selected individual cases.”⁸⁸ Qualitative

⁸⁰ Cf. Schöneck/Voss (2013), p. 28.

⁸¹ Cf. Albers et al. (2009), p. 7.

⁸² Cf. Lamnek (2010), p. 19 f.

⁸³ Cf. *ibid.*, p. 20 f.

⁸⁴ Cf. *ibid.*, p. 21 f.

⁸⁵ Cf. *ibid.*, p. 23.

⁸⁶ Cf. *ibid.*, p. 23 f.

⁸⁷ Cf. *ibid.*, p. 22.

⁸⁸ Albers et al. (2009), p. 6.

survey methods are usually processes in which data is obtained by means of open interviews, i. e. the information comes from a personal conversation between the researcher and the person who is being studied.⁸⁹

In this dissertation, explicitly primary data was collected by means of a survey to answer the research question. Based on figure 4, it is possible to see that there are various forms of surveying that can be qualitative or quantitative in nature. While the standardised written survey, the standardised oral survey and the on-line survey are among the quantitative survey methods, the in-depth interviews and focus group fall under qualitative survey methods. Two different qualitative methods are applied here: the focus group and the interview⁹⁰.

An interview is generally defined as a conversation “in which the roles are usually divided asymmetrically by convention, with the researcher asking the questions and the participants in the study answering them. The interview is intended to provide information.”⁹¹ There are various forms of an interview that differ in terms of the following criteria: degree of standardisation, number of surveyed people and number of people studied.⁹²

In this dissertation, the semi-structured interview was employed as the qualitative method for collecting data.⁹³

“The semi-structured interview is a partially-standardised interview. This means that the sequence of questions is adjusted to the course of the conversation, and the questions are formulated on the basis of the terminology of the participants. The structure is solely a starting point for the course of the conversation.”⁹⁴

Due to its partial standardisation, the semi-structured interview represents a combination of systematics and flexibility.

The central tasks of the semi-structured interview require the advance development of a guide. This guide consists of openly formulated questions and helps with orientation. It is not necessary for the interview to be conducted rigidly according to the previously set

⁸⁹ Cf. Schöneck/Voss (2013), p. 28.

⁹⁰ The current research plan used two consecutive series of interviews. Cf. statements on this topic in Chapter 4.

⁹¹ Hussy et al. (2010), p. 215.

⁹² Cf. *ibid.*, p. 216.

⁹³ Cf. Mayer (2013), p. 37.

⁹⁴ Hussy et al. (2010), p. 216.

sequence. Instead, the interviewer can freely decide when a subject should be addressed in more depth before continuing to the next question.⁹⁵

The semi-structured interview consists of three types of questions:

1. Introductory questions: These questions are aimed at getting to know the people participating in the interview and becoming accustomed to the interview situation.
2. Structured questions: These questions make up the core of the interview and are specified in bullet points.
3. Ad-hoc questions: In contrast to the preceding types of questions, ad-hoc questions are not planned. Instead, they arise spontaneously over the course of the interview and should help, with going into greater depth on a certain topic, for example.⁹⁶

A focus group is understood as a moderated and focused group discussion that is accompanied by a moderator. The discussion should lead to an intensive exchange on the selected topic. The participants should discuss their experiences, ideas and observations in relation to a topic.⁹⁷

A guide was developed for the collection of the focus group's data that forms the basis of this dissertation. This guide was subject to a pre-test in order to ensure that the participants in the focus group could understand the questions, the guide could be implemented and the questions answered within a certain period of time.

The focus group in this dissertation consisted of six test persons. In addition to the moderator, the group included three entrepreneurs, two bank managers and another person who is a researcher. After completing the work with the focus group, the results were sent to all of the participants for approval. After final approval by all of the test persons, two expert interview series were held with the goal of verifying the results from the focus group and discussing the relevance of the compiled points.

The data obtained in the focus group forms the basis for the subsequently conducted semi-structured expert interviews. The qualitative analysis of content based on Mayring is applied to evaluate the interviews. The qualitative analysis of content represents evaluation technology and therefore helps with the analysis of data and interpretation of long

⁹⁵ Cf. Mayer (2013), p. 37.

⁹⁶ Cf. Hussy et al. (2010), p. 216 f.

⁹⁷ Cf. Flick et al. (2009), p. 372 f.

texts.⁹⁸ The qualitative analysis of content is only used after the data has already been collected. If the qualitative analysis of content should be applied as evaluation technology, this means that the given studies are always dependent on material that was recorded with specific collection methods and must be classified under a specific research design.⁹⁹ The qualitative analysis of content can be defined as follows:

The qualitative analysis of content “represents a method of evaluating fixed communication (e. g. texts), involves a systematic, rule- and theory-derived approach with a set of categories and measures quality criteria. The qualitative element consists of the category development and the content-analytical systematisation of the assignment of categories to text components – steps that are usually skipped in a qualitative analysis of content.”¹⁰⁰

Depending on this dissertation, various technologies can be used in the qualitative analysis of content; for example, the summary (text is reduced successively to its core statements), explication (unclear parts of text are explained through step-by-step analysis of the text context), content structure (text is analysed on the basis of a pre-set subject list), etc.¹⁰¹ The summary analysis of content, which is broken down into the steps of paraphrasing, generalisation and reduction, is very widespread.¹⁰²

The methodological approach in this dissertation consists of the following summarised steps:

⁹⁸ Cf. Mayring/Brunner (2007), p. 671.

⁹⁹ Cf. *ibid.*

¹⁰⁰ *Ibid.*, p. 673.

¹⁰¹ Cf. *ibid.*

¹⁰² Cf. Mayring (2010), p. 606.

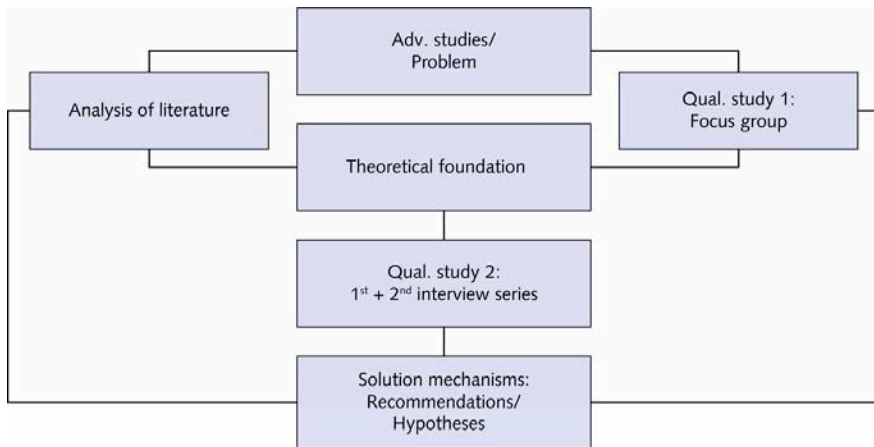


Figure 5: Fundamental research approach

Source: Author's chart.

2.3 Structure of dissertation

In order to pursue the objectives outlined in chapter 2.1, this dissertation is divided into a theoretical and a practical part with each containing various chapters.

Chapters 1 and 2 have an introductory character and include important aspects such as a description of the starting point, the objective of this dissertation and the methodological approach.

The third chapter addresses the theoretical basis required for the underlying research project. This includes the definition of the term company succession and a detailed description of the selected succession models that are widespread in literature and the practice. Therefore,

- the St. Gallen succession model based on Halter and Schröder
- the company succession model based on Kary/Dittmers
- the company succession model based on Viehl
- the Witten model
- the Wiesbaden model
- the five-year and seven-year model

will be described in greater detail. The description of the various succession models helps with the identification and selection of the model that is suited for the research project.

Since this dissertation is built on the asymmetry in information that exists in the principal-agent theory, this theory is discussed in greater detail in section 3.2. The focus of the principal-agent theory is the relationship between the acting subject, the agent and the principal, who is influenced by the action of the agent. The main characteristic of the principal-agent theory is the asymmetry in information, i. e. the information is distributed unequally and done so for the benefit of the agent. For the principal, obtaining additional information about the agent is typically connected with costs.¹⁰³

Due to its complexity, the principal-agent theory is explained in more detail. Therefore, it is not only necessary to provide a general description of the contractual relationship between the principal and agent with hidden characteristics, hidden action and hidden information, but also to address the various forms of the asymmetry in information and show how these can be prevented. Furthermore, the kinds of risk in the form of moral hazard, adverse selection and hold-up must be described as they arise from various forms of asymmetry in information.

In chapter 4, the practical part of this dissertation begins in the form of an empirical study. It starts with a description of the underlying research design and a deeper examination of the qualitative research approach, the quality criteria of qualitative research and the sampling strategy. A qualitative research approach with Mayring's analysis of content forms the basis of this dissertation. As described above, the qualitative analysis of content by Mayring is a highly rule-governed and systematic approach in which the individual steps in the analysis are systematised and verifiable through specific procedural models.¹⁰⁴ Paraphrasing, generalisation and reduction are major parts of the qualitative analysis of content.¹⁰⁵ Then the content analysis will demonstrate results that are well-structured and condensed in terms of content.

The data is collected by means of the focus group and subsequent interviews. The interim results of the focus group are shown in the form of an overview for the categories relevant to the survey (clusters). These are assigned to the categories of company personality, conduct-willingness-action, strategic aspects and financing-relevant aspects. The remaining

¹⁰³ Cf. Lüders (2008), p. 29.

¹⁰⁴ Cf. Roll (2003), p. 125.

¹⁰⁵ Cf. Kuckartz (2010), p. 94.

sections of chapter 4 will focus on the individual expert interviews by evaluating and interpreting the calculated data in a qualitative content analysis.

The subject of chapter 5 is a description of the recommendations for action and hypotheses.

Chapter 6 is a critical discussion of the essential findings in this dissertation.

In the concluding chapter, the results obtained in this dissertation are summarised. Furthermore, possible weaknesses in the research project are also discussed and specific options for improvements outlined.

3 Theoretical foundation

The following sections introduce models that are broadly applied in theory and the practice on the one hand; on the other hand, they are important for the research project in this dissertation. The models are initially described in neutral terms before they are discussed in chapter 3.1.8 from the perspective of the principal-agent theory that represents the second essential theoretical pillar.

3.1 Models of company succession

3.1.1 Definition and types of company succession

There is no uniform definition of the term company succession in the literature. Lüders understands company succession to be a process “in which the management power is transferred, simultaneously and parallel to the transfer of ownership, from one generation in the company to the next (...). In addition, it is usually assumed that company succession involves a family company, which is supported by the fact that ownership and management are combined in the hands of a single person in these companies and must be passed on – whether it is family-internally or family-externally – at a certain time for reasons of age.”¹⁰⁶

Olbrich defines succession as the “subsumption of all processes in which the ownership of a company or part of a company and the connected management power are relinquished by an economic subject independently of whether or not this transfer takes place between family members.”¹⁰⁷

Even if no uniform definition can be found, the prevailing general understanding is that company succession represents a process that goes through multiple phases.¹⁰⁸ This procedural understanding of company succession has become very widespread since the breakdown into individual process components allows for a successful change of genera-

¹⁰⁶ Lüders (2008), p. 8.

¹⁰⁷ Olbrich (2014), p. 232.

¹⁰⁸ Cf. Halter/Schröder (2010), p. 128.

tions in companies.¹⁰⁹ Furthermore, this perspective can ultimately be transferred to all forms of company succession.¹¹⁰

In the practice, there are various forms of company succession models; for example, sale over a stock exchange, foundations, equity investment companies and sale strategies for third parties such as management buy-out (MBO), management buy-in (MBI) or owner buy-out.¹¹¹ Succession can also take place within the family. The family buy-in (FBI) is the most traditional form of company transfer, whereby a difference must be made between three major variations of succession within the family: the company transfer as an anticipated case of inherited succession, the purchase of the company or the transfer of the company in return for a pension, instalment payments or recurring services.¹¹² Succession models can also be categorised by different focal points. For example, if emotional aspects are primarily taken into account, the individual takes precedence in the planning of succession. If aspects in terms of marriage law, inheritance law, tax law and economics are taken into account, the focus is equally on the individual and the company. These include models with an emphasis on inheritance law, others with an emphasis on taxes and further models with an emphasis on company valuation. However, a strong consideration of financial and social aspects shifts the company's focus to succession planning.¹¹³ In reference to the objective of this dissertation, models that illuminate the entire transfer succession process are particularly relevant.

At SMEs, the organisational and legal structures are also especially significant irrespective of the selected succession model.¹¹⁴

3.1.2 St. Gallen succession model based on Halter/Schröder

The phase model of company succession developed by Halter and Schröder will be described first. As shown in the following figure, Halter and Schröder differentiate between a succession process in the narrower sense and one in the broader sense. The dotted lines

¹⁰⁹ Cf. Schmeisser et al. (2007), p. 10.

¹¹⁰ In addition to the procedural consideration, there are causal-analytical, functional and institutional perspectives. Cf. e. g. Stephan (2002), p. 11 f.

¹¹¹ Cf. Schmeisser/Grothe (2003), p. 6.

¹¹² Cf. IHK Berlin (2013), p. 14.

¹¹³ Cf. Frey (2014), p. 11.

¹¹⁴ Cf. Schmeisser/Grothe (2003), p. 6.

should reflect permeability, i. e. that the individual phases can also be handled parallel to each other and must not necessarily follow each other.¹¹⁵

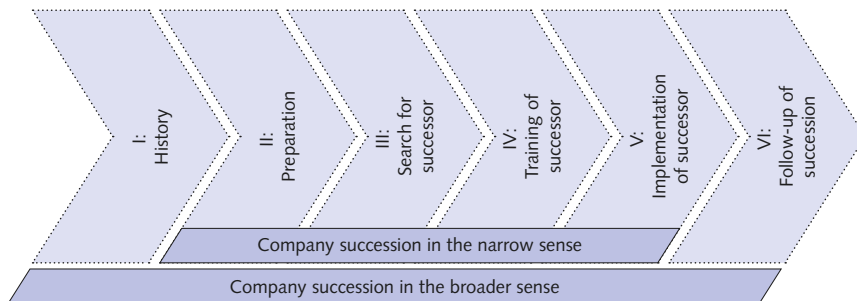


Figure 6: St. Gallen succession model based on Halter/Schröder

Source: Halter/Schröder (2010), p. 129.

Company succession in the narrower sense includes the steps of preparing the succession, searching for a successor, training the successor and implementing the succession. Company succession in the broader sense also includes the phase of past history and the follow-up phase at the conclusion.

The focus of the first phase described as the past history is addressing the self-image of the family company. Within this context, it is necessary to explain which traditions, stories and routines have defined the company and may have a major influence on the decision-making processes.¹¹⁶

The preparatory phase is also described by Halter and Schröder as the initiation phase. This phase begins the moment that the succession is actively pursued by the transferring party. This is the case when the transferring party realises that it is necessary to address the subject of succession. It is important to create a collective set of values, i. e. to determine the goals, ideas and expectations of the people involved in the succession process.¹¹⁷

The search for a suitable successor means that a family-internal or family-external successor must be found. In regard to the family-internal successor, it is necessary to clarify whether there are family members who are willing to run the company in the future on the one hand and have the required skills to do so on the other hand. These are the requirements for planning family-internal succession. Family-external succession can take

¹¹⁵ Cf. Halter/Schröder (2010), p. 128.

¹¹⁶ Cf. *ibid.*, p. 129.

¹¹⁷ Cf. *ibid.*, p. 129 f.

place in various forms such as a sale, IPO, management buy-out or management buy-in.¹¹⁸

Above all, the successor's training phase is especially relevant in the case of family-internal succession. On the one hand, the successor must be accepted by the employees and develop his or her areas of expertise. On the other hand, the transferring party must slowly withdraw from the business and allow the successor leeway in action and decision-making, as well as competencies. The period of joint management should be planned in the greatest possible detail and precise rules for collaboration should be established. The person handing over the company must gradually withdraw from the company's affairs during this phase.¹¹⁹

The last phase of the succession process in the narrower sense involves the operational implementation of the succession. This includes the financial, legal and tax transactions involved in the transfer. Furthermore, the conclusively completed transfer must be communicated to the company's employees and other stakeholders. The goal is to provide the individual stakeholders with a sense of security as quickly as possible.¹²⁰

The last phase of the succession process in the broader sense consists of the follow-up work. The follow-up phase leads to changes in the daily routines of the person handing over the company. The successor faces the challenge of finding a balance between what was previously achieved by his or her predecessor and the introduction of certain changes within the company.¹²¹

The St. Gallen succession model provides a description of an idealised succession process with an integrated character since all of the phases are taken into account: from the preparation of the succession to the work following the succession. Furthermore, it includes emotional aspects with respect to the successor and the transferring owner, as well as individual stakeholders and interactions in the training phase. As a result, each phase of company succession is given comprehensive consideration in this model.

¹¹⁸ Cf. *ibid.*, p. 130.

¹¹⁹ Cf. *ibid.*

¹²⁰ Cf. *ibid.*, p. 131.

¹²¹ Cf. *ibid.*

3.1.3 Company succession model based on Kary/Dittmers

The focus of the succession model by Kary and Dittmers is the company valuation and financing of the company.

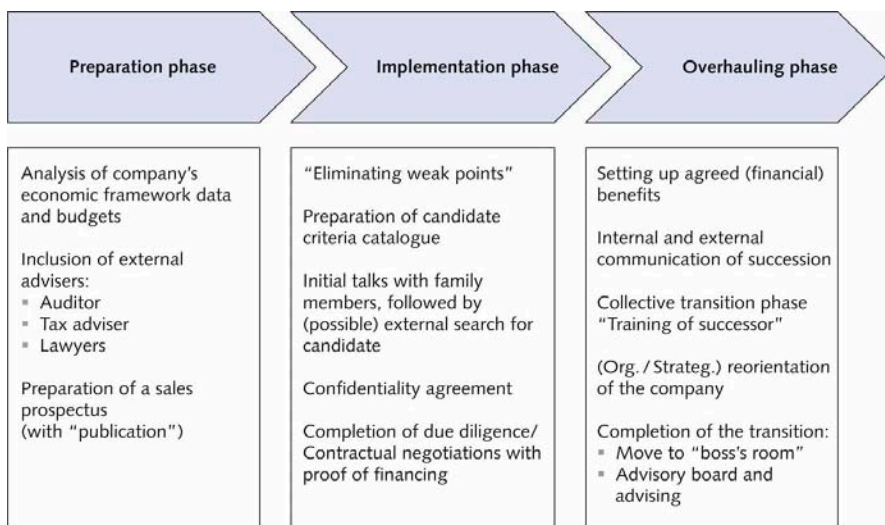


Figure 7: Succession model based on Kary/Dittmers

Source: Kary/Dittmers (2010), p. 159.

The figure shows that the succession process by Kary and Dittmers is broken down into three phases. In the preparatory phase, the current financial statements, planned balance sheets and income statements for the next three years are examined. An external adviser is usually hired, e. g. an auditor or a tax consultant, in this phase. Lawyers can also be helpful, e. g. with regard to questions on company law or industry-related legal concerns.¹²² The central tasks of the consultant include determining the type of transfer (e. g., fee-based or free), liability questions under civil law, questions with regard to inheritance law and questions on the departing entrepreneur's pension plan, tax optimisation of the transfer, preparation of the company that will be transferred in an organisational, strategic, operational, technical and financial regard and the valuation of the company.¹²³

¹²² Cf. Kary/Dittmers (2010), p. 156.

¹²³ Cf. *ibid.*

After completion of the preparatory phase, the implementation phase begins primarily by searching for a suitable successor. This person is initially sought among family members. If no individual can be found, it is necessary to search for an external alternative. This process should also be supported by an external consultant, according to Kary and Dittmers.¹²⁴ The selection of a potential successor should take place on the basis of the previously set and weighted criteria. This means that it is necessary to determine in advance the criteria that are particularly important and must be met by the successor, as well as what is less important. If a successor has been found, it is necessary to start contract negotiations. Since the potential successor gains insight into all of the company documents, evidence of its financing in advance must be presented in advance. Furthermore, the successor must sign a declaration of confidentiality and a letter of intent.¹²⁵

After signing the contract and settling the contractually agreed-upon financial payments, the successfully concluded transfer must be communicated to the banks, customers, employees and other business partners. In order to avoid rumours and speculation among these groups in the first few weeks after the transfer, it is essential for the company to have a comprehensive information policy.¹²⁶ The transition phase can basically occur in two steps. The first step of the joint transition phase involves ensuring that the departing entrepreneur and the successor discuss the next steps so that the new owner benefits from the old entrepreneur's experience. The second phase, which is described as the final transfer of the company, is reached when any necessary strategic or organisational reorientation has been completed. The departing owner frequently assumes the role of an adviser or advisory board member.¹²⁷

The phase model according to Kary/Dittmers concentrates on a rational and smooth handling of succession. The focus is on minimising the likelihood of erroneous decisions and avoiding risks for both the involved parties and the company. The key importance of advisers and contracts emphasises the risk-averse character of this model.

¹²⁴ Cf. *ibid.*, p. 157.

¹²⁵ Cf. *ibid.*

¹²⁶ Cf. *ibid.*, p. 158.

¹²⁷ Cf. *ibid.*

3.1.4 Company succession model based on Viehl

The focus of the succession model by Viehl is the change of generations in family companies and therefore succession within the family. Due to the great complexity of a transfer, which requires much time and intensive preparation, the planning of the transfer should begin at a very early point in time.¹²⁸ The following figure shows the different phases of the succession process according to Viehl.

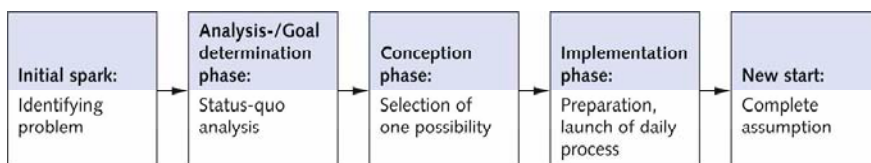


Figure 8: Succession model based on Viehl

Source: Viehl (2003), p. 140.

The course of the transfer would still focus on the predecessor, usually in the person of a senior, during the first and second phase as an ideal arrangement. In the phase described as the initial spark, the main concern is that the senior must recognise the importance of the succession rules. In the practice, a frequent observation is that this recognition fails to materialise on the part of many family company owners. Provided that the senior addresses the succession rule and the importance of the change in generations, the analysis and objective-defining phase follows. On the one hand, this requires an extensive audit of the company from a business and legal point of view, e. g. in the form of a strength-weakness analysis or calculation of the company's market value. On the other hand, an analysis of the senior's private assets and pension plan must be conducted. Furthermore, the economic and personal objectives of the participating family and children must be identified in this second phase.¹²⁹

The focal point of the concentration phase is to find a suitable model for succession, e. g., family succession, external management or sale of the company. Most seniors tend to favour the first option. However, it is important to consider the general succession ambitions of the son or daughter and the individual's abilities within this context. If external management or the sale of the company is chosen, a separation of ownership and management occurs.¹³⁰

¹²⁸ Cf. Viehl (2003), p. 9.

¹²⁹ Cf. *ibid.*, p. 141.

¹³⁰ Cf. *ibid.*

In the fourth phase, the previously made decisions and plans are implemented in the practice. If the model of family succession was chosen, the implementation phase should be divided into the additional steps of preparing the successor and the successor's assumption of the position. The preparatory phase must be understood as the training period for the successor. In addition to a university degree programme, it also includes gaining experience outside of the family business. The starting position of the successor also depends on his or her professional experience. The actual change can take place in multiple stages, i. e. the senior can gradually transfer competencies and responsibilities to the junior.¹³¹ The last phase represents the new beginning with the successor. In the case of family-internal succession, it is important that the predecessor withdraw from the business and solely assume responsibilities on the advisory board. The successor must now implement his or her own ideas, goals and plans in the company.¹³²

Viehl's model deals intensively with the prospects and roles of seniors and juniors in the succession process phases with a change of generations at family companies. The longer time horizon for the process and comprehensive consideration of how to prepare succession in light of personal matters are equally important.

3.1.5 Witten phase model for succession

In contrast to many succession models, the Witten phase model does not view succession as a transfer decision made at a certain time. Instead, it is an ongoing process of reflection within the family.¹³³ Based on this fundamental mind-set, the following five phases are differentiated in the Witten model.

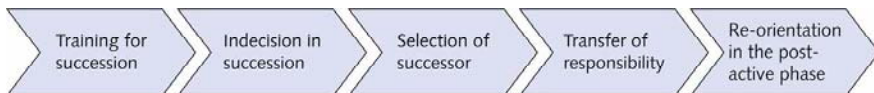


Figure 9: Witten phase model for succession

Source: Groth et al. (2012), p. 101.

The first phase, training for succession, begins in the potential successor's childhood and extends from birth to 15 years. The focus of this phase is the issue of how to best introduce the potential successor to the company. This involves determining how intrinsic motivation and interest in the subject can be stimulated within the individual at

¹³¹ Cf. *ibid.*

¹³² Cf. *ibid.*, p. 142.

¹³³ Cf. Groth et al. (2012), p. 100.

such an age. Consequently, the parents' approach to raising their child and theories about everyday life are especially relevant. Within this context, it is critical that their role as an entrepreneur family is conveyed to the younger generation as naturally as possible. The importance of the business should be conveyed to the younger generation at quite an early point in time, but without already urging succession in the early phases of life.¹³⁴

The second phase is characterised by doubts about the succession and lasts roughly from the potential successor's youth to young adulthood (15-30). During this phase, it is critical that a reasonable balance is achieved between autonomy and external determination since the initial professional orientation occurs here. Above all, the issue of whether the potential successor actually has the abilities to run a family company that has been successfully managed for multiple decades will preoccupy the transferring owner in this phase. Both the parents and the children should get an idea as to whether joining the family company is the right professional path or whether an alternative must be found by testing this early on, e. g. by working at the company during holidays.¹³⁵

The third phase, described as the "selection of the successor", takes place between the ages of 20 and 40. During this phase, the decision for a successor is made in a complex objective, social and temporal selection process. It is important to set the fundamental requirements for the successor and the selection process at an early stage. Advisory boards or external decision-makers should also be included here.¹³⁶

The phase of transferring responsibility involves the successors early to middle years, and in some case also the later adult years. In the course of changing generations, the company's continuation and survival is important on the one hand; on the other hand, the relationships between the new management and all of the involved parties are also critical for the company. The successor's path is also significant. For example, extremes such as extensive renovations or regression can become evident when the successor is uncertain about his or her management ability. In order to avoid extremes, the transfer of responsibility should be arranged as a process, i. e. prior to the transfer. For example, the successor generation should undertake projects independently or handle certain issues where the successor receives no more than advice from the departing executives and other managers in the company.¹³⁷

¹³⁴ Cf. *ibid.*

¹³⁵ Cf. *ibid.*

¹³⁶ Cf. *ibid.*, p. 100 f.

¹³⁷ Cf. *ibid.*, p. 101.

The Witten succession model ends with reorientation in the post-active phase, which is usually when the senior is over the age of 60. During this phase, the senior is no longer active in the company's operating business but frequently works on the advisory board or assumes an advisory role. However, the decision-makers are the successors who have the option of accepting advice.¹³⁸

The Witten phase model for succession focuses on raising the successor as a future manager. Both educational and psychological aspects are applied in this model, which places succession in an interdisciplinary context.

3.1.6 Wiesbaden model

The Wiesbaden model is considered the most important model with a tax focus. Above all, the Wiesbaden model is important to avoid the tax construct of a company split in the new arrangements for the company.¹³⁹

From a tax point of view, a company is basically also a single entity in terms of civil law. However, the situation is different when a company is split since this involves dividing a single company into two companies: in specific terms, this is an operating company and an ownership company (*Besitzunternehmen*). The operating company reflects the actual activity of the company. By contrast, the ownership company provides the assets, e. g., the machinery for production or properties.¹⁴⁰ The goal of the company split is to take advantage of various legal forms, i. e. the company must not be run uniformly as a corporation or a partnership but can instead adopt both legal forms.¹⁴¹ For example, it is accordingly possible that the asset ownership or the ownership company adopts the legal form of a partnership and the commercial activity – which means the operating company – adopts the legal form of a corporation.¹⁴² The split offers advantages under civil law, e. g. in terms of limiting liability.¹⁴³

However, splitting a company results in the operating and ownership company being viewed as one entity for tax purposes. So both companies are subject to the business tax,

¹³⁸ Cf. *ibid.*

¹³⁹ Cf. Landsittel (2006), p. 383.

¹⁴⁰ Cf. Fehrenbacher/Tavakoli (2007), p. 183.

¹⁴¹ Cf. Dinkelbach (2012), p. 182.

¹⁴² Cf. Niehus/Wilke (2013), p. 346.

¹⁴³ Cf. Landsittel (2006), p. 384.

even if the ownership company is not defined by commercial operations.¹⁴⁴ “Assets to which different legal entities are entitled under civil law are assigned to one single legal entity for income tax purposes.”¹⁴⁵

A splitting of the company occurs when intertwining exists in terms of material and personnel. If the ownership company provides the operating company with at least one economic asset for use and this asset represents a significant basis for the operations, the companies are viewed as materially intertwined. An economic asset is deemed to be a significant economic basis if it is required to achieve the actual business purpose of the operating company. The economic asset can be provided either for a fee (rental or lease agreement) or for free (loan agreement). Properties and machinery, as well as intangible assets such as patents or the customer base, are typically included as economic assets that the ownership company transfers to the operating company.¹⁴⁶

The companies are intertwined on the level of the personnel when one individual or a group of people stand between the ownership company and the operating company, and this person or group has a uniform will to act. A uniform business will to act is defined as “when the person or the group of people that actual controls the ownership company can also impose their will on the operating company.”¹⁴⁷

With regard to company succession, the Wiesbaden model stipulates that the senior is responsible for control of the ownership company, while the successor runs the operating company.¹⁴⁸ Accordingly, neither the senior nor the successor are jointly invested in either of the two companies.¹⁴⁹ This means that the intertwining of personnel and premises for a splitting of the business have not been fulfilled. A split of the business occurs in an economic sense, but not for tax purposes.¹⁵⁰ In the Wiesbaden model, the owner of the ownership company generates income from renting and leasing, and is therefore not subject to the business tax.¹⁵¹

The form of company succession according to the Wiesbaden model solely considers the tax issue in the new constellations after the transfer and therefore only one aspect of the many-layered process. Due to its partial perspective of the process, it is meaningful to use

¹⁴⁴ Cf. Fehrenbacher/Tavakoli (2007), p. 184.

¹⁴⁵ *Ibid.*, p. 183.

¹⁴⁶ Cf. Dinkelbach (2012), p. 185.

¹⁴⁷ *Ibid.*

¹⁴⁸ Cf. Wesel (2010), p. 200.

¹⁴⁹ Cf. Schneeloch (2009), p. 467.

¹⁵⁰ Cf. Rupp (2013), p. 84.

¹⁵¹ Cf. Arens (2013), p. 167.

this model as a supplement for another model and under the assumption that a company split into an ownership and an operating company is being considered.

3.1.7 The 5-year model and 7-year model

In the planning of company succession, the inheritance tax must especially be taken into account at family companies. The reform of the German inheritance tax law in 2009¹⁵² gave rise to new alternatives for those who inherit companies. Attention should be focused on the relief provisions (*Verschonungsregelungen*) for company assets within this context. In this case, relief (*Verschonung*) means that inheritors of companies can lay claim to preferential treatment in some circumstances.

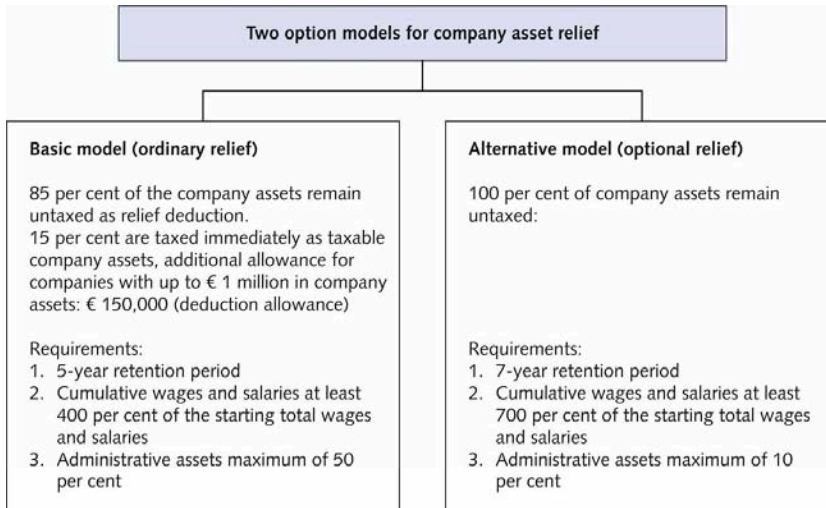


Figure 10: Option models for company asset relief

Source: Lindmayer/Dietz (2014), p. 341.

The figure shows that there are two models for company asset relief, the 5-year model and the alternative model, which is also referred to as the 7-year model. The basic model designates that 15% of the operating assets are classified as non-productive administrative assets, which is why a tax must be paid directly on this portion of the company assets. The remaining 85% of the company assets are classified as productive and therefore not

¹⁵² Cf. Kaminski/Strunk (2012), p. 95.

subject to the inheritance tax.¹⁵³ However, one requirement for the company to be relieved of the inheritance tax is that it will be run for another five years (formerly seven years) and the total wages and salaries paid will amount to at least 400% of the total wages and salaries at the time of inheritance.¹⁵⁴ But the relief provision does not apply to asset management companies, i. e. companies where “at least 50% of the business assets consist of economic assets serving asset management.”¹⁵⁵ The highest amount with administrative assets is 50%. Companies with business assets of up to €1 million can also enforce an additional tax-free allowance, the deduction amount (*Abzugsbetrag*) of €150,000.

The alternative model allows the possibility of complete relief from the inheritance tax. However, this relief is tied to the condition that the company will continue for seven years (formerly ten years).¹⁵⁶ The cumulative wages and salaries paid for these seven years may not fall below 700%. The administrative assets contained in the company assets may not exceed 10%.¹⁵⁷ Since 2009, the conditions with regard to total wages and salaries only apply to companies with more than 20 employees.¹⁵⁸

Like the Wiesbaden model, the above-described models also focus solely on the tax issue in company succession and are therefore relevant for company heirs so that they can optimise the financing. Consequently, they must be considered as a supplement to more comprehensive models.

3.1.8 Conclusion: Evaluation of succession models in terms of this dissertation's objective

The above-described models are fundamentally considered to be the most important in the area of company succession. The succession model by Halter and Schröder is the best to use as the basis for the empirical study in this dissertation due to a number of reasons described in the following section.

The first is that the procedural approach, particularly in regard to the research question, is suited for this study because it involves identifying problematic areas, the associated risks and solution mechanisms explicitly in the process of company succession. It also

¹⁵³ Cf. Haufe Kompass (2010), p. 13.

¹⁵⁴ Cf. WIFU (2011), p. 22.

¹⁵⁵ Haufe Kompass (2010), p. 14.

¹⁵⁶ Cf. *ibid.*

¹⁵⁷ Cf. Lindmayer/Dietz (2014), p. 341.

¹⁵⁸ Cf. Haufe Kompass (2010), p. 14.

considers the asymmetry in information within the framework of the principal-agent theory. Three other models have been described in the form of the succession model by Kary and Dittmers, the succession model by Viehl and the Witten phase model on succession. Each of them shows company succession as a process, but the integrated approach in the St. Gallen succession model offers the most comprehensive view. The Wiesbaden model, the 5-year model and 7-year model with a focus on taxes as described in this chapter do not meet the requirements for answering the research question.

Due to its particular relevance for the findings later in this dissertation, the St. Gallen succession model as an integrated approach will be described in more detail.

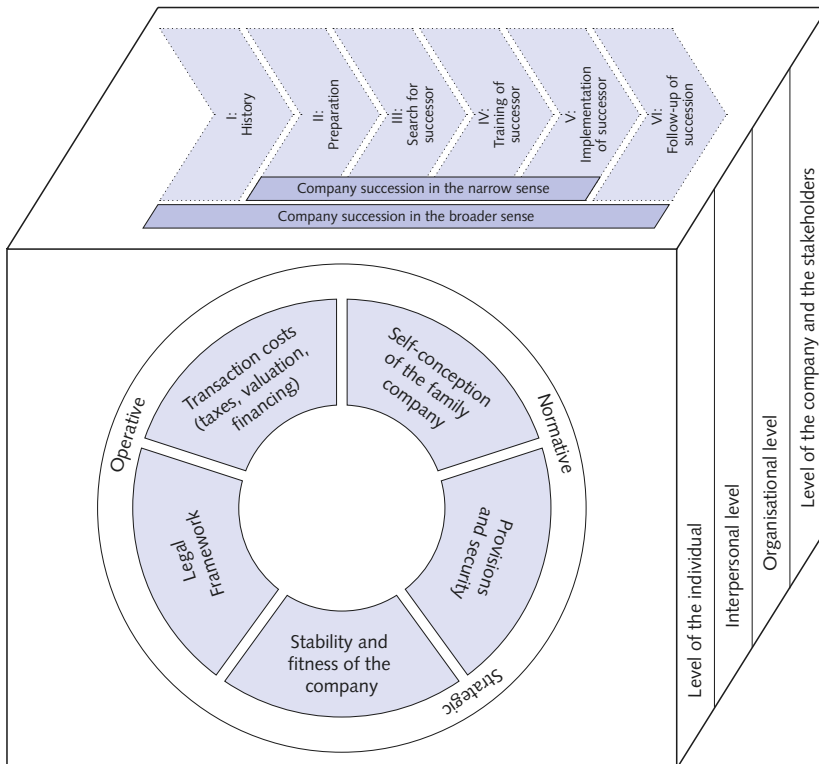


Figure 11: St. Gallen succession model as an integrating approach

Source: Halter/Schröder (2010), p. 137.

The figure shows the three core components of the St. Gallen succession model. One core component, the general succession process in the narrower and broader sense, has already been described and will therefore not be addressed again here. The family company

and the central basic questions in company succession represent two other key components.

The family company represents the context of company succession. It is necessary to differentiate between four levels of analysis that are relevant in addressing company succession: the intrapersonal level, the interpersonal level, the organisational level and the level of the company and stakeholders.¹⁵⁹ The intrapersonal level – which is also the level of the individual – deals with the nature and role of the company founder, the (potential) successor, the woman as entrepreneur and the spouse of the entrepreneur or external manager. The focus here is on personal values, expectations, characteristics, personality structure, competencies and skills, as well as health, which can be described as individual resources. The interpersonal level includes the individual and personal relationship between the transferring party and the acquiring party, among the family members and between family members and non-family members or relationships with people outside of the company.¹⁶⁰

The organisational level addresses the identification of resources in family companies, whereby the family and the company are understood as subsystems. Accordingly, this raises the question of how the connection between the two subsystems can be used in a positive way.¹⁶¹ The focal point on the societal level is the social and economic significance of family companies. A key task of the entrepreneur is to combine the subsystems of family and company with each other. On this level, the focus is on not only the economy but also the various stakeholders such as banks, suppliers, customers or employees.¹⁶²

The five main basic questions concern the self-image of the family company, provisions and security, stability and fitness of the company, legal framework and taxes, valuation and financing, which are summarised in the topic of company succession. The self-image and identity of the company are classified on the normative level. The family company's general goals, the family's goals and the company's principles, standards and rules are relevant within this context. Aspects such as a company constitution, company culture, basic assumptions, artefacts and standards and values are relevant on the normative level.

¹⁵⁹ Cf. Halter/Schröder (2010), p. 136.

¹⁶⁰ Cf. *ibid.*, p. 50.

¹⁶¹ Cf. *ibid.*, p. 51.

¹⁶² Cf. *ibid.*, p. 51 f.

In particular, the company culture is significant since this is defined by the values, standards and social traditions of the members and/or family of a company.¹⁶³

The strategic level addresses the subject of the family company's strategic positioning for the next three to five years. A strategic programme should help to anchor the values formulated in normative terms. Strategic planning should ensure that the resources in the company are used in an optimal manner.¹⁶⁴ Furthermore, the organisational structures and management system must be taken into consideration on the strategic level.¹⁶⁵

In contrast to the strategic level, the operating level addresses the short-term plans, which can range from a few months to a maximum of one year. The activities on this level usually have a direct connection to the sale process and handling of the company succession. In terms of content, the activities refer to the search and introduction of a suitable successor or implementation of the ownership succession and management succession.¹⁶⁶

This dissertation does not consider the topics of company valuation or taxes and law. Although these two areas may be important for this dissertation, they are disregarded for the following reasons: On the one hand, the practical benefit from this research is maximised by focusing on areas where gaps in research must be closed. There is already adequate literature on the topics of company valuation or taxes and law.¹⁶⁷ This can be regarded as an indication that further illumination of these areas would not provide any new findings with additional practical relevance. On the other hand, the above-mentioned legal and tax issues in company succession are so diverse in company succession due to the various forms of MBI, MBO, FBI and FBO that complete the coverage of this topic would extend far beyond this dissertation's scope. Furthermore, extensive expert knowledge is required in both areas so it appears sensible to exclude these topics here.¹⁶⁸

In the following section, the focus will be on the succession process since the dynamics of this process are very important for this dissertation.

¹⁶³ Cf. *ibid.*, p. 87 f.

¹⁶⁴ Cf. *ibid.*, p. 89.

¹⁶⁵ Cf. *ibid.*, p. 90.

¹⁶⁶ Cf. *ibid.*, p. 91.

¹⁶⁷ Most of the literature on purchasing companies in Germany contains some degree of detailed tax and legal issues related to company transactions. For example, see Wessing/Schlecht & Partner (2004), Loderer et al. (2005), Schefczyk (2000), Kraag/Kasperzak (2000), Behringer (1999), Bieler (1996) and Koch/Wegmann (1998), Davidson (2005) and Ernst/Schneider/Thilen (2006).

¹⁶⁸ Cf. Sewing (1992), p. 5.

3.2 Principal-agent theory

3.2.1 Definition and characteristics of principal-agent theory

The principal-agent theory is considered to be one of the fundamental theories in new institutional economics (NIE)¹⁶⁹ and is essentially based on the work of Jensen and Meckling in the 1970s. The principal-agent theory is the theory of selection in regard to a certain procedure. The objective of this dissertation project is to identify the problematic areas between people in company succession, which is why the principal-agent theory is explained in greater detail in the following section.

According to Jensen and Meckling, the agency relationship is defined “as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent.”¹⁷⁰

According to this definition, the agent is obligated to fulfil the tasks assigned to him or her. For this fulfilment of the tasks, the agent is remunerated by the principal.¹⁷¹

Consequently, the principal adopts the role of the client and delegates decision-making authority to the agent who acts as the supplier. The agent must render a desired service in the interests of the principal.¹⁷²

The central problem in the principal-agent theory is the asymmetry in information for the benefit of the agent since the agent can gain advantages in the relationship with the principal by having the advantage of advanced information.¹⁷³ The asymmetry in information exists when at least one interaction partner has information that the other does not have.¹⁷⁴

In the principal-agent theory, the cooperation between the economic actors is analysed

¹⁶⁹ Cf. Senn (2013), p. 22. Author's comment: New institutional economics is based on neoclassical theory and the old institutionalism, addressing the impact of institutions on individuals. Cf. Hanisch (2008), p. 37 f.

¹⁷⁰ Jensen/Meckling (1976), p. 308.

¹⁷¹ Cf. Jost (2001), p. 13.

¹⁷² Cf. Buschmann (2006), p. 92.

¹⁷³ Cf. Schrader (2008), p. 97.

¹⁷⁴ Cf. Stock-Homburg (2010), p. 49.

as a principal-agent relationship.¹⁷⁵ The principal-agent theory is characterised by the following features:

- The principal transfers decision-making and execution authority to the agent for the fulfilment of the tasks
- The agent is remunerated for his or her work; the resulting amount that remains after remuneration goes to the principal
- The agent's work determines the level of the results that should be achieved and therefore also determines the welfare of the actors involved in the interaction
- The principal and agent sign an agreement in which the work to be done by the agent and the amount and form of the remuneration are regulated.¹⁷⁶

The principal-agent theory is also defined by the fact that there are conflicts of interest between the principal and agent. The principal's main interest is that the agent executes the duties transferred to him or her to the best extent possible. The principal requires a high level of effort from the agent and simultaneously attempts to keep the costs for his or her compensation as low as possible.¹⁷⁷ On the other side, the agent has an interest in achieving a high level of compensation at the lowest possible labour cost. While the principal requires a high level of effort from the agent, the agent has an interest in keeping his or her effort as low as possible since higher labour costs are connected with a higher level of effort due to physical strain, for example.¹⁷⁸

3.2.2 Branches of research in principal-agent theory

In the principal-agent theory, a differentiation is made between two branches of research: the normative principal-agent approach and the positive principal-agent approach.¹⁷⁹ Both approaches will be described in more detail below.

¹⁷⁵ Cf. Alparslan (2006), p. 11.

¹⁷⁶ Cf. Kah (1994), p. 16 ff.

¹⁷⁷ Cf. Rotering/Haber (2010), p. 3.

¹⁷⁸ Cf. *ibid.*

¹⁷⁹ Cf. Richter/Furubotn (2003), p. 176.

3.2.2.1 *Normative principal-agent theory*

The normative principal-agent theory is a part of microeconomics and examines problems “in which the individual utility functions of maximisation are subject to additional conditions.”¹⁸⁰ This theory is based on the assumption that both parties act to maximise their individual benefits.¹⁸¹ In concrete terms, the normative principal-agent approach involves the institutional drafting of a contractual relationship between the principal and the agent. The normative principal-agent theory mainly makes use of mathematical models and addresses the design recommendations for solutions to coordinate contractual relationships. Typically, the focus is on the contract problem as an optimisation problem for the principal.¹⁸²

“In accordance with the goals and risk preferences of the principal and agent, their levels of information and their expectations regarding exogenous disturbances, solutions that lead to a pareto-optimal balance are recommended. Such a balance is characterised by the fact that neither the principal nor the agent can be placed in a better position through another contract without the other cooperation partner being worse off.”¹⁸³

It is frequently assumed that the principal has a more risk-neutral or less risk-averse mind-set than the agent. The actors involved in the interaction act rationally and in their own interests. Due to the existing uncertainty, the principal cannot observe the agent's efforts and characteristics so there is an asymmetry in information for the benefit of the agent.¹⁸⁴

3.2.2.2 *Positive principal-agent theory*

Jensen is considered a critic of the normative principal-agent theory since he claims it relies too one-sidedly on mathematical optimisation calculations and is therefore too abstract and unrealistic. Consequently, Jensen defends a more descriptive and empirical approach that is now described in the literature as the positive principal-agent theory.¹⁸⁵ In contrast to the normative approach, which is based on mathematical and formal models,

¹⁸⁰ Ibid.

¹⁸¹ Cf. Roiger (2007), p. 1.

¹⁸² Cf. Alparslan (2006), p. 38.

¹⁸³ Ibid.

¹⁸⁴ Cf. Gehrt (2010), p. 30.

¹⁸⁵ Cf. Scherm/Pietsch (2007), p. 60.

the positive principal-agent approach therefore has an empirical orientation.¹⁸⁶ Conflicting goals and asymmetry in information are assumed in the positive approach. However, the focus of the studies is not points of view that were derived formally and mathematically; instead, it is on real agency relationships.¹⁸⁷ Such relationships can be between the creditors and borrowers, but also between superiors and employees, the supervisory board and the board of directors, managers and owners within a company.¹⁸⁸ However, another example of a principal-agent relationship can also be found in the topic of this dissertation – company succession – since there may be asymmetry in information to the detriment of the successor.¹⁸⁹

In the positive agency theory, the advantageousness of alternative agreements is examined in light of the agency costs.¹⁹⁰ According to Jensen and Meckling, agency costs consist of the principal's monitoring costs, the signalisation costs of the agent and the residual loss.¹⁹¹ The residual loss shows the utility losses that the principal incurs through the performance behaviour of the agent.¹⁹²

3.2.3 Definition and types of asymmetry in information

It is fundamentally possible to differentiate between three forms of asymmetries in information: hidden characteristics, hidden action and hidden information,¹⁹³ which will be described in more detail in the following section. The types of asymmetries in information are systematised on the basis of the point in time when they occur since asymmetries in information can occur before (*ex ante*), during (*ex interim*) or after (*ex post*) the term of the contract.

¹⁸⁶ Cf. Richter/Furubotn (2003), p. 176.

¹⁸⁷ Cf. Scherm/Pietsch (2007), p. 60 f.

¹⁸⁸ Cf. Picot (1991), p. 150.

¹⁸⁹ Cf. Wolter (2008), p. 2.

¹⁹⁰ Cf. Alparslan (2006), p. 39.

¹⁹¹ Cf. Jensen/Meckling (1976), p. 308.

¹⁹² Cf. Alparslan (2006), p. 39.

¹⁹³ Cf. Picot (1991), p. 151.

3.2.3.1 Hidden characteristics

Hidden characteristics describes each form of asymmetry in information where characteristics of the agent that are relevant to the principal are not available. The critical factor is the point in time when the asymmetry in information occurs. In the case of hidden characteristics, some significant information is not available to the principal at the time when the contract is concluded.¹⁹⁴

Akerlof's Market for Lemons is considered a classical example of this form of asymmetry in information. The problem of asymmetry in information was raised by Akerlof at the beginning of the 1970s in his article "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism."¹⁹⁵ The starting point in the Market for Lemons is the used car market in the US where good and bad cars ("lemons") are offered. The sellers of cars have information about the quality of the cars, i. e. , they know which cars are lemons, while the buyers do not have any knowledge of this. Due to the fact that the buyer – in contrast to the seller – does not know the difference, there is an asymmetry in information for the benefit of the seller. This circumstance causes good cars and lemons to be offered at the same price. Lemons are most frequently sold so that they displace the good cars.¹⁹⁶

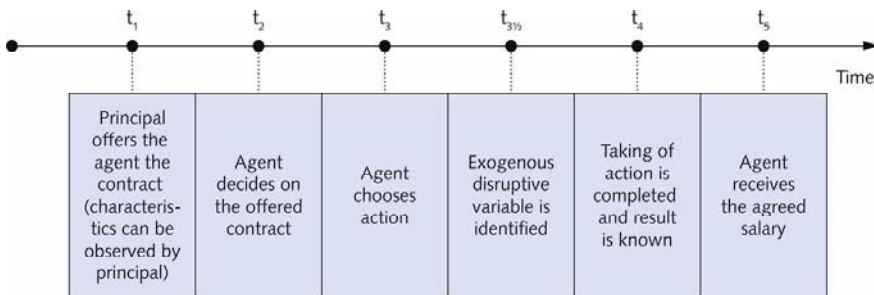


Figure 12: The principal-agent relationship with hidden characteristics over time

Source: Alparslan (2006), p. 22.

The preceding graphic shows the principal-agent relationship with hidden characteristics over time, extending from the offer by the principal at point in time t_1 to the receipt of remuneration in t_5 . The exogenous disturbance variable enters into play after the selection of the agent at the point in time t_3 .¹⁹⁷ Exogenous disturbance variables are understood

¹⁹⁴ Cf. *ibid.*, p. 152.

¹⁹⁵ Cf. Akerlof (1970), p. 488 ff.

¹⁹⁶ Cf. *ibid.*, p. 489 f.

¹⁹⁷ Cf. Alparslan (2006), p. 22.

as environmental factors such as the economy in the sector or the decisions of other actors for whom the agent is not solely responsible.¹⁹⁸

Hidden characteristics can be reduced or diminished by means of screening, signalling or self-selection.¹⁹⁹ In signalling, the agent can demonstrate his or skills to the principal by providing appropriate evidence.²⁰⁰ The initiative in signalling always comes from the entrusted party, which is the agent. By means of certain signals, he or she tries to reduce the asymmetries in information with respect to the entrusting party, which is the principal.²⁰¹ In this context, the agent will usually provide information that relates to his or her personal characteristics in order to signal to the principal that he or she is particularly suited for the fulfilment of the tasks. The sending of suitable information only makes sense for the agent when the expected benefits of signalling are higher than the costs incurred from signalling. At the same time, the opposite must apply to an unsuitable agent.²⁰²

This situation is different with screening. Screening is initiated by the principal, who tries to receive additional information about the agent. For example, the principal can try to obtain information about the agent from third parties.²⁰³

In the third option for reducing hidden characteristics, which is called self-selection, the principal offers the agent various contracts. If the agent decides in favour of a certain contract, the principal gains information about his or her hidden characteristics.²⁰⁴

3.2.3.2 *Hidden action*

If there is asymmetry in information on account of hidden action, this means that the agent has options for action that are not visible to the principal and where the principal also cannot draw any conclusions by observing other metrics.²⁰⁵ In contrast to hidden characteristics, hidden action is only visible after the conclusion of the contract, i. e. *ex-post*.²⁰⁶ A characteristic aspect of this form of asymmetry in information is the problem

¹⁹⁸ Cf. *ibid.*, p. 18.

¹⁹⁹ Cf. Dillerup/Stoi (2013), p. 34.

²⁰⁰ Cf. *ibid.*

²⁰¹ Cf. Neumaier (2010), p. 31.

²⁰² Cf. Paulitschek (2009), p. 34.

²⁰³ Cf. Neumaier (2010), p. 31.

²⁰⁴ Cf. Dillerup/Stoi (2013), p. 34.

²⁰⁵ Cf. Kräkel (2007), p. 21.

²⁰⁶ Cf. Lüders (2008), p. 34.

of unverifiability, i. e. the principal does not know whether it involves the consequences of the agent's action or a random external event. Furthermore, the principal is often not capable of determining or verifying the results of the contractual relationship without the help of the agent. If the principal wants to learn about the opportunistic behaviour of the agent, this is usually only possible after a cost-intensive check of the contractual results.²⁰⁷ Hidden action is understood as the action of the agent to dodge the work imposed on him or her, which causes damage to the principal.²⁰⁸

"The most typical hidden action is the effort of the agent. Effort is a disutility to the agent, but it has a value to the principal in the sense that it increases the likelihood of a favourable outcome (...)."²⁰⁹

With respect to hidden action, the course of a principal-agent relationship over time can be described as follows:

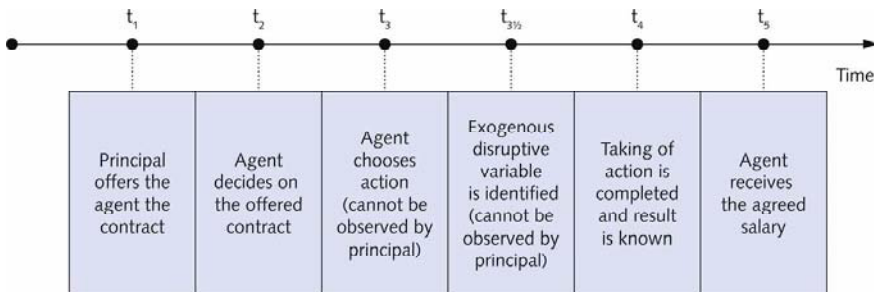


Figure 13: Principal-agent relationship in hidden action over time

Source: Alparslan (2006), p. 23.

In contrast to the course of hidden characteristics over time, the agent in t_3 decides in favour of an action that remains unobserved by the principal. The exogenous disturbance variable that occurs in $t_{3/2}$ also cannot be observed by the principal. The execution of the contract in t_4 and the subsequent remuneration of the agent in t_5 ensue from both.

3.2.3.3 *Hidden information*

Like hidden characteristics, hidden action occurs before the conclusion of the agreement. In this form of asymmetry in information, the principal and agent are informed about the

²⁰⁷ Cf. *ibid.*, p. 36.

²⁰⁸ Cf. Saam (2002), p. 28.

²⁰⁹ Arrow (1984), p. 3.

exogenous influential factors to differing degrees. The agent takes his or her action after receiving new information about the environment; i. e. in contrast to the principal, the agent has the opportunity to observe certain indicators that allow the agent to draw conclusions about the changes. By contrast, the principal is removed from the context of the action, which is why it is not clear to him or her whether the agent also uses the information in the interests of the principal.²¹⁰ In the following decisions, the principal can be placed at a disadvantage by the lack of information since the agent not only decides which information the principal receives and which he or she does not, but may also choose to pass on false information in order to influence the decision for the agent's benefit. Hidden information leads to the fact that the maximum possible total income is not achieved. Similar to the situation with hidden action, the agent also has certain leeway in actions with hidden information.²¹¹

The course of a principal-agent relationship with hidden information over time can be described as follows:

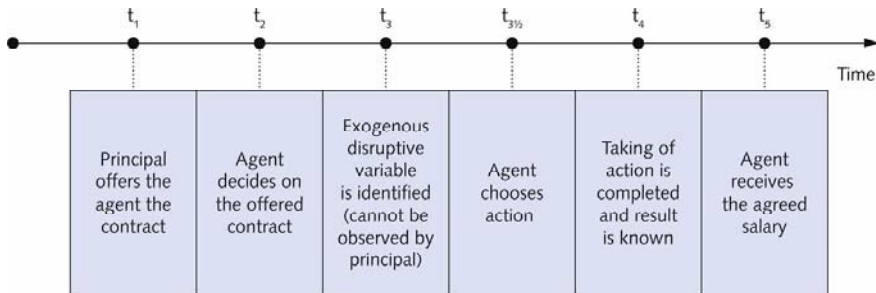


Figure 14: Principal-agent relationship in hidden information over time

Source: Alparslan (2006), p. 24.

In this case, the exogenous disturbance variable that cannot be observed by the principal occurs after the agent decided upon the offered contract, but before he or she chooses a certain action. However, it is possible for the agent to observe the manifestation of the exogenous disturbance variable before choosing an action. On the basis of this information, the agent chooses an action.²¹²

²¹⁰ Cf. Wolff (2000), p. 43.

²¹¹ Cf. *ibid.*

²¹² Cf. Alparslan (2006), p. 24.

3.2.4 Challenges in principal-agent theory

3.2.4.1 *Moral hazard*

The moral hazard risk first occurs during the contractual term and therefore after the contract has been signed.²¹³ Moral hazard is understood as the agent opportunistically taking advantage of the principal's information disadvantage in the execution of the agent's duties.²¹⁴ Moral hazard occurs through hidden action or hidden information.²¹⁵ The principal is not in the position to judge the agent's level of effort. In the case of hidden action, the principal does not recognise which part of the result is actually due to the agent's effort or exogenous influences. But since effort leads to negative utility for the agent, he or she has an interest in keeping the effort as low as possible. In the case of hidden information, the agent has information about the environmental circumstances that is not available to the principal, which is why the latter does not know whether the agent will use the information in his or her interest.²¹⁶

Three instruments are suited for the avoidance of moral hazard: monitoring, bonding and various forms of incentive systems.²¹⁷ Monitoring is intended to limit the agent's scope of action.²¹⁸ The principal can monitor the agent by using control systems.²¹⁹ In bonding, the agent's scope of action and opportunistic types of actions are limited by contractual agreements.²²⁰ Both monitoring and bonding are intended to limit the possibilities for opportunistic action by the agent. In contrast, incentive systems aim more at the cause of the moral hazard by attempting to bring the interests of the principal and the interests of the agent in line with each other, i. e. conflicts of interest should be avoided.²²¹

In general, the agent would like to increase his/her prosperity through positive incentives instead of experiencing negative incentives and instructions.²²² A non-monetary incentive system as a solution is depicted by the reputation.²²³ Consequently, the agent is also

²¹³ Cf. Ripperger (2003), p. 66.

²¹⁴ Cf. Paulitschek (2009), p. 37.

²¹⁵ Cf. Rojger (2007), p. 15.

²¹⁶ Cf. Ripperger (2003), p. 66.

²¹⁷ Cf. Kurth (2005), p. 159 ff.

²¹⁸ Cf. Nolte (2006), p. 43.

²¹⁹ Cf. Kurth (2005), p. 159.

²²⁰ Cf. *ibid.*, p. 160.

²²¹ Cf. *ibid.*, p. 162.

²²² Cf. Gilroy/Kruse (2011), p. 5.

²²³ Cf. Deckow (2005), p. 50.

interested in the satisfaction of the principals since he/she benefits from a good reputation, e. g. in relation to diligence and care, with future principals.²²⁴ So it is in the agent's own interest to offer a high level of quality and build a reputation as a result. The hold up problem can be weakened if the agent is known for his/her fair and obliging behaviour. In the case of moral hazard, the problem can be reduced when the agent has a good reputation with regard to diligence and care.²²⁵

3.2.4.2 Adverse selection

Adverse selection is considered to be a problem that occurs in the course of hidden characteristics. The principal has the opportunity to react to concealed characteristics by designing the contract so that it suits the agent preferred by the principal. But in this case, there is the risk for the principal that potential agents who are less qualified will try to conceal their inferior skills and report that they are suited to handle the task. Agents who are substantially more qualified will not react to the principal's offer since it does not appeal for certain reasons such as too little remuneration. The consequence of these non-observed characteristics of potential agents is that less qualified agents consistently submit applications in response to the principal's contractual offer – a problem that is referred to as adverse selection.²²⁶

The focus of the adverse selection in the principal-agent relationships is therefore the quality uncertainty that arises from the agent's hidden characteristics and that *leads ex ante* – i. e., before the conclusion of the contract – to an information deficit on the part of the principal.²²⁷ Akerlof's Market for Lemons can be cited again as an example since the hidden characteristics of the offered cars can lead to the fact that the inferior cars displace the good ones.²²⁸

The description of signalling, screening and self-selection shows three solutions for preventing hidden characteristics that exist prior to the conclusion of a contract. In addition, measures can be taken to reduce pre-contractual asymmetries in information, which contribute to an alignment of interests between the principal and agent. The goal of such measures (e. g. the awarding of guarantees) must be to at least somewhat harmonise the

²²⁴ Cf. Mathissen (2009), p. 40.

²²⁵ Cf. *ibid.*

²²⁶ Cf. Paulitschek (2009), p. 33.

²²⁷ Cf. Wargitsch (2010), p. 50.

²²⁸ Cf. Akerlof (1970), p. 493.

interests of the two interaction partners. Even if systematic asymmetries in information continue to exist, the overall agency costs should be reduced by the measures taken.²²⁹

3.2.4.3 *Hold up*

The problem described as hold up arises from the form of asymmetry in information, which is described as hidden intentions. This is understood as the agent's hidden intentions, which the principal cannot know prior to the conclusion of the contract. However, the negative effects of hidden intentions are noticed after the conclusion of the contract and this only occurs when the principal receives information about the overall conduct of the agent in the aftermath. Therefore, hidden intentions do not represent a typical form of asymmetry in information.²³⁰ The core problem with hidden intentions is "not being able to sanction observed opportunism on the part of the contractual partner by taking suitable legal action."²³¹

The risk of a hold-up situation can only occur in connection with investments by the principal. Specific investments by the principal lead to the principal's one-sided dependency on the agent, which the agent can take advantage of after the conclusion of the contract and which can cause damage to the principal.²³² The principal sees the agent's intentions only after the conclusion of the contract and cannot sanction him or her by taking action. Opportunistic conduct by the agent leads to a hold up here.²³³ A hold up can be understood as a risk of exploitation.²³⁴ The principal's prior fear of opportunistic exploitation can prevent cooperation that would be advantageous for both.²³⁵ The principal must search for suitable measures in order to protect himself or herself from unfair conduct or find ways to limit the agent's discretionary leeway in advance.²³⁶ An alignment of interests can fundamentally contribute to preventing opportunistic behaviour by the agent.²³⁷

²²⁹ Cf. Paulitschek (2009), p. 34.

²³⁰ Cf. *ibid.*, p. 39.

²³¹ Paulitschek (2009), p. 39, f.

²³² Cf. Ripperger (2003), p. 67.

²³³ Cf. Nolte (2006), p. 44.

²³⁴ Cf. Huber et al. (2012), p. 24.

²³⁵ Cf. Ripperger (2003), p. 67.

²³⁶ Cf. Lüders (2008), p. 36.

²³⁷ Cf. Reile (2007), p. 117.

3.2.5 Conclusion

The principal-agent theory can be applied in various areas of a company, as well as in the course of company succession. How successors and entrepreneurs adopt the role of principal and agent will be described in the following section.

A change of management also entails an asymmetrical distribution of information between the entrepreneur and the successor.²³⁸ Family-external succession is more difficult in the negotiations between the two parties since the owner cannot observe the successor nor can the successor observe the entrepreneur over a period of many years. This makes it necessary to reduce asymmetries in information, particularly with family-external succession.²³⁹ Since the entrepreneur has extensive information due to his or her many years of work in the company, there is asymmetry in information for the benefit of the entrepreneur in the entrepreneur-successor relationship. As a result, the successor adopts the role of the less-informed principal and the entrepreneur assumes the role of the better-informed agent.²⁴⁰ However, in company succession it is necessary to remember that the exchange of roles between the principal and the agent can only be judged from situation to situation and is therefore not established for the long term.²⁴¹

The existence of a principal-agent relationship between the entrepreneur and the successor can be proven on the basis of the following explanations. At the beginning of the relationship, the entrepreneur adopts the role of the agent and the successor assumes the role of the principal. This means that there is asymmetry in information for the benefit of the entrepreneur.²⁴² However, there is an exchange of roles once the transfer has taken place since the successor adopts the role of the agent in this phase and the entrepreneur assumes the role of the principal. This creates asymmetry in information for the benefit of the successor. The entrepreneur engages the successor to handle the management of the company in his or her sense.²⁴³ As a result, the case of the entrepreneur and successor can concretely be called a reciprocal principal-agent relationship.²⁴⁴

Furthermore, a differentiation can be made between pre-contractual (quality uncertainty)

²³⁸ Cf. Ciesielski (2007), p. 27.

²³⁹ Cf. IfM Bonn (2009), p. 1 f.

²⁴⁰ Cf. Ciesielski (2007), p. 27.

²⁴¹ Cf. Jäger (2003), p. 105.

²⁴² Cf. Ciesielski (2007), p. 28.

²⁴³ Cf. *ibid.*, p. 29.

²⁴⁴ Cf. *ibid.*

and post-contractual (behavioural uncertainty) asymmetries in information over the course of company succession.²⁴⁵

When first looking at the initial phase and therefore the case in which the entrepreneur acts as the agent and the successor as the principal, it becomes apparent that the quality uncertainty connected with the pre-contractual asymmetry in information is particularly relevant for determining the purchase price. The willingness to provide information in addition to the tactical motivation has an influence on the purchase price to be obtained.²⁴⁶

In a company purchase or merger, the seller has an informational advantage over the potential buyer with regard to the quality of the company that is for sale²⁴⁷ since a family-external successor can only judge the quality after the conclusion of the contract, i. e. *ex post*.²⁴⁸ The sale of a company comes with classic monetary incentive problems that can lead to the interest on the part of the seller in consciously withholding information.²⁴⁹ In turn, this results in the buyer attempting to obtain an uncertainty deduction in the pricing.²⁵⁰

To illustrate these circumstances, it is assumed that the quality of the company results from the cash value of all cash flows that can be generated in the future and that will constantly accrue over a long period of time in the future.²⁵¹ The maximum amount that company's external successor or potential buyer is willing to pay is the total of the cash value for all of the cash flows that he or she will be able to achieve over the course of his or her lifetime. In turn, the entrepreneur will only sell the company if the sales proceeds correspond to at least the sum of all discounted cash flows that he or she can obtain over the course of his or her lifetime. However, the family-external successor will only pay the price that results from the average total of the companies available for purchase on the market.²⁵²

Since there is no need for the entrepreneur to sell the company and he or she continues to work in the company, as well as retaining the cash flow accruing during this time, the

²⁴⁵ Cf. Senn (2013), p. 62.

²⁴⁶ Cf. Ciesielski (2007), p. 27.

²⁴⁷ Cf. Stafflage (2015), p. 126.

²⁴⁸ Cf. Senn (2013), p. 63.

²⁴⁹ Cf. Ciesielski (2007), p. 32.

²⁵⁰ Cf. Stafflage (2015), p. 127.

²⁵¹ Cf. Senn (2013), p. 63.

²⁵² Cf. *ibid.*

successor can draw conclusions about the quality of the company. This informs the successor that a sale – and especially not a sale that is below the value of the company – is not necessary. Based on Akerlof's Market for Lemons, only companies that remain for sale on the market are low quality since good companies will continue to be run.²⁵³ According to the Market for Lemons, the successor will then be willing to pay an average price adjusted to the lower average quality.²⁵⁴

Entrepreneurs of high-quality companies have an interest in providing information to the potential successor by means of signalling in order to persuade him or her of the company's quality. In this context, entrepreneurs can have an independent third party prepare an expert report or grant a time-limited right that allows the successor the opportunity to withdraw from the purchase at a later point in time.²⁵⁵

However, the commissioning by the better-informed entrepreneur with the transparent description of the greatest amount of relevant company-specific information²⁵⁶ does not end with the pre-contractual phase; instead, it extends into the joint transition period, which the asymmetry in information is basically dependent upon.²⁵⁷ The supply of information that is strongly focused on the previous entrepreneur represents one of the main obstacles for the successor's management responsibility.²⁵⁸ However, implicit knowledge can also lead to asymmetries in information due to the lack of documentation.²⁵⁹ Implicit information can be articulated, which is why the existence of a joint transition period must be considered in order to reduce asymmetries in information.²⁶⁰

However, the role of the successor as agent and that of the transferring party as principal are especially significant in the course of post-contractual asymmetry in information. Company succession is accompanied by asymmetrical information since the departing entrepreneur faces uncertainty about the successor's conduct, which the entrepreneur is not familiar with and cannot control.²⁶¹

When post-contractual asymmetries in information are considered in this light, it is pos-

²⁵³ Cf. *ibid.*, p. 63 f.

²⁵⁴ Cf. *ibid.*, p. 64.

²⁵⁵ Cf. *ibid.*, p. 65.

²⁵⁶ Cf. Ciesielski (2007), p. 27.

²⁵⁷ Cf. *ibid.*, p. 30.

²⁵⁸ Cf. Stephan (2002), p. 59.

²⁵⁹ Cf. Ciesielski (2007), p. 29.

²⁶⁰ Cf. *ibid.*, p. 29 f.

²⁶¹ Cf. Stephan (2002), p. 60.

sible to determine that they only relate to contractual agreements of a non-monetary nature: If the entrepreneur is solely focused on the monetary aspect, there is no risk of post-contractual asymmetries in information for him or her. This is the case in the event that a one-time payment of the purchase price occurred and the entrepreneur will not be involved in the company's equity in the future.²⁶² However, post-contractual asymmetries in information may be relevant for the entrepreneur if, for example, a purchase in instalments has been negotiated, the transferring entrepreneur continues to hold a stake in the company's equity or other goals such as the securing of jobs or continuation of the company philosophy were agreed upon in addition to the monetary agreements. In this case, the successor has the possibility to take opportunistically advantage of his or her scope of action.²⁶³

²⁶² Cf. Senn (2013), p. 66.

²⁶³ Cf. *ibid.*

4 Qualitative research

In order to use the principal-agent theory for improvements in actual company succession processes, an empirical study is being conducted within the scope of this dissertation. For this purpose, primary data is collected and analysed by employing the qualitative research method. With regard to the research topic described here, this study should generate practical recommendations for action and hypotheses that can be examined in future research. After considerations on selection of the research sample, a case group relevant for this dissertation will be defined and a systematic research design prepared. For the collection of data, the focus group and the semi-structured guided interview are used as qualitative collection methods. The interviews are analysed according to the transcription of the interview material. The procedure adopted here is summarising qualitative content analysis according to Mayring in order to analyse the collected data.²⁶⁴ According to the defined steps of abstraction and reduction, a category system will be created and interpreted against the background of the theoretical framework presented in this paper. Chapter 4 also addresses the question of quality assurance in scientific research and justifies the selection of a qualitative approach for the empirical part of the study.

4.1 Qualitative research approach

According to the basic understanding of qualitative research, the selection of the employed methods is determined by the research topic and must be appropriate for it. In order to identify which mechanisms of the principal-agent relationship can be effective in a real corporate transition between the transferring party and the acquiring party, as well as how it is possible to influence these mechanisms, requires understanding the entire context of this process. However, this can only be acquired and illustrated in communication with the participants.²⁶⁵ In order to do justice to this subject matter, the choice was made to use a qualitative research approach that eschews the standard formulation of a hypothesis in the quantitative research approach for the sake of general openness. “The principle of openness says that the theoretical structuring of the research topic is

²⁶⁴ Cf. Mayring (2010), p. 11 ff.

²⁶⁵ Cf. Simon et. al. (2005), p. 126 ff. The reality of company succession is very complex and involves many participants and much potential for conflict due to the involved subsystems of company and family. In particular, the research on multi-generational companies has also demonstrated this situation.

postponed until the structuring of the research topic matter has materialised through the researched subjects.”²⁶⁶ This structuring of a research topic is seen as a deductive procedure in quantitative research. Before the actual study, theories are therefore drawn upon to derive hypotheses and operationalised accordingly. This involves testing a hypothesis on the research topic and not the discovery of something new in the research topic, as is the case in qualitative research.²⁶⁷ However, a qualitative research approach also includes the existing theories and models. The researcher’s analytical prior knowledge is determined by the state of the available research.²⁶⁸ In the future course of the research process, this analytical prior knowledge of the researcher ultimately will lead to a sensitising concept that can be used to develop the research questions. With the formulation and development of the research questions, the structuring of the research topic occurs in the sense of a reduction.²⁶⁹ Every potentially possible research question cannot be pursued in a study.

In contrast to deduction as the central term in quantitative research, i. e. deriving testable hypotheses from existing theories, qualitative research uses the term abduction. “With abduction, researchers work out something new to the extent that they must create an entirely new category in order to explain their data.”²⁷⁰

Now that the fundamental aspects of the qualitative approach have been demonstrated, the question regarding the extent to which qualitative research is scientific will be discussed in the following section.

4.2 Quality criteria in qualitative research

The results of qualitative research are considered to be recognised when they meet certain quality criteria, as is also the case when using quantitative methods. This rules out the possibility that the discovered outcome is random or just accidental. This section will provide a brief overview of the common quality criteria for quality assurance in quantitative research with regard to their suitability for a qualitative research approach. This

²⁶⁶ Hoffmann-Riem (1980), p. 343.

²⁶⁷ Cf. Flick (2014), p. 39 ff.

²⁶⁸ Cf. *ibid.*, p. 124 ff.

²⁶⁹ Cf. *ibid.*, p. 133 ff.

²⁷⁰ Brüsemeister (2008), p. 11.

will clearly demonstrate that the criteria of reliability, validity and objectivity cannot be adopted without modification.²⁷¹

Reliability refers to the dependability of the measurement, which means the reliability of the measuring instrument. "Reliability is understood as the degree to which a survey instrument can achieve the same result in repeated data collections under the same conditions and with the same test persons."²⁷²

Validity means the actual measurement of what should be measured. This involves the question of whether the characteristic under examination can be recorded with the measuring instrument that is employed. "Validity means the validity of data, i. e. , whether the data produced in the measurement reflects the metric to be measured. Internal and external validation is differentiated in this case. Internal validation means that the measured values of the dependent variable can be unambiguously traced back to the independent variable. External validation means that the measured values can be generalised."²⁷³

Objectivity as a quality criterion means that data is collected and analysed independent of external influences: "A procedure is objective when the characteristic to be determined is unambiguously discovered and the results do not depend on the evaluating person."²⁷⁴

It is discernible that the quality criteria were initially developed for evaluating the quality of a characteristic's quantitative measurement and aimed at an assessment of statistical processes. However, this cannot be transferred and applied to qualitative processes without reflection since the qualitative research approach requires other quality criteria. The classic quality criteria in quantitative research are therefore frequently rejected as unsuitable and the researcher's own criteria are used in their place.²⁷⁵ For example, the collection and evaluation of interviews cannot be checked by other researchers in terms of the repeated measurement that is usually the case in quantitative processes. Even the exact reproducibility of a qualitatively collected result must be evaluated critically. "In field research, statements or observations repeated like stereotypes tend to indicate consciously conveyed versions of the event instead of information about what actually took place."²⁷⁶

²⁷¹ Cf. Lienert (1998), p. 7 ff. The quality criteria for the design of qualitative test procedures will be fundamentally addressed in the test theory, which differentiates between the three main quality criteria of objectivity, reliability and validity.

²⁷² Berger (2010), p. 153.

²⁷³ Misoch (2015), p. 237.

²⁷⁴ Claus/Ebner (1989), p. 34.

²⁷⁵ Cf. Mayring (2002) p. 141.

²⁷⁶ Flick (2014), p. 489.

Consequently, qualitative research replaces the requirement of being possible to check results with the criterion of being possible to track the results. So results that are obtained in interviews can be tracked if the research process is documented and uses encoded processes such as the qualitative analysis of content. This study will therefore apply the quality criteria for qualitative research as formulated by Mayring, who defends the position that quality criteria do not suffice in research that is ultimately based on measurement theory.²⁷⁷ As a result, he developed six new types of quality criteria:²⁷⁸

Procedural documentation: In order to judge the scientific quality of research results, the entire research process must be explained and documented. This means a description of the prior knowledge and theoretical framework, as well as documentation of the employed methods for collection, analysis and evaluation.²⁷⁹

Argumentative defence of interpretation: In qualitative research, it is generally assumed that the researcher's discovery process is an interpretation process that cannot be proven like a mathematical equation and is therefore systematically exempt from certain testing procedures. Consequently, the interpretation of the results in a research process must be handled argumentatively and justified on the basis of theories.²⁸⁰

Rule-based procedure: Despite the principle of openness, qualitative research is not without previously established rules that can be understood by third parties. These rules establish a systematic procedure for the evaluation of data, which ensures the quality of the material's future interpretation.²⁸¹

Close proximity to subject matter: This is achieved by having the research situation be as close as possible to the participants' everyday situation. This means that such research foregoes the distance to the research topic that is proclaimed in the natural sciences.²⁸²

Communicative validation: The validity of the results is checked communicatively by feedback from the studied persons. Their status as experts on the respective research

²⁷⁷ Cf. Steinke (2000), p. 319 ff. In scientific literature, a wide range of quality criteria is discussed for qualitative research, particularly in Steinke.

²⁷⁸ Cf. Mayring (2002), p. 144 ff.

²⁷⁹ Cf. *ibid.*, p. 144 f.

²⁸⁰ Cf. *ibid.*, p. 145.

²⁸¹ Cf. *ibid.*, p. 145 f.

²⁸² Cf. *ibid.*, p. 146.

topic in the context of the corresponding everyday field is integrated and used to check the validity of the results.²⁸³

Triangulation: Triangulation means that multiple different methods, theories or data sources are always included in a research question to minimise the researcher's "blind spots."²⁸⁴

However, there has recently been an increase in approaches that integrate quantitative and qualitative research approaches.²⁸⁵ This leads to the use of distinctly different data collection methods in the design of the respective research. In conclusion, it should be noted that quality criteria is particularly important for empirical qualitative research due to the explicit inclusion of the researcher's person.

4.3 Research design

The quality criteria established by Mayring define a research logic that has been adopted in the research design developed for this study. The research design describes the organisational structure and sequence of the scientific study. This study plan shows the case constellation that will be examined and the methods to be used for collecting and analysing the data. The selection of the method will also be reflected upon and justified in general. The study plan within the scope of qualitative research will be explained specifically in each case.²⁸⁶ "Only when qualitative research succeeds in developing and justifying proven study plans and adheres to such plans will it also be taken seriously within the context of a quantitative-scientific academic scene. Design is therefore understood as the research system, the logic of the study and the way in which the scientific issue will be addressed."²⁸⁷ Mayring summarises the research logic that is the basis for both quantitative and qualitative research in a flow chart that has served as a guide for the development of this dissertation's research plan.

²⁸³ Cf. *ibid.*, p. 147.

²⁸⁴ Cf. *ibid.*, p. 147 f.

²⁸⁵ Cf. Kelle/Erzberger (2000) p. 299 ff.

²⁸⁶ Flick (2008), p. 395. This requirement becomes more understandable in light of the ongoing discussion on the methods in quantitative and qualitative research approaches where qualitative research is often viewed as unscientific. Flick writes: "The addressing of quality in qualitative research takes place against the background of a widespread consensus in quantitative research that the 'classic' quality criteria of reliability, validity and objectivity should be viewed as acceptable for all approaches."

²⁸⁷ Mayring (2008), p. 226.

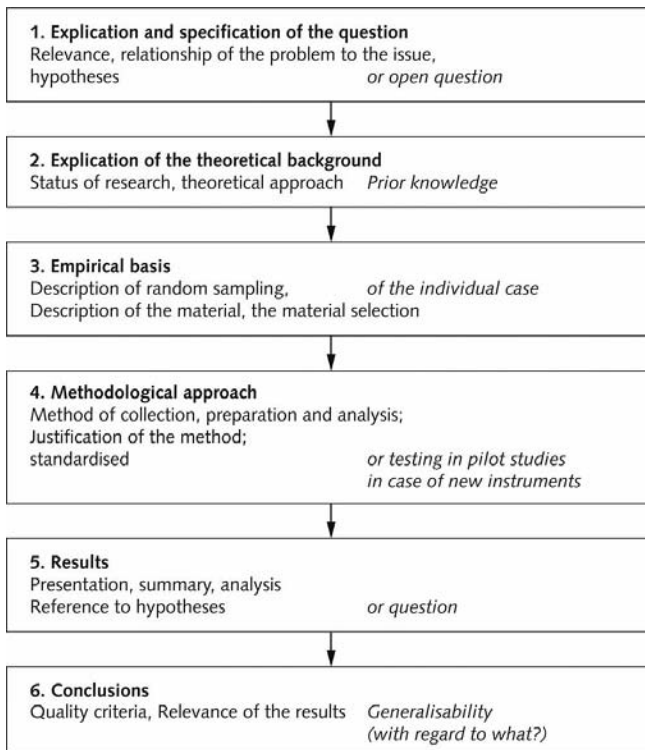


Figure 15: Research logic according to Mayring

Source: Mayring (2001), p. 6.

4.3.1 Development of a research plan

Based on Mayring, the following research logic has been applied:

Development of theoretical framework of the study	
Analysis of literature	<ul style="list-style-type: none"> ▪ SME theory ▪ Model of company succession ▪ Principal-agency theory
Status of the research	Revised St. Gallen succession model based on Halter/Schröder (2010)
Sampling	Selection of case groups
First collection of qualitative data	
Focus group	Developing guidelines for facilitation of the focus group
	Conducting a focus group on the subject of company succession
	Evaluation of results in the focus group <ul style="list-style-type: none"> ▪ Transcription and analysis of commonalities and differences ▪ Categorising
Second collection of qualitative data	
Expert interviews I	Results of focus group flow into development of interview guidelines
	Conducting guided interviews on the subject of company succession
	Method of summarised content analysis based on Mayring
	Category creation
Third collection of qualitative data	
Expert interviews II	Conducting guided interviews. Reflecting on alternative actions. Analysis is handled on the basis of the content analysis according to Mayring
Generation of hypotheses/Recommendations for action	

Figure 16: Research plan

Source: Author's chart.

4.3.2 Sampling strategy

The sampling strategy decision is a defining step in the preparation of a design for the research.²⁸⁸ This section starts with the term random sampling, which is popular in quantitative research, and justifies the selection of the case group in this empirical study. “The term sampling in empirical social research describes the selection of a sub-group of cases,

²⁸⁸ Cf. Flick (2014), p. 154 ff.

i. e. persons, groups, interactions or events, that should be studied at certain locations or certain times and represent a specific population, basic collective or a certain (collective or general) circumstance.”²⁸⁹

With the selection of a specific case group that should participate in the study, the researcher defines the scope of the data collection prior to the actual examination. This determines the group from which the specific persons (= cases) should come. Likewise, the breadth or depth of a study is determined by the selection of the specific case size. While quantitative approaches attempt to reflect representativeness and therefore examine a high number of test persons, qualitative approaches aim for a deeper and often more extensive examination of a few cases. Decisions on sampling are also often made during the qualitative research process and lead to changes in the random sample.²⁹⁰

In contrast to the composition of a random sample for a quantitative approach, the random sample in the qualitative research design does not involve statistical representativeness. As a result, different rules apply to the sampling, i. e. to the determination of the examined random sample, than in a quantitative approach.²⁹¹ “...The data collection or the sample require observation and consideration of the (preliminary) research topic from as many sides as possible. Perspectives are sought that are known or assumed to differ from each other; we only know whether this is actually the case after the material has been surveyed.”²⁹²

In order to avoid a random test error in the design of qualitative research, which is usually due to having a small random sample size, systematic and theory-derived case selection is particularly important. The selection is made with the goal of examining the bearers of characteristics relevant to the research question and expanding the theoretical framework. “The basic criterion governing the selection of comparison groups for discovering theory is their theoretical relevance for furthering the development of emerging categories.”²⁹³ Once the issue has been formulated, the case is selected on the basis of “theory-derived sampling”²⁹⁴ according to Glaser/Strauss. In the theoretical sampling, derived from the theoretical prior knowledge, the researcher selects cases for examination that

²⁸⁹ Przyborski/Wohlrab-Sah (2014), p.178.

²⁹⁰ Cf. Flick (2014), p. 154 ff.

²⁹¹ Cf. Kleining (2008), p. 68. The heuristic rules according to Kleining are openness for the examined person, openness for the research topic, maximum structural variation of perspectives in the collection of data and analysis for similarities.

²⁹² Ibid.

²⁹³ Glaser/Strauss (2012), p. 47.

²⁹⁴ Cf. *ibid.*

promise findings. This is continued until the theory is saturated, i. e. no new findings can be gained: “The basic question in theoretical sampling (in either substantive or formal theory) is: What groups or subgroups does one turn to next in data collection? And for what theoretical purpose?”²⁹⁵ This reveals another contrast to the quantitative method: While the random sampling size in a quantitative study is set by definition, it is initially unknown in the qualitative approach. The further inclusion of new cases depends on whether additional new findings will result from it.

Theoretical sampling must be differentiated from selective sampling and purposive sampling.²⁹⁶ In selective sampling, criteria such as the characteristic of age or gender are specified independent of the research topic. Purposive sampling describes the targeted selection of cases, which can be extreme cases or typical cases or even just the cases to which the researcher has easy access.

The general problem of field access should also be reflected upon briefly here. A qualitative study – participation in a focus group and participation in interviews in this case – requires a larger expenditure of time for participants than filling out a questionnaire with closed questions. It is also necessary for the researcher to position himself/herself correctly when entering into the field of research. In the focus group, the researcher acts as moderator and recorder. In terms of communicative validation, the discussion results were reflected back to participants of the focus group and then confirmed by them accordingly. During the interview phase, the researcher personally conducted the interviews.

The sampling within the scope of this research involves collecting information from the person of a company’s transferring party in the company succession process, the person of the party acquiring the company and the representative of a financial institution participating in the company transfer. In terms of the person of the acquiring party, a differentiation in the sample is made between whether this is before or after the transfer of the company.²⁹⁷ In order to empirically check the core ideas in the principal-agent theory by applying them to a model of company succession, the two role positions of principal and agent must be assigned and allocated to the real actors in this process. The conscious decision to limit the implementation of the study lies in the person of the transferring owner

²⁹⁵ Ibid, p. 49.

²⁹⁶ Cf. Flick (2014), p. 165.

²⁹⁷ The transferee group appears particularly interesting as a research topic in light of the research issues since the consequences of the principal-agent theory and especially the consequences resulting from the types of information asymmetries in this case can have an especially extensive effect.

and the person of the acquiring party. Theoretically, it is conceivable to have other, possibly temporary principal-agent relationships in this complex process (for example, between acquiring party and future financing bank). This is why another position involved in the process – that of the financing bank – is included since this party constantly monitors the principal-agent relationship and changes through its own communication.

The following figure provides an overview of the research question as derived from the theoretical framework and the related research objective with the sample in the selected case groups.

Research question		
What are the issues and resulting risks, as well as solution mechanisms, in the process of company succession when the asymmetry in information is considered within the scope of the principal-agent theory?		
Objectives of study		
O ₁ : Identification of the issues and the resulting risks		
O ₂ : Determination of the solutions and specific organisational recommendations		
Focus group		
Case group	Entrepreneur	N = 3
	Banker	N = 2
	Researcher	N = 1
Expert interviews I		
Case group	Acquiring party before the transfer of the company	N = 3
	Acquiring party after the transfer of the company	N = 3
	Transferring party after the transfer of the company	N = 3
Expert interviews II		
Case group	Banker	N = 2
	Researcher	N = 1

Figure 17: Sampling selection

Source: Author's chart.

In this case selection, it can be assumed in terms of an a-priori definition that enough variation and representativeness in the content has been achieved. It is important to note that none of the persons participating in the focus group and interview series are in a direct business relationship with each other, so any possible influence based on interest is ruled out. The participants in the focus group and the interview participants are not identical and also do not know each other.

4.4 First survey of qualitative data: Focus group

The focus group that is used in this dissertation along with the expert interviews as a method for collecting data should first be classified as a qualitative interview method before the process and results are described. The value of the focus group as a step in research design should become clear for the research process observed here. In conclusion, the previously described quality criteria of qualitative research should be placed briefly in relation to the focus group as a methodological process.

It is not easy to separate the focus group from other collection methods that are conducted with groups of persons. That is why the focus group should first be understood as a special form of interview process and then distinguished from the individual interview situation due to the interaction dynamic typical for a focus group. In contrast to standardised interviews where the formulations and question sequences are precisely predetermined for an interviewer, qualitative collection methods are generally characterised by openness according to the qualitative research methods. This means that just a few or even no questions for an interview are defined in advance by the researcher. Instead, questions are only developed during the interview process.²⁹⁸ In relation to the degree of standardisation for questionnaires, the literature differentiates between the structured, semi-structured and open form. Another criterion for qualitative interviews is the interview situation: A distinction is made between individual questioning and group questioning. The correlation between the methodological basic assumptions in the qualitative research approach and the resulting various interview forms can be seen in the following figure:

²⁹⁸ Cf. *ibid.*, p. 221 ff.

Methodological premises	Narrative interview	Problem-centred interview	Focussed interview	Depth interview	Receptive interview
Openness	Fully	Extensive	Only partly	Hardly	Fully
Communication	Narrative	Goal-oriented questioning	Guidelines	Questioning/Narrative	Narrative/Observational
Process frequency	Present	Present	Only partly	Present	Present
Flexibility	High	Relatively high	Relatively low	Relatively high	High
Explication	Yes	Yes	Yes	Yes	Partly
Theoretical requirements	For the most part without	Concept present	Extensive concept	Concept available	For the most part without; only prior knowledge
Hypotheses	Generation	Generation: check	More of a check: also generation	More of a check: also generation	Generation: check
Perspectives of respondents	Present	Present	Partly	Partly	Absolutely

Figure 18: Forms of qualitative interviews

Source: Cf. Lamnek (1995), p. 91.

Lamnek shows the basic qualitative research methods in relation to various types of interviews. The problem-centring described in figure 18 stands for the theory-derived prior knowledge of the interviewer who develops interview guidelines based on the available prior knowledge in the semi-structured method and uses these guidelines in the interview. The guidelines include the research question and objectives of the research in the form of questions. “Guided interviews and those aiming for stories have developed from the criticism of standardised survey situations. The scepticism of standardised questionnaires is partially justified by their artificiality since the interview partner is removed from any connection with daily life and the interaction is also in no way comparable to everyday interaction.”²⁹⁹

The focus group can therefore be classified as a semi-structured, problem-centred and guided group method. Focus groups have been used since the 1940s – especially in market research.³⁰⁰ In terms of the methodology, the focus group is very close to other methods of group discussion and group interviews. Since it is difficult to distinguish the focus group from these other methods, a pragmatic definition is provided in this study. “My own preference is for a more inclusive approach that broadly defines focus groups as a

²⁹⁹ Flick (2014), p. 248.

³⁰⁰ Cf. Merton (1990), p. 5 ff.

research technique that collects data through group interaction on a topic determined by the researcher. In essence, it is the researcher's interest that provides the focus, whereas the data themselves come from the group interaction."³⁰¹ A focus group used for collecting data generates different data than an interview since the interaction between the discussion participants and the presence of a moderator produce different dynamics here. "Focus group data are qualitatively different than interview data, even from group interview data, as focus group data are co-produced by the dynamic interaction between the researcher (moderator) and the participants, and between the participants themselves and therefore offer the opportunity for greater breadth."³⁰² It is important to note that the participants in a focus group do not simply report their social reality; instead, they reconstruct it together and under the influence of the others in a group dynamic. So the participants – and not a standardised questionnaire – decide on what they consider relevant to speak about.³⁰³

Focus groups are a very flexible research instrument and include a series of methodological steps. In addition to the sampling already described in the research design, the selection of a moderator should be mentioned as a key issue. The role of moderator was adopted by the researcher in this study. Since a special characteristic of focus groups is content that the researcher consciously includes in the group, it is necessary to have guidelines for the focus group. In a certain sense, these guidelines already structure the discussion in the focus group. So the researcher provides the guidelines, and the groups generate the data through their interaction. The type of question in the guidelines will direct the participants of this study's focus group more towards the procedural course of a company transfer and less towards individual topics:

- "What are the significant criteria in the preparatory phase?"
- "What are the significant criteria in the execution phase?"
- "What are the significant criteria in the follow-up phase?"

The focus group conducted here has a double objective in the research process: On the one hand, the intention is to subject the interview guidelines used later in the expert interviews to a practice test in terms of their understandability and feasibility. On the other hand, the aim is to collect the initial data on the research topic. "As with any other

³⁰¹ Morgan (1997), p. 6.

³⁰² Robinson (2012), p. 402.

³⁰³ Cf. Lamnek (2003), p. 165.

qualitative method, the advantage of focus groups is here to refine the research hypotheses and provide elements that are useful for the formulation of questions.”³⁰⁴ The course and structure of data collection through the focus group can be seen in figure 19:

Data collection by use of a focus group		
Objectives of the focus group	<ul style="list-style-type: none"> ▪ Pre-test of interview guidelines with a test person ▪ Check of theoretical framework ▪ First creation of categories 	
Theory-derived development of guidelines	<ul style="list-style-type: none"> ▪ Model of company succession ▪ Derivation from research question ▪ Derivation from objectives in research 	
Implementation of the focus group³⁰⁵	<ul style="list-style-type: none"> ▪ 4 December 2012/length: 5 h ▪ Guideline-based facilitation 	
	Participants in the focus group	
	Entrepreneur	N = 3
	Banker	N = 2
	Researcher	N = 1
Quality assurance of results		
Validation during the focus group	<ul style="list-style-type: none"> ▪ After end of the discussion ▪ Moderator with the group: Cluster creation and development of a regulatory framework ▪ Results protocol 	
Validation after the focus group	<ul style="list-style-type: none"> ▪ Sending protocol of results and discovered constructs to participants ▪ Correction ▪ Resending 	
Documentation of the results		
Data evaluation	<ul style="list-style-type: none"> ▪ Setting the organisational framework 	
Processing the data	<ul style="list-style-type: none"> ▪ Method triangulation: Assignment of found items to literature 	

Figure 19: Focus group for data collection

Source: Author's chart.

Quality criteria can be imposed on the focus group in the qualitative research method. Nevertheless, it is apparent that the use of guidelines does not entirely satisfy the principle of openness. However, the openness is supported in turn by largely allowing the discussion to take its own course. The focus group is only directed in the course that it takes

³⁰⁴ Ingelgom (2014), p. 86.

³⁰⁵ An important factor within the scope of the situative design for the focus group is the introductory phase, which is essentially influenced by the moderator. Within this research plan, the researcher thinks that it is important to first make the participants from the practice familiar with the theoretical background of the plan before guiding the focus group with the help of guiding questions. In this process, the moderator sometimes used a media-supported approach (cf. excerpts from Appendix 2).

through the content-neutral moderation. The communication process as access to research is another quality criterion that is met by this discussion dynamic. The situative design of the focus group shows the process character, and the flexibility of this method also corresponds with the fundamental principles of qualitative research.³⁰⁶ Since the focus group within the scope of this research will be used in the context of the subsequent expert interviews, triangulation is pursued for the quality criterion. This means that the research topic is approached with various collection methods.

4.5 Interim results of focus group

The results of the focus group were developed with the group immediately after the discussion at the same meeting as an organisational framework or cluster with individual elements/issues were taken from it and consensually agreed upon at that time. The entire discussion with the focus group was recorded on audio tape. The protocol of the results and the summary prepared on this basis were placed at the disposal of the participants to ensure transparency. This resulted in some corrections, which were then included. It should be noted that the focus group implemented here is intended for collecting data to gain knowledge in terms of content. As is usually the case in focus groups, no non-verbal communication was collected as potentially available data. Furthermore, there was no consideration of the group dynamic aspects and the characteristics of individual participants were not linked with statements in a personalised way.

The focus group of 4 December 2012 made it possible to identify four fundamental clusters³⁰⁷ with essential criteria within the process of the company transfer:

Results of focus group	4 clusters	Entrepreneurial personality	12 elements
		Conduct – willingness – action	9 elements
		Strategic aspects	4 elements
		Financing-relevant aspects	6 elements

Figure 20: Clusters as a result of the focus group

Source: Author's chart.

³⁰⁶ The test persons in the focus group were invited to participate in writing (cf. sample contact letter A1). It should be noted that the letter reflects the working title of the research project and the identified method employed for the course of the research project in 2012. Both the title and the methodology were refined in the research process by closing research gaps and making a contribution to actual practice.

³⁰⁷ The clusters made it possible to survey the correlated elements/issues in the course of the research for this dissertation. The clusters primarily have an organising character and serve the better comprehension of this research step, especially of the test persons in the data collection. The terms elements/issues are used synonymously in this dissertation.

It can be seen that the four clusters describe two different content areas. The two clusters of Entrepreneurial Personality and Attitude – Willingness – Action refer to possible variables in the personality and in the realised conduct of the acquiring party. These variables may have an effect on a company transfer. The clusters of Strategic Aspects and Financing-Relevant Aspects suggest possible variables of a structural nature and in relation to subject-related framework conditions. The determined elements each include a diverse number of issues. The clusters³⁰⁸ related to personality and conduct include the following issues:

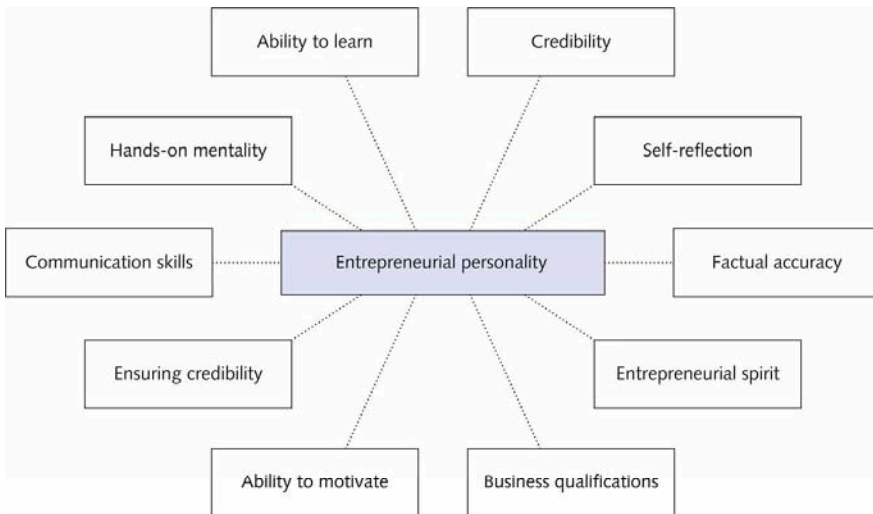


Figure 21: Classification of issues in the cluster of Entrepreneurial Personality
Source: Author's chart.

³⁰⁸ In this cluster, two elements are mentioned multiple times in the various phases. So there are a total of twelve mentions that are related to ten elements.

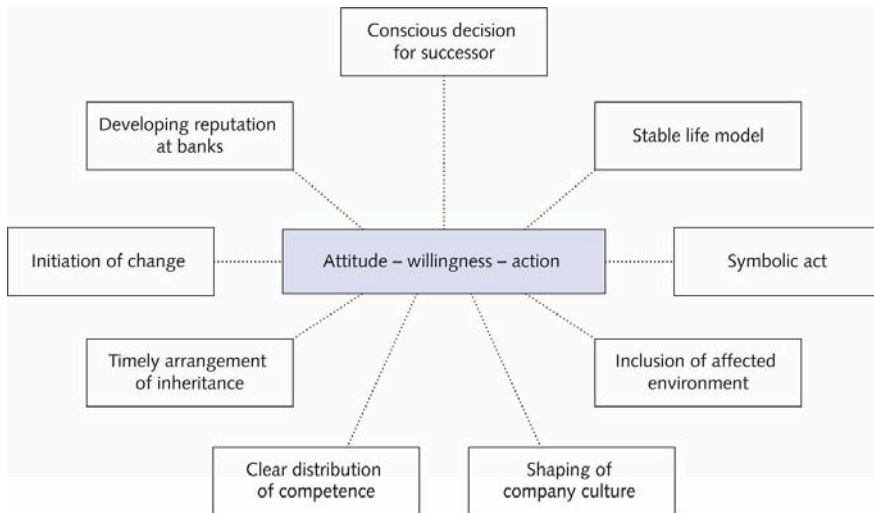


Figure 22: Classification of issues in the cluster of Attitude – Willingness – Action

Source: Author’s chart.

The clusters coupled with the structural and subject-related framework conditions are subdivided as follows:

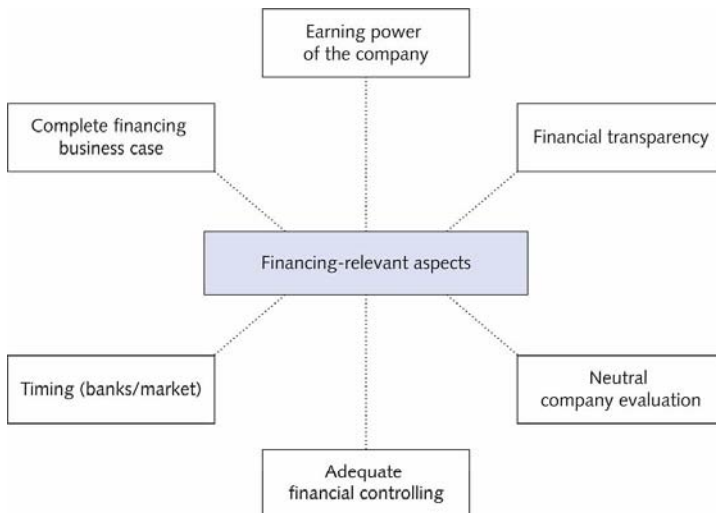


Figure 23: Classification of issues in the cluster of Strategic Aspects

Source: Author’s chart.

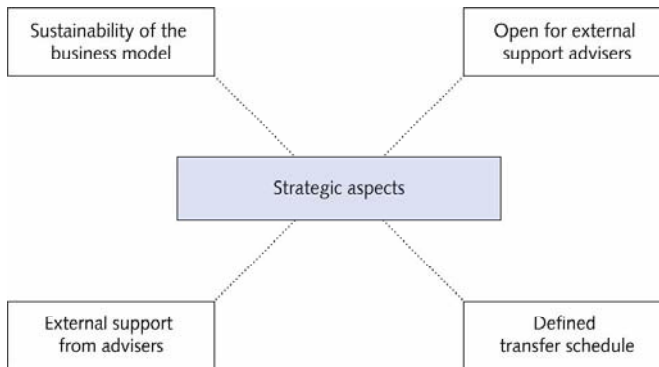


Figure 24: Classification of issues in the cluster of Financing-Relevant Aspects

Source: Author's chart.

Not all of the issues are always relevant and effective for a company transfer process. Consequently, the next step in the analysis involves two standpoints. To further refine the clusters, the phases in the company transfer process as defined in the theoretical portion of this dissertation are used to differentiate the relevance of the issues for the phases. The St. Gallen succession model according to Halter/Schröder and the model of company succession by Karry/Dittmers serve as guides here.³⁰⁹ For the further refining of the elements, the three phases of a company transfer will be adopted according to these models. Furthermore, the triangulation method is applied in this context. This has the objective of revealing the participants' subjective knowledge structures in a company transfer in order to demonstrate the mechanisms of the principal-agency theory in the further course of the study.

Phase one as preparation involves the period of time before the actual transaction. Phase two as execution means the actual transfer of a company. Phase three as follow-up work describes the period after the transfer has been completed in full. In the next step, theoretical findings in the literature are assigned to the issues that have been prepared in this manner.

By using the triangulation method as a supporting approach for data organisation and the preparation of results from the focus group, it should become possible to initially show the existence of the clusters and then the relations between the clusters and the three phases of a company transfer.

³⁰⁹ Cf. Section 3.1.2. and 3.1.3 in this dissertation.

It can be demonstrated that all four clusters in the descriptions by participants in the focus group are consistently relevant for the first two phases of the company transfer. However, the relevance, the number and even the content of each issue vary in the individual phases. In the third phase, only the cluster of Entrepreneurial Personality and Attitude – Willingness – Action are relevant:

Cluster	Relevance in the process of the company transfer		
	Preparation	Execution	Follow-up work
Entrepreneurial personality	5 elements/ issues	4 elements/ issues	3 elements/ issues
Attitude – willingness – action	4 elements/ issues	4 elements/ issues	1 element/ issue
Strategic aspects	3 elements/ issues	1 element/ issue	
Financing-relevant aspects	4 elements/ issues	2 elements/ issues	

Figure 25: Relevance of clusters

Source: Author's chart.

The following section describes the individual clusters and issues as they relate to each phase.

Relevance of clusters and issues in the preparatory phase 1:

Cluster: Entrepreneurial personality	Origin	
Issue – Relevance in phase 1	Focus group protocol of 4 December 2012	Literature
▪ Credibility	X	Behringer [2004], p. 42
▪ Self-reflection (self-critical assessment of the situation)	X	Mache [2002], p. 3
▪ Factual accuracy (honesty to oneself)	X	Bossek/Letter [2015], p. 263
▪ Entrepreneurial spirit	X	Wiedmann [2002], p. 56
▪ Business qualifications (understanding numbers correctly)	X	Boemle/Stolz [2012], p. 112

Figure 26: Entrepreneurial Personality cluster in phase 1

Source: Author's chart.

Cluster: Attitude – willingness – action	Origin	
Issue – Relevance in phase 1	Focus group protocol of 4 December 2012	Literature
▪ Stable life model (partnership-oriented)	X	
▪ Conscious decision for company succession (life decision in a world of multiple options)	X	Halter/Schröder [2010], p. 49
▪ Timely arrangement of inheritance	X	Boernle/Stolz [2012], p. 111
▪ Inclusion of affected people	X	Halter/Schröder [2010], p. 50

Figure 27: Attitude – Willingness – Action cluster in phase 1

Source: Author's chart.

Cluster: Strategic aspects	Origin	
Issue – Relevance in phase 1	Focus group protocol of 4 December 2012	Literature
▪ Sustainability of the business model (viability of concept)	X	Gubler [2012], p. 196
▪ Openness for external support from advisers (process, financing, law, taxes)	X	Credit Suisse/CFB-HSG [2009], p. 21
▪ Defined transfer schedule	X	inmit University of Trier [2006], p. 7

Figure 28: Strategic Aspects cluster in phase 1

Source: Author's chart.

Cluster: Financing-relevant aspects	Origin	
Issue – Relevance in phase 1	Focus group protocol of 4 December 2012	Literature
▪ Complete financing business case (with all relevant key performance indicators – past key performance indicators/viability of the numbers for the future/profitability)	X	Gubler [2012], p. 282
▪ Earning power of the company	X	Bieler [1996], p. 176
▪ Financial transparency (successor's inspection of the numbers)	X	PWC/CFB-HSG [2006], p. 19
▪ Neutral company evaluation	X	Wiedmann [2002], p. 175

Figure 29: Financing-Relevant Aspects cluster in phase 1

Source: Author's chart.

Relevance of clusters and issues in the executing phase 2:

Cluster: Entrepreneurial personality	Origin	
Issue – Relevance in phase 2	Focus group protocol of 4 December 2012	Literature
▪ Ability to generate enthusiasm (getting key people on board)	X	Wollherr [2015], p. 120
▪ Ensuring credibility (with investors, banks, colleagues, customers, suppliers)	X	Kluth [2011], p.73
▪ Communication skills	X	Felden/Pfannenschwarz [2008], p. 146
▪ Business qualifications (understanding numbers correctly)	X	Boemle/Stolz [2012], p. 112

Figure 30: Entrepreneurial Personality cluster in phase 2

Source: Author's chart.

Cluster: Attitude – willingness – action	Origin	
Issue – Relevance in phase 2	Focus group protocol of 4 December 2012	Literature
▪ Initiation of change (beginning of a change)	X	Schmude/Leiner [2003], p. 194 f.
▪ Symbolic act	X	Wandl/Habenicht [2013], S. 66
▪ Shaping company culture (new understanding of WE/culture/philosophy)	X	Stephan [2002], p. 92 ff.
▪ Clear distribution of competence	X	Hackel [2001], p. 21 f.

Figure 31: Attitude – Willingness – Action cluster in phase 2

Source: Author's chart.

Cluster: Strategic aspects	Origin	
Issue – Relevance in phase 2	Focus group protocol of 4 December 2012	Literature
▪ External support from advisers (process, financing, law, taxes)	X	▪ Credit Suisse/CFB-HSG [2009], p.21 ▪ Blodig [2014], p. 10

Figure 32: Strategic Aspects cluster in phase 2

Source: Author's chart.

Cluster: Financing-relevant aspects	Herkunft	
Issue – Relevance in phase 2	Focus group protocol of 4 December 2012	Literature
▪ Adequate financial controlling (with which instruments do I want to run my company)	X	
▪ Timing (banks/market)	X	Feldern/Pfannenschwarz [2008], S. 193

Figure 33: Financing-Relevant Aspects cluster in phase 2

Source: Author's chart.

Relevance of clusters and issues in the follow-up phase 3:

Cluster: Entrepreneurial personality	Origin	
Issue – Relevance in phase 3	Focus group protocol of 4 December 2012	Literature
▪ Ensuring credibility (with investors, banks, employees, customers, suppliers)	X	Kluth [2011], p. 73
▪ Hands-on mentality (checking whether things that are started will be continued)	X	Schackmann [2003], S. 72
▪ Ability to learn (reflection on the entire process)	X	Kaltenbrunner/Urnik [2002], p. 385

Figure 34: Entrepreneurial Personality cluster in phase 3

Source: Author's chart.

Cluster: Attitude – willingness – action	Origin	
Issue – Relevance in phase 3	Focus group protocol of 4 December 2012	Literature
▪ Developing reputation at banks (active commented reporting)	X	Wiesehahn/Wegmann [2015] S. 30

Figure 35: Attitude – Willingness – Action cluster in phase 3

Source: Author's chart.

In the conducted focus group, the participants in a company transfer discussed their experiences and viewpoints on this topic in a moderated discussion. To summarise, the re-

sults show four main clusters that map out the subjective theories on a company transition presented by the surveyed participants.³¹⁰ These clusters can be divided into either more personal ones or more subject-related ones. A further analysis of these clusters shows a large amount of underlying elements/issues, their relevance and also how many of them are in the respective three phases of a company transfer. In the next step of the analysis, the discovered elements/issues are combined with theoretical structures for classification. The focus group is methodologically understood as a means for triangulation in order to satisfy the quality criteria of qualitative research.

Since clusters and/or elements were discussed as fundamentally relevant for success on account of the specified questions in the guidelines, the content in the next section of this dissertation will be oriented towards this point. It is possible to conduct and further check the mapping of information asymmetries in the principal-agency model by using the determined clusters.

4.6 Second survey of qualitative data: Expert interviews

Guided individual interviews are used for the second qualitative collection of data, which builds on the analysis of the focus group. This section describes the concept and implementation of these interviews. The interview as a research instrument is also classified in the methodological framework of the qualitative research design and differentiated from other forms of interviews. The development of the interview guidelines is described and explained.

Similar to the historical development of the focus group as a data collection instrument, the emergence of guided interviews can be traced back to efforts of examining the effects and consequences that media has on people.³¹¹ It initially seems that implementing the qualitative research principle of openness in guided interviews is only partially possible. Nevertheless, the conscious decision has been made to not develop a completely open data collection context similar to what would be possible in the narrative interview. "The choice of the narrative interview must be well-considered; this is also because despite the method's many advantages, more time is required for the transcription and analysis of

³¹⁰ Cf. Aretz (2007), p. 29 ff. On the diverse use of the term "subjective theory": Within this context, subjective theory means the mental development of concepts for clarification and also predictions of circumstances that occur through a person's subjective experience.

³¹¹ Cf. Flick (2014), p. 194 ff.

narrative interviews than guided interviews. The researcher should ask whether the continuous description of a process by the respondent is necessary for his/her issue or whether the required information could also be obtained with guided questions and a stronger centring of the interviewer.”³¹² The author decided that the guided interview instrument is appropriate for the topic in this phase of the data collection. “The term guided interview describes interviews that give the participants significant leeway to shape the discussion despite the requirements guiding the conversation.”³¹³

In contrast to the hypotheses-testing and completely standardised questionnaire methods, a guided interview basically remains open for the actual course of the conversation. “In qualitative interviews, the interviewer asks ‘open’ questions that are considered customary in the guidelines and the respondent freely formulates the response. The structuring of the interview varies; the respondent is sometimes granted much freedom in the thematic enlargement and design; sometimes this freedom reigned in somewhat.”³¹⁴

Merton and Kendall identify four criteria that are also suited for the implementation of guided interviews:³¹⁵

- **Non-influencing:** The goal here is to ensure that the interviewer does not influence his/her interview partners – either intentionally or unintentionally. The main ways of avoiding any influence on the interview partner are the interviewer’s control over affirmative/adverse reactions and the way that questions are formulated.
- **Specificity:** This is in tension with non-influencing. It means conducting the interview in such a way that the interview partner is caused to answer the questions – i. e. the specific questions in this sense – required by the researcher and provide content.
- **Cover a broad spectrum:** The interview should be designed so that it deals with as many different aspects of a topic as possible. This also applies in particular to content that cannot be anticipated by the researcher on account of the available prior knowledge.
- **Depth and personal frame of reference:** This means that the interviewer should also address the interview partner’s emotional reaction. The interview should always focus on the actual experience, which is often connected with emotions.

³¹² Küsters (2009), p. 40.

³¹³ Seipel/Rieker (2003), p. 149.

³¹⁴ Küsters (2009), p. 20.

³¹⁵ Cf. Przyborski/Wohlrab-Sahr (2014), p. 139 ff.

These four criteria make it clear that the objective of a qualitative study as laid out here in the research design is appropriately supported by the use of a guided interview.

In comparison to the narrative interview method and the completely standardised questionnaire interview, the guided interview occupies a position between these two approaches. Although it may be more efficiently conducted than a narrative interview, it is more time-consuming than a standardised questionnaire interview. “The documentation of the guided conversations also makes special demands of the interviewer. Guided interviews are recorded either by the interviewer taking notes during the interview or preparing a protocol from memory after the interview or with an audio recording.”³¹⁶ The applied guideline allows for a certain narrative structure in the interview, yet offers the opportunity to consciously deviate from the guidelines in a spontaneous and situative manner to address unexpected topics. The success of such an interview also depends heavily on the interviewer’s communicative skills. For example, it should be taken into consideration that a researcher who personally conducts the interviews contributes more extensive prior knowledge to each interview. On the other hand, a professionally trained interviewer could have better conversational skills than the researcher.

In order to answer the research questions in this study, twelve³¹⁷ expert interviews were conducted with an average length of 60-90 minutes. At this point in time, the findings from the theoretical framework – in terms of the research status – and the cluster elements determined from the results in the focus group are already included in the interview guidelines. In this regard and from a methodological point of view, the researcher’s increasing prior knowledge will be checked during the second data collection phase and may also be changed, if necessary.

The following table shows an overview of the second data collection:

³¹⁶ Schnell/Hill/Esser (2011), p. 379.

³¹⁷ Nine interviews were conducted within the scope of the first interview series (cf. section 4.7). Three interviews were conducted within the scope of the second interview series (cf. section 4.8).

Second data collection through expert interviews		
Objectives of the interviews	<ul style="list-style-type: none"> ▪ Identification of the risks in the individual phases of a company transfer ▪ Generating material on the development of recommended actions for the individual phases 	
Development of guidelines on the basis of focus group results	<ul style="list-style-type: none"> ▪ Phase-based cluster → elements/issues ▪ Elements/issues ▪ Issue → risks/possible solutions 	
Implementation of the interviews	<ul style="list-style-type: none"> ▪ 27 interview questions 	
	<ul style="list-style-type: none"> ▪ Length: 60–90 min. ▪ 12 guided interviews 	
	Interview partners	
	Entrepreneurs (10-600 employees)	N=9
	Type of company transfer transaction	
	Management buy-in	N=1
Management buy-out	N=2	
Family buy-in	N=2	
Family buy-out	N=4	
Quality assurance of results		
Documentation during the interviews	<ul style="list-style-type: none"> ▪ Audio recordings ▪ Written notes in pre-structured grids of the interview guidelines 	

Figure 36: Expert interviews on data collection

Source: Author's chart.

The actual interviews were carried out as two-person conversations. The interview partners were informed that the conversation be recorded and that notes would be taken on the form in the guidelines. The applied guidelines are intended to facilitate the start and narrative flow of the interview. In particular, it is important to emphasise the role that the cluster elements developed from the focus group assume in conducting the interview. These elements are used to systematically develop the guidelines as a structure. The expert interview refers to the three phases of a company transfer and the issues already assigned to them.³¹⁸ Specific issues are determined in writing as part of the preparation for the expert interview, with the goal of enabling discussion of possible risks and solutions for each phase. The relevance of each individual issue is queried at the start of the actual interview with the participant. If the issue is relevant, it will be discussed in greater detail. Depending on how the interview develops, the interviewer may ask follow-up questions spontaneously or request more information about the topic. It is important to mention here that the conversational structure developed spontaneously by the interview partner and the content sequence were always permitted in the practical implementation of the guidelines during the interviews. By no means were the guidelines imposed as an external

³¹⁸ Cf. section 4.5 in this study.

structure. For example, this is also definitely possible that interviews jump ahead with their answers to interview questions. It is therefore the interviewer's responsibility to always attentively follow the comments by the conversational partner so that questions that have already been answered are not explicitly asked again later. Instead, the guidelines with his/her different questions must be viewed as stimulus for conversation. As called for by the principle of openness, the guidelines were treated flexibly in the actual interview. According to the study sample, interviews with participants in a company transfer were held from the role positions of the transferring party and the acquiring party. The sample was further differentiated here.³¹⁹ In a qualitative research relationship, the interview partner also stands for the representatives in various transaction options during the company transfer. Depending on the situation, it may be a management buy-in or buy-out or a family buy-in or buy-out.

Consequently, the case selection at the point in time when the interview was conducted corresponds to the following sample:³²⁰

³¹⁹ Cf. section 4.3.2 in this study.

³²⁰ The research sample corresponds in its characteristics to the quantitative SME criteria of the Bonn IfM and the European Commission or can be correlated with the SME on account of qualitative criteria. (Cf. the explanation in section 1.2 of this dissertation).

I ⁿ	Role	Function	Industry	Formation	Head count	Sales in € million	Year of transfer	Type of transaction
I ₁	Acquiring party before transfer	Member of management board	Real estate	1973	100	35	2017	FBI
I ₂	Acquiring party before transfer	Managing director	Mechanical engineering	1928	100	20	2016	FBO
I ₃	Acquiring party before transfer	Assistant to CFO	Safety and control technology	1945	600	110	2017	FBO
I ₄	Acquiring party after transfer	CEO	Mechanical engineering	2008	80	30	2008	MBO
I ₅	Acquiring party after transfer	CEO	Mechanical engineering	1993	90	14	2011	FBO
I ₆	Acquiring party after transfer	CEO	Electrical engineering	1958	420	100	2012	FBO
I ₇	Transferring party after transfer	CEO	Financial services	2007	14	3	2015	MBI
I ₈	Transferring party after transfer	CEO	Service provider	2002	12	3	2015	MBO
I ₉	Transferring party after transfer	CEO	Special mechanical engineering	1981	45	8	2014	FBI
*1 Interviewee								

Figure 37: Sample of expert interviews³²¹

Source: Author's chart.

The content of the questions included in the guidelines is generated from the focus group results. Basis on the issues of the clusters that were identified here, the researcher mentions potential issues in the interview. The respective relevant issue is presented to the interview partner and he/she is asked to assess it with regard to the risk arising for the transfer process and in relation to possible solutions. This structure in the interviews is outlined in an example of the credibility issue in the Entrepreneurial Personality cluster:

³²¹ To explain: Kay/Suprinovic (2013), p. 18 f., "...the Bonn Ifm also determined what succession solutions are selected by family-owned companies [...]: A good half (54%) of the owners transfer the company to their own children or to other family members (family-internal solution). Another 29% of the transfers involve external managers, other companies or other prospective buyers from outside (company-external solutions). Roughly 17% of the family-owned companies transfer the company to employees (company-internal)." The researcher made a major effort to ensure that actual succession practice is reflected in the composition of the sample. The interview partners were selected on this basis.

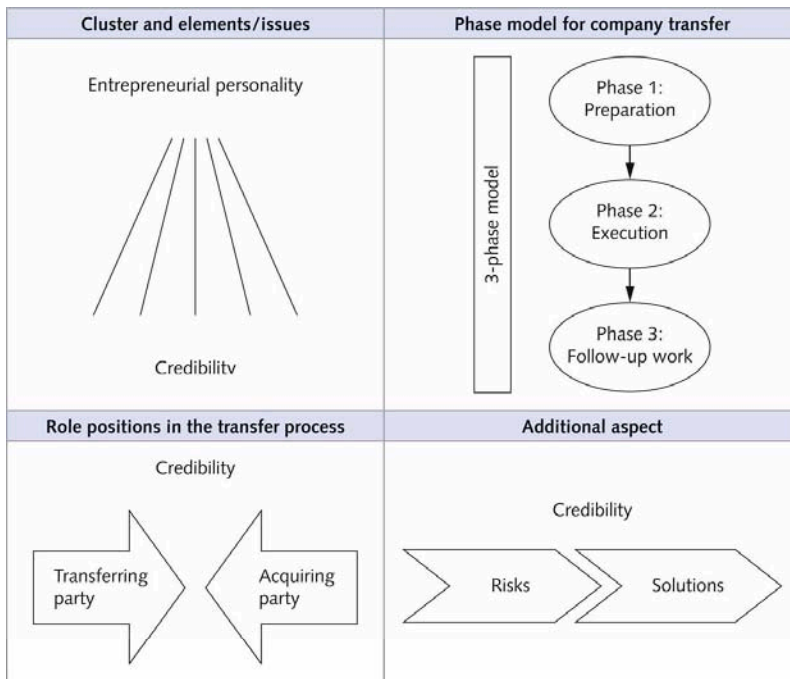


Figure 38: Starting points for guideline development

Source: Author's chart.

The preparatory phase of a company transfer is addressed in the interview. The interviewer actively introduces the subject of credibility for the entrepreneurial personality – both for the acquiring party and the transferring party – during this phase. Then the question is posed whether this issue is even relevant from the interview partner's point of view. If he/she considers it relevant, the interviewer will ask about the risks that may arise from the topic of credibility for the preparatory phase of a company transfer. Then the interviewer asks about appropriate solutions. The answers are documented in the following standardised grid form, which is identically structured for all issues.

Preparatory phase, issue		
Credibility		
	Transferring party	Acquiring party
Risk		
Solutions		

Figure 39: Excerpt from the interview guidelines. Grid for written documentation of the contributions made by the interview partner for the issue of credibility

Source: Author's chart.

Accordingly, there is both an audio recording and written documentation of the interview results. On the basis of adjustments to the content, the contributions made by the interview partner are included in the provided grid.

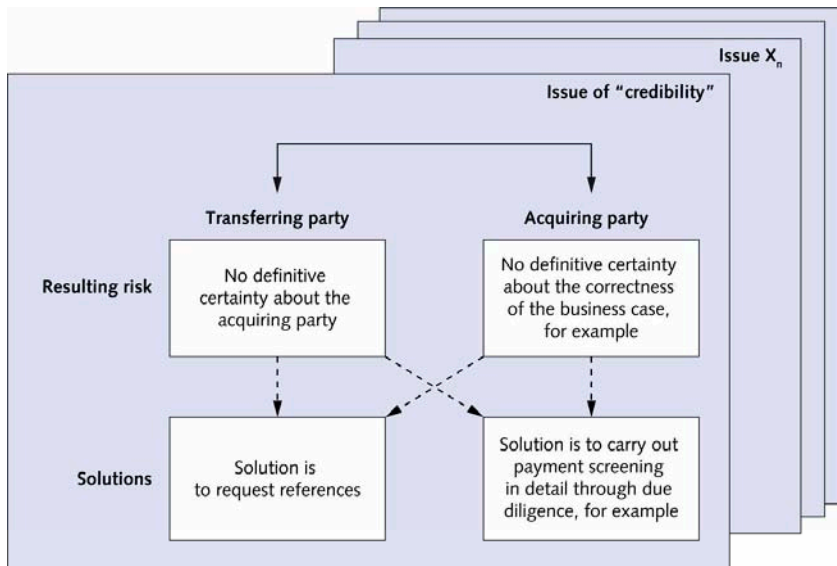


Figure 40: Documentation of interview contributions in the guideline grid

Source: Author’s chart.

The following structure forms the basis of the conversation held in an expert interview.

Standardised course of interviews				
Starting point	Providing interview partner with an orientation by briefly introducing phases in a company transfer			
Question strategy for each issue	Inclusion of the cluster elements/issues as issues introduced one after the other in the interview			
	"Is this issue relevant for this phase?"			
	If the answer is no → proceed with the next issue			
	If yes:			
	Ask about the risks	Ask about the possible solutions		
	Transferring party	Acquiring party	Transferring party	Acquiring party
Final question for each issue	"Are there issues, risks and possible solutions that we have forgotten today or that you would like to add?"			

Figure 41: Structure of a conversation in the expert interview

Source: Author’s chart.

In summary, it can be observed that the course of the study continued to follow the open approach of qualitative research during the phase in which the expert interviews were conducted. As stated in the considerations on the study sampling, the research sample is not already determined at the start of the research work. Instead, the step from the focus

group to the concept and implementation of the guided interviews shows how the formation of clusters from the focus group results represents a major step towards augmenting the theory related to the topic. The sample for the expert interviews follows the principle of maximum contrasting in regard to types of transactions, which once again offers the opportunity to shed light on possible variances in the research topic. An understanding of the elements as issues for the construction of the interview guidelines also opens up the possibility of collecting new, relevant aspects for the research questions in this study.

The following section presents a detailed description of how the individual guided interviews are analysed. It is initially necessary to transform the audio recordings into the form of a text. The transcripts generated as a result of this process serve as a basis for extracting the interview passages relevant to answering the research questions. It should also be mentioned at this point that the transcription on the basis of Mayring will be in normal written German with slight some editing to improve its sentence structure and style.³²² Furthermore, interview passages will not be transcribed if are irrelevant to achieving the objective in this project. Following the transcription, the researcher will have texts that serve as an ideal basis for the extraction. "Extraction means reading the text and deciding what information in it is relevant for the research."³²³ During the review of the interview material, a category system in the form of a table serves as a tool to extract the passages that appear significant for the research. In the following section, the extracted components of the interviews are paraphrased, i. e. the spoken content of the interview is summarised.³²⁴ After paraphrasing in the next step, individual interviews are summarised with the collected paraphrased texts serving as a starting point. In accordance with this step, the following working results were produced for each guided interview:

- Interview recordings
- Transcription
- Extraction
- Paraphrasing
- Summary

³²² Cf. Mayring (2002), p. 91.

³²³ Gläser/Laudel (2004), p. 194.

³²⁴ Cf. Mayer (2002), p. 173.

To facilitate the tracking of the described process, the above-mentioned steps in the analysis are outlined in an example that is based on excerpts from one interview:³²⁵

1. Transcription

Interviewer (a) Interviewee (b)	Findings	Question (?) Answer (!) Intervention (~)
a	3:30	(?) Are the depicted items also items that you identify as issues in company succession or are there items that have not yet been included?
b	3:41	(!) If you just think about the problems, what are potential problems that could actually occur in company succession?
a	3:56	(~) Interviewer explains the principal-agent theory.
b	4:12	(~) Interviewee begins by looking over the handout intended as an introduction and starts his answer as follows: "Generally speaking..." The interviewer intervenes (see finding 4:20).
a	4:20	(~) The interviewer explains the importance of thinking in the assigned role (transferring party).
b	5:40	(!) The only thing that confuses me is that nowhere in entrepreneurial personality – irrespective of the perspective that is considered – is the subject of content qualifications included as in issue. Instead, there is only an inquiry about the subject of business qualifications. I find that very fascinating because if you look at the matter, good entrepreneurs also usually understands their business. I know that very well because I have two business segments in the company. And the one business area is much easier for me because I understand something about it.
a	6:24	So that is what you mean by content qualifications?
b	6:26 6:40	Not the business qualifications, but really the content qualifications. The actual business that is run there, irrespective of whether it consists of production or services. That was the only thing that confused me.
a	6:45	(~) Interviewer points out that the subject of content qualifications was raised in the focus group discussion. But its participants always categorised it as not relevant. Above all, representatives from banks said that one can learn the content within the framework of a succession process.
b	7:15 7:35	(!) I'll tell you very specifically where we always have a problem: Our business model is actually a very good business model, namely positioning the after-sales area in our business profitably, and that is solely because we have too little insight into the actual "doing". You can only achieve this by standing on the outside and saying how long it takes to tighten the screw in order to attach the cable... and if you cannot do this yourself, you will never be able to develop relevant key performance indicators because your specifications will not be correct.

³²⁵ The outlined interview analysis process applies to each guided interview in this dissertation. Furthermore, reference is made here to Mayer who points out that no definitive interpretation of interviews can occur in a qualitative analysis of content [Mayer (2002), p. 46].

a	7:56	(~) Interviewer asks whether it could be a problem if you do not have any understanding of the operating business.
b	8:00 8:14	(!) Yes, because you would be simply clueless. Then you can hire an expert. But to what extent can you trust an expert? How well can he/she assess all of that? Because you are talking about very specific things. Good, I find it interesting that they dismissed all that.
a		(~) The interviewer confirms that iterative findings are the logic and purpose of the methodological procedure in this dissertation.
b	8:20 8:24 8:31	(!) Getting key people on board: very important Ability to generate enthusiasm: very important Ensuring credibility, ability to communicate: very important Business qualifications: very important
b	8:35 9:02	(~) Interviewee concentrates on the provided material. (!) That all sounds very plausible. I have addressed all these subjects. I've done so very extensively in the execution. And it is a very important point as far as I see it: entrepreneurial personality. How well can you get key people on board? How well can you achieve credibility, which is also critical with respect to employees?
b	9:30 9:51	(~) Interviewee reflects on phase 3 of follow-up work. That all sound very logical to me. I had to deal with all these things myself. I can't think of anything that would lead me to say "whoa, you totally forgot a critical area here."
a	10:02	(?) What about the content qualifications?
b	10:04	(!) That was the only thing that made me wonder. Because I would have rated that very highly in this case.
...
a	14:15	(?) When you think about credibility from your perspective as an acquiring party, as we had before, do you ask, can we trust the business case, can we trust the numbers?
b	14:44	(!) I find it hard to put myself in the situation at the moment. I obviously want to look at it in a greatly differentiated way. This is because acquiring a company is somewhat different from company succession if you project this situation onto me and my father. When I try to put myself in both positions, you obviously have more credibility with the numbers in the case of family succession. This makes a distinctly less important problem because you are much closer.
a	15:21	(~) Interviewer clarifies once again the role that the interviewee should assume and moves to the consensus: Successor within a family buy out.

b	17:32	(!) Subject of credibility in the scenario that I continue my father's business and become the successor. Even this brings up the topic of credibility – with my father and with the family because personal interests naturally play a role. Everyone attempts and attempted to secure certain benefits, i.e. in the area of egoism and the extent to which people can be trusted. That could already be seen in the many years of the staff member-employee-colleague relationship, in which you are also dependent on – since they should also assist you. That was an issue, which also moved very strongly in the direction of the family since many details are discussed in such company successions. Even if you look critically at everything that has occurred over 20 years. And things are relatively difficult to evaluate in a due diligence. Because there are many more power positions.
a	19:28	(?) So in terms of possible solutions, this is about the extent that details were identified to the point of being discussed or they were suppressed.
b	19:45	(!) Both. This also depends on the transferring party and things come full circle since the credibility of the transferring entrepreneur is actually critical in deciding the extent to which you gain an insight. I do not have any specific solutions for this, and I am being very honest when I say that.
a	20:36	(?) So the only thing that works is to speak about the subject or suppress it?
b	21:06 21:30	(!) Yes, definitely. It was also a topic for my siblings (comment: this refers to the role of the father). That was naturally a major subject. The installed power holders were obviously the people who extensively attempted to defend their interests and avoid transparency. To ensure intransparency. That was obviously a major topic. A possible solution for these power holders, who may also view themselves as endangered in such a transfer, would be not to talk with them. That could be a solution. That means I go one level below and ask their representative.
...

Figure 42: Transcription of an interview (excerpt)

Source: Author's chart.

2. Extraction/Paraphrasing

The transcripts in the form described above are the basis for extraction or paraphrasing; tables in the following form were used as the basis for extraction and paraphrasing.

Addressed aspects	Findings	Quotation or paraphrased quotation (extraction)	Paraphrase
Credibility (issue)	17:32	... in the family because personal interests are obviously always involved ... Since many details are discussed in such company successions ... And things are relatively difficult to evaluate in a due diligence. Because there are many more power positions.	<ul style="list-style-type: none"> ▪ Family ▪ Conflict of interest ▪ Details are spoken about ▪ No due diligence ▪ This involves power positions
Credibility (solutions)	21:30	A possible solution for these power holders, who may also view themselves as endangered in such a transfer, would be not to talk with them. That could be a solution. That means I go one level below and ask their representative.	<ul style="list-style-type: none"> ▪ Leave power holders (e.g. siblings) out of negotiations. Speak with representatives ▪ Unemotionally critical consideration of the structures
...	<ul style="list-style-type: none"> ▪ ...

Figure 43: Extraction and paraphrasing of a transcribed interview (excerpt)

Source: Author's chart.

3. Summary

On the basis of the paraphrased material, content summaries were prepared according the system depicted below.³²⁶

³²⁶ The following figure shows the element/issues of credibility in the preparatory phase as an example.

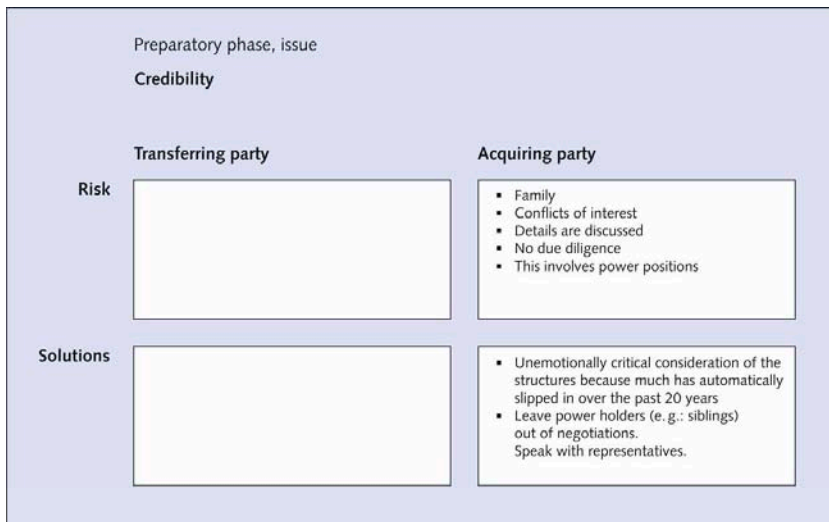


Figure 44: Sample summary from the extraction and paraphrasing of a transcribed interview

Source: Author's chart.

4.7 Interim results of expert interviews

The guided expert interviews are summarised in the following sections. As already described in other places, a total of nine interviews were conducted. These have been subdivided equally into three groups:

- acquiring party before the transfer
- acquiring party after the transfer
- transferring party after the transfer

Summaries are presented for each of the referenced groups in the following section. The summaries represent the respective aggregate result of the interviews conducted in the group. They serve as a basis for the determination of the possible solutions at a later point in time. To improve the ability to track the results and in particular to practically utilise them for determining the solutions, the summaries are broken down on the basis of the research model as follows:

- Phase 1: Preparation
- Phase 2: Execution
- Phase 3: Follow-up work

In each of the referenced phases, the important aspects of the interviews are subsequently worked out on the basis of the respective summary. Furthermore, the findings are differentiated into those that reflect the role of the transferring party or acquiring party on the one hand and those related to the risks or possible solutions on the other hand.

4.7.1 Summary of Group 1: Acquiring party before the transfer

The model developed up to now in this dissertation is basically accepted within the group. This means that the researcher's fundamental structure for the process of the transfer and/or the identified issues remains basically valid. Redundancies have arisen for individual issues, which will be referred to in the respective passages.

Within these phases, the results of the interviews can be described as follows in terms of the individual issues:

Preparatory phase

In this phase prior to the transfer, the acquiring party group faces multiple issues that contain risks or require possible solutions.

A lack of credibility can lead to disappointment on the part of the acquiring party. In addition to being viewed by the interviewee as a particularly important issue, this lack may contribute to the failure of the company succession project. According to the respondents, the issue can only be solved in this case when there is a certain degree of basic trust – such as in a family relationship. Furthermore, prior to the actual transfer, the acquiring party should be clear about actually wanting to acquire the company on both the mental and financial level.

According to the respondents in this group, a lack of self-reflection is a major issue that can prevent the finding of a realistic existing situation. This ultimately can lead to a loss of reputation or other damage to the company. Approaches for addressing the issue can be the development of a management group around the entrepreneurial personality or

an emphasis placed on responsibility. For example, this can be achieved by establishing a family code or continuing the tradition of the company's name. Furthermore, the acquiring party should allow for sufficient time in finding his/her role. The group associates the factual accuracy issue with the self-reflection issue. Within this context, there is a reference to the importance of being able to track or document matters related to decisions.

The interviewees viewed entrepreneurial character another issue, also with regard to their willingness to be intensely involved in the company on a personal level. Possible solutions can already be found "entrepreneurial training," which can already lay the groundwork from early on in terms of entrepreneurship. Furthermore, it is important within the family to make clear decisions in favour of the company or to be loyal to the family. Family meetings on a regular basis can serve this purpose.

A lack of business qualifications can be seen as a major risk of failure. Consequently, the interviewees explain that it is important to understand the business model and that the likelihood of bad decisions is greater if the successor does not have a high level of education or an affinity for numbers. The corresponding business training and practical experience are important as possible solutions. In this process, it is also critical that the successor has access to relevant controlling criteria.

From the interviewees' perspective, the personal environment or a stable life plan are secondary. However, a stable life plan can be seen as very beneficial.

Company succession should be established as a conscious decision. In this regard, the family may be viewed as a main support and intrinsic motivation that can be mobilised through practical prior experiences in the company, for example.

Finding a timely inheritance arrangement becomes the centre of attention as an issue when it involves handling issues such as unexpected deaths or disputes; the related rules should be established early on and with the inclusion of all participants. The 5- and 7-year model of optimised inheritance tax law can be specifically mentioned here.

The larger the number of affected parties within the context of the acquisition, the greater the risk represented by inclusion of the area in question will be. Nonetheless, it is already necessary to hold discussions when there are just two people involved at an early point in time and in a transparent manner. If there are multiple affected parties such as dynasties, orderly formats can help with participation.

The business model's sustainability is the basis for the continued existence of the enterprise. In order to counter the risk of failure within this context, the willingness to pursue innovation is vital.

The willingness to include external parties, such as business consultants, was a subject of controversial discussion within the scope of the interview series. There was agreement regarding the use of tax and legal advice. On the other hand, there was disagreement in the area of classic business consulting such as innovation and process consulting. This poses the risk of losing one's own competence or an imbalance between the costs and benefits. Consulting services should therefore be used in a meaningful and supportive way, although importance should be placed on an open and honest communication culture in both directions.

A defined transition plan appears to be standard in order to help the successor gain recognition from the employees or allow the successor become familiar with the business model and processes in due time prior to the transfer of the company. An adequate period of time should be planned for this purpose in order to learn about the company, ensure harmony between the transferring party and the acquiring party and ultimately allow the successor to grow into the role of the acquiring party. The transferring party can adopt his/her role within this context as a kind of advisor.

The issues designated as complete financing-related business case, earnings power of the company, financial transparency and neutral company valuation are combined theoretically by the interviewees. These issues are not seen as risks by the interview partners since transparency on the financial aspects, the company's earnings power, financial transparency and neutral company valuation are considered to be obvious.

Execution phase

A central aspect of the execution phase is the ability to generate enthusiasm; otherwise, there is a risk of losing important employees and therefore know-how. In order to prevent such losses, it appears adequate to include employees in the relevant processes early on or actively manage the flow of communication and information.

If it is not possible to achieve credibility during the execution phase in another issue, there is a risk that the loyalty of the employees will decline and aspects such as customer loyalty will decrease. In addition, relationships to other stakeholders such as banks and investors may deteriorate. It is therefore advisable to establish or maintain credibility through intensive communication measures, particularly through strategic planning.

A failure to communicate can cause stakeholders and particularly employees to be lost along the way. This is why communication should always be open and targeted.

During the execution phase, the commercial qualification as an issue plays a critical role in avoiding misinterpretations of the actual business situation. Qualification measures or case-by-case professional support through external advisers can be beneficial here.

The initiation of changes can lead to a lack of understanding if their logic cannot be followed by a third party. In this regard, it is necessary to make changes carefully and carry them out or communicate them systematically by including the participants. Adequate forums should be created for this purpose.

The issue of the symbolic act is seen as an immaterial issue by the interviewees, so neither risks nor solutions are outlined here.

The desire to define the company culture is a central matter during the execution phase. This involves the risk of losing the understanding of the employees. This is why the focus should be on what is a good match for the person and the company, as well as explaining and living the essential aspects of this.

Competencies that are not clearly assigned can cause participants to act in opposition to each other or lead to murky circumstances. The competencies should therefore be clearly assigned and documented.

Similar to the preparatory phase, the inclusion of external advisers can be evaluated with regard to risks and possible solutions in the execution phase.

It is necessary to ensure appropriate finance controlling; otherwise, there is a danger of not being able to understand the current business situation and/or risks. Suitable monitoring systems should be used here and also function as early warning systems.

In terms of banks and the market, timing plays an important role. Long-term cycles (5-7 years) are an effective solution in this case.

Follow-up phase

In the follow-up phase, the focus moves to the aspect of credibility since there is a risk of harming the trust-based relationship with banks, investors, employees, clients and suppliers. A clear strategy is to have a high level of personal dedication and economic success ultimately supports credibility in the follow-up phase.

The acquiring party group did not declare a strong hands-on mentality to be a major issue before the transfer of the company. However, detailed controlling and sophisticated quality management are mentioned as possible solutions.

A lack of learning ability can lead to errors not being identified. Therefore, it is necessary to be open and willing to change.

The company's reputation at banks as a possible issue did not lead to any noticeable risks in the interview group. Information on banks should be adequately provided.

In addition to the discussed issues, reference was made to the fact that it is necessary during every phase to keep an eye on all of the business processes and projects without losing the general overview.

4.7.2 Summary of Group 2: Acquiring party after the transfer

Among other factors, the interviewees in the second interview series were distinguished by having actively experienced the time period of the acquisition and/or completed it. In comparison to the results from the first interview series, this is why these talks are characterised to a large extent by being significantly more specific or more systematically focused on the entire process of company succession. The results of the interviews with the acquiring parties after acquisition are provided in the following section:

Preparatory phase

The test persons agree that the issue of credibility is very significant in the process of company succession. Possible risks can be seen in the family involvements of the participants, which can lead to loss of reputation or even the failure of the project. In order to prevent the outlined risks, various solutions were identified:

- checking the previous family or business relationships
- resolution of structures; retreat to the factual level
- clear definition of all process participants in company succession

The group views the issues of self-reflection and factual accuracy as linked to the issue of credibility. A lack of self-reflection contains the risk of misunderstanding the actual situation, the acquiring party loses his/her roots or overestimates himself/herself. Possible

solutions include improving his/her qualifications (both professionally and methodologically) and/or hiring trusted persons or inspecting the numbers, data and facts critically and honestly on the basis of the scenario or business case methodology, for example.

An entrepreneurial mindset is critical for achieve a balanced mixture of willingness to take risks, motivation and decision-making ability. These facets of an entrepreneurial mindset may already be present, but can also be trained in the course of personal development.

A lack of business qualifications as an issue can cause significant numbers not to be interpreted correctly or lead to a dependency on advisers if the acquiring party is not qualified. In this regard, it is vital to learn the important key performance indicators in business and how to interpret them, to be cautious in the selection of advisers and management staff and ultimately not to completely deny the personal gut instincts.

The risks of an unstable life plan are sometimes seen in the fact that the acquiring party's performance declines within his/her role. Possible solutions for this are a conscious awareness of the closer family environment as a place of refuge or stabilising factor, which is also referred to by the catchword of work-life balance.

From the perspective of the interviewees, a conscious decision in favour of company succession is not a significant issue, but viewed as more of a gradual process with a virtually existing decision at its start.

Inheritance arrangements are considered to be very important as an issue since decisions that have been made or not yet made can represent risks for the company, which also has an effect on jobs. When the participants – especially the successor – are included, arrangements must be made in due time regarding terms of inheritance tax law.

The test persons viewed the inclusion of the affected parties as something that is obvious. An open and prompt communication with the closest parties is considered to be promising for success.

The sustainability of the business model is an important issue since the lack of a concept will lead to the failure of the project. A significant possible solution is to define a clear strategy or pilot new approaches, as well as to critically question the existing business model on a regular basis in the final analysis.

In reference to the issue of openness for external support from advisers, the statements coincide with those of the first test person group (acquiring party before the transfer) in

terms of risks and possible solutions: In highly specialised areas such as tax and legal consulting, they strongly recommend advisers but the group is also in agreement here that the company should have at least a basic understanding of such topics.

A defined transition plan is an important issue since a possible risk may be that the successor refrains from the acquisition if the transition is not clearly scheduled or that the successor will not be accepted by the employees as a legitimate successor. The interviewees agree that the transition schedule must be specified, but there is no agreement as to the amount of time that is required for the transition schedule.

The issues of complete finance-related business case and company's earnings power, as well as financial transparency and neutral company valuation, are intertwined: The understanding and seriousness of the given business case are definitive for addressing risks such as inheritance tax problems or even hidden profit distributions. This ensures the continuation of the company's earnings power. In this regard, it is necessary to make decisions on the basis of reliably calculated numbers without ignoring the emotional level.

Execution phase

A lack of enthusiasm can lead to the loss of key personnel, which applies to both management and employees. Possible solutions can be to increase presence at the company at an early point in time and encourage communication within the company.

From the perspective of the test persons, the issues of establishing credibility and communication skills are closely connected to each other. Communication skills are considered to be a possible solution for the issue of credibility; a lack of communication skills prompts a loss of credibility with stakeholders. In this regard, open communication that is based on numbers, data and facts is advisable in the execution phase.

Business qualifications are important for the correct interpretation of numerical data and preventing a loss of trust at institutions like banks. The qualification is important in order to not end up in a position of dependency on advisers, for example. A possible solution can be to constantly develop individual qualifications, pay attention to making the right adjustments and engage advisers at the right time or use industry-specific key performance indicators.

The initiation of changes is important from the interviewee perspective since the company may encounter difficulties if changes are not made. However, changes should always be made with sound judgement so that employees do not become overwhelmed.

The interview group does not consider the symbolic act to be important.

Defining the company culture is not a major issue from the perspective of the test persons.

A clear breakdown of competencies is an issue that should be addressed. Otherwise, it may lead to the transferring party and acquiring party being played off each other or the company's previously clear direction getting lost. Possible solutions are a clear definition of responsibilities, e. g. a separation between the technical and the business management.

External support from advisers is viewed analogously to the preparatory phase, i. e. support is necessary in the specialised area (legal and tax consulting).

An adequate financial controlling should be enacted in the execution phase. Attention must be paid to having instruments that actually reflect what is necessary for the company's streamlined and transparent controlling. Otherwise, there is a risk of losing sight of processes in the company and the market as a whole.

Timing with regard to banks can lead to bringing the banks on board when it is already too late. Consequently, adequate timing on the basis of streamlined controlling and the defining of responsibilities, i. e. passing the baton, is advisable with regard to banks.

Follow-up phase

In the follow-up phase, the issue of establishing credibility involves generating enthusiasm among stakeholders for the company and for the actual acquiring person. This entails transparent communication, visiting key stakeholders, appearing in person and acting in a publicly effective way.

Balance in the hands-on mentality is critical in order to show proximity to the daily business, but without overwhelming employees by sidetracking them or decreasing their motivation, for example. Possible solutions can be a defined project sequence and the acquiring party's ability to set priorities.

The ability to learn with regard to the transition process plays a subordinate role. There is a risk that the acquiring party will fall prey to the belief that he/she does not need to learn any more since he/she already has enough experience. Possible solutions are constant self-reflection, also triggered by an exchange with third parties.

The company's reputation at banks is a clearly important factor; otherwise, the company may end up in financial difficulties. A possible solution is systematic communication.

In addition to the presented and discussed issues, it is possible to extract the following issues as being essential: For the preparatory phase, the issue of content qualification (field-specific: product and market) has been identified. This ensures that the acquiring party will have a sufficient understanding of the business model from the beginning since he/she would not be able to correctly set the company's course without it. In addition to theoretical qualifications, possible solutions could also be to obtain practical qualifications within or outside the company.

4.7.3 Summary of Group 3: Transferring party after the transfer

The analysis of this interview series showed that the phase model with its issues is fundamentally relevant. The follow-up phase, which hardly plays a role for the transferring party after the transfer, should be mentioned here. The results of the interviews with the transferring party after the transfer will be presented in the following:

Preparatory phase

In the preparatory phase, the issue of credibility entails potential risks especially when the phase of preparation is relatively short. As a potential solution, the interview partners from this group listed the inclusion of clear metrics that are suitable for reflecting relevant aspects of the transfer.

An inability to self-reflect bears the risk of failure in the succession process and suggests the transferring party's personal disappointment. A possible solution is the inclusion of closely related persons and taking action without emotional involvement.

The issue of factual accuracy can entail the risk that significant issues are not included in the contract because excessive factual accuracy can lead to leaving out certain aspects. It is therefore necessary to subject significant aspects to an ongoing examination and formulate contracts very specifically on this basis.

The group of interviewees agrees that the entrepreneur's habitus is also retained in the transfer process. In this regard, there is a risk that the transferring party cannot separate himself/herself from the company. A possible solution is a clear definition of roles and objectives in the forthcoming transfer.

Business qualifications must not be underestimated from the transferring party's point of

view; otherwise, there is the risk that numbers, data and facts will not be interpreted correctly within the scope of this one-time transaction (which means the transfer). A possible solution is using the company's own qualified personnel or external advisers.

From the transferring party's point of view, a stable life plan cannot be described as relevant.

According to the interviewees, the issues of conscious decision in favour of company succession, timely inheritance arrangement and inclusion of the affected people are related. The transferring party believes that it is important to prepare the succession in due time and with the inclusion of his/her trusted persons on the basis of a conscious decision so that risks such as disputes within the family or financial challenges such as inheritance arrangements are addressed early on. Contracts that are mutually agreed upon and prepared in due time can help in this situation.

The sustainability of the business model is considered to be important. Within the context of succession, the sustainability of the business model plays a major role since the transferring party is usually very interested in the long-term continued existence of the company. Otherwise, he/she faces the risk of personal losses regarding reputation and image. An effective solution may be seen as having the transferring party carefully prepare the succession.

The issue of open for external support from advisers is defined by the transferring party as an issue to be addressed. It bears the risk that advisers are included too early in the process, which focuses attention on matters of secondary importance and causes the participants to lose sight of the actual goal. This is why advisers should be included carefully, particularly in the specialist areas of taxes and law.

If the transition schedule is not defined, the transition may become a never-ending story, which could lead to more intense personal and psychological strain for the transferring party. It is therefore necessary to discuss adequate time periods during the transfer; the transferring parties mention 1-2 years as ample.

The issues of complete financing-related business case, company's earnings power and financial transparency do not play a role from the perspective of the transferring parties; they view the acquiring party as responsible for this.

A neutral company valuation is the basis for the transaction, particularly in the case of sales, according to the transferring party. Otherwise, the transfer may fail. Possible solu-

tions include standard multiple key performance indicators in the industry and due diligence.

Execution phase

The ability to generate enthusiasm is viewed as an important issue in the execution phase. The perspective of the transferring party also sees a risk that the knowledge and know-how, as well as the loyal employees, will be lost. It is therefore necessary to keep employees updated in the execution phase and take possible their concerns and needs seriously.

The transferring party considers it necessary to ensure credibility and views communication as essential since there is a risk that the main contact from the stakeholders' perspective will be lost. As a result, a trust-based relationship that may have been developed over many years will run into difficulty. This is why every effort should be made to direct communication to the appropriate channels in a prompt and timely manner.

Business qualifications as an issue are important for the transferring party; otherwise, the project may fail shortly before the transfer is achieved. Consequently, it is necessary for the transferring party to stick to the numbers, data and facts until the transfer has been completed.

The acquiring person is responsible for an initiation of change.

The group of respondents overwhelmingly agreed with regard to a symbolic act in that this is not an issue in terms of the study. Nonetheless, there are different expectations regarding a dignified departure.

According to the transferring party, the character of the business culture represents a relevant issue since the acquiring party wants to know for sure that the existing business culture will not be turned upside down. Otherwise, there is a risk that important employees, customers and suppliers may stop doing business with the company. Possible solutions include job guarantees, guarantees that the company will not move and a solid gut feeling with regard to the acquiring party.

A clear division of competencies is defined uniformly as an issue since it contains the risk of wrangling over competencies in the transition phase and causing disturbances between the transferring party and the acquiring party on an interpersonal level. Solutions to this are clear contractual provisions or defined transitional processes in which the transferring party remains operationally involved.

Support from external advisers in the execution phase is viewed by the treated group (transferring parties after transfer) in the same way as it is in the preparatory phase.

The same applies to adequate financial controlling.

In terms of timing with regard to banks, this has been called an important issue in the execution phase. There are risks that different entitled groups will lose confidence in the future viability and management of the company when they reach an advanced age. Addressing the succession process early on is one possible solution; in this case, internal and external succession candidates should be included at an early stage. The knowledge implicitly present in the transferring party should be secured for the company over the long term in combination with a knowledge management system.

Follow-up phase

The follow-up phase does not play an important role for the interviewees. This fact is also seen as an indication that the transfer has succeeded. It is also worth mentioning that the follow-up phase reflects the passive role of support by the transferring party with regard to the issue of reputation in the role of an adviser, for example.

4.8 Third survey of qualitative data: Expert interviews II

4.8.1 Procedure for expert interviews

The reflection on the expert group is also conducted methodologically by using expert interviews. The methodology for the expert interview was already described in detail in section 4.6. In particular, the criteria according to Merton and Kendall for the optimal execution of the guided interviews are decisive for the selection of interview partners in this setting. This resulted in the following three conversation partners for the expert interviews:

I	Role	Function	Industry	Comments
I ₁	Expert in actual business	Head of succession management	Bank	The expert is characterised by the fact that he/she has supported a number of transfer processes from a bank-specific perspective.
I ₂	Expert in actual business	CEO	Bank	The expert is characterised above all by the fact that he/she has already supported a number of transfer processes from a bank-specific point of view.
I ₃	Expert in science	Member of management board	Research	The expert is characterised above all by the fact that he/she has proven his/her credentials in the area of company succession. Besides his/her scientific expertise, the expert is characterised by the fact that he/she has actively supported a number of company successions.

Figure 45: Sample of expert group

Source: Author's chart.

The following section summarises the results of the expert interviews. The focus is on determining the extracted, concrete alternatives for action, categorised by the three model phases of preparation, execution and follow-up work or the specific transferring party and acquiring party roles within the scope of the succession process.

4.8.2 Interim results of the expert interviews

Preparatory phase

Acquiring party

Within the context of the appropriate extended trust solution, the recommendation is that the acquiring party raise his/her profile among the stakeholders – especially the banks. This may take place through personal conversations initiated by the acquiring party, which are prepared systematically in view of the acquisition.

Within the context of readiness for a decision, the experts specify aspects that can be categorised in a paradigm of “can, want or may.” Professional expertise, intrinsic motivation and experience play a role here. From the acquiring party's perspective, reverting to the factual level or a critical view of the figures, data and facts can be challenging. One solution is the use of suitable communication models. A clear definition of roles is closely associated with the use of a suitable communication model since it is already necessary in the preparatory phase to clarify which roles will be assumed in the transfer process. A management group ideally consists of people who come from the inside (above all, with

regard to the aspect of continuity) and from the outside (above all, with regard to introducing new ideas) and those who are trusted by the acquiring party. There is a recommendation to align the size of the management group with that of the company in this process.

From the acquiring party's viewpoint, a family code can prepare the succession if the code is designed specifically and pragmatically. In the preparatory phase, the qualification of the acquiring party can begin very early (vocational training and university). This establishes it within the context of the specific acquisition. The continuation of the company solution appears to be insignificant to the experts, which is why no alternatives for action will be discussed here.

The documentation of decisions solution is highly significant for the acquiring party. Concrete recommendations for action are suitable documentation systems, as well as the organised and protocolled exchange with the parties involved. The solutions of entrepreneurial upbringing or making joint decisions within the family circle do not explicitly help to determine concrete recommendations for action. They are even viewed as an impediment for the succession processes. The solutions referred to as learning to interpret key performance indicators and access to relevant controlling criteria lead to the recommendations of already concentrating on the right key performance indicators and, in particular, possessing significant knowledge in the analysis of balance sheets before the acquisition.

From the acquiring party's viewpoint in relation to the context of gaining practical experience, the recommendation is for him/her to acquire personally acquire expertise or consult external expertise prior to the acquisition. This relates to both professional and interdisciplinary competencies. From the acquiring party's perspective, it is not possible to derive an actively controlled recommendation for action in the solutions of the 5-7 year inheritance model or the prompt setting of an agenda. Within the context of timely communication with the people around him/her or proper formats of participation, it can be recommended that the acquiring party communicates with those close to him/her at an early stage and in a transparent manner to achieve a consensus on the acquisition in this phase.

Within the context of openness for innovation and the strategic process, the recommendation is for the acquiring party to selectively introduce innovations and concretely demonstrate this step with figures. In relation to the controlled use of advisory services, it is recommended that the acquiring party take advantage of such services in due time.

This especially applies to the area of tax and legal services that are specialised in succession processes and can provide services from a single source (e. g. organised as a professional partnership). The acquiring party is advised to introduce a specific transition schedule with defined roles for the transfer process. One specific measure can be milestone plans that are communicated to all stakeholders. Between the conflicting areas of figures, data and facts on the one hand and the gut feeling on the other, the recommendation is for the acquiring party to observe both without neglecting either of them. In concrete terms, the figures should be checked and analysed before the acquisition while the acquiring party should also listen to his/her gut feeling with regard to believing in the company's future viability.

Transferring party

Within the context of unambiguous measurement criteria and due diligence or multiple key performance indicators, it is recommended that the transferring party relies on a few significant key performance indicators and/or precedes a due diligence process solely with a letter of memorandum. Closely affiliated persons should be appropriately included in an unemotional atmosphere, which can benefit from the suitable communication models.

The solution referred to as an ongoing check of transfer-relevant points appears to be insignificant from the transferring party's point of view in the preparation phase. A clear definition of the roles and goal leads to documented organisational and procedural organigrams. Furthermore, it is also recommended on the basis of these organigrams that the transferring party obtain advisory services wherever needed.

The solutions referred to as qualification and/or use of internal qualified staff or external advisers appear to be self-evident. It is essential that the transferring party contributes his/her expertise in the preparatory phase by externalising implicit knowledge, for example. A recommendation for action by the transferring party within the context of joint and timely fixed inheritance arrangements is the presentation of a concrete proposal. The transferring party can prepare the succession by conducting conversations on a regular basis with stakeholders, for example.

The solution designated as limited use of advisory services in highly specialised areas should prompt the transferring party to obtain tax and legal advice prior to the transfer. Similar to explanations on the transition schedule and roles solution, the transferring party can ensure that milestones with clearly designated roles define significant steps of the transfer, for example.

Execution phase

Acquiring party

During the execution phase, it is necessary to address the inclusion of employees in relation to strategy and figures, data and facts on suitable values with regard to communication. In particular, meetings on a regular basis and strategy rounds can also help to turn the affected parties into participants. Qualification measures or the specific use of external parties appear to be unnecessary as a desirable solution with respect to the acquiring party.

An acquiring party is experienced as authentic if his/her words and actions are harmonious. In case of doubt, the recommendation is to promise less instead of setting lower goals. The structural and procedural organisation is a solution in the execution phase from the acquiring party's viewpoint. These aspects should be specifically documented in the business plan and have roles assigned to them. Analogous to the preparatory phase, tax and legal advice can be obtained in highly specialised areas of tax and legal advice within the context of an open communication and limited use of advisory services. Suitable team-building measures also appear to be expedient, especially within the context of communication. The appropriate monitoring or early warning systems should be designed in such a way that the acquiring party focuses on liquidity planning and/or management, as well as order forecasts, preliminary calculations and follow-up calculations. Qualitative aspects will also accompany this in the ideal case. Banks should be proactively included in the execution phase by holding annual meetings with them and preparing status reports, for example.

Transferring party

Above all, communication with employees and communication through the proper channels should focus on positioning the acquiring party in an adequate manner. This also applies to other stakeholders such as banks and suppliers. The transferring party should assume his/her role as a sparring partner with respect to the acquiring party in view of the figures, data and facts. An employment and location guarantee is not an adequate solution, but it is desirable to give the transferring party leeway within this context. A clear contractual arrangement with regard to the operational involvement of the transferring party can specifically be included as an adviser or in the form of advisory services over a clearly defined time period. A moderated transfer process can be initiated by the transferring party; for example, a recommendation for action could be acquiring external coaches. The timely addressing of succession candidates or securing of knowledge via a

knowledge management system can be initiated by the transferring party. This can be done by implementing a moderated assessment or setting up an orderly knowledge management process, for example.

Follow-up phase

Acquiring party

It is recommended that the acquiring party exhibit a harmony of words and actions to maintain the stakeholders' enthusiasm – during the follow-up phase in particular. In concrete terms, the acquiring party is advised to especially show dedication and presence in the early phase of completed succession. This should occur with due regard to a work-life balance. Another recommendation within this context is for the acquiring party to generally distance himself/herself from the daily business and successively assume the bird's eye view. In concrete terms, this can be accomplished by clearly separating what may have been the main emphasis of the work up to that time and the current focus of the management tasks. The solutions referred to as constant self-reflection, exchange with third parties and willingness to change can be addressed by including rounds of exchanges with a real sparring culture on a regular basis. Communication in terms of do good and talk about it should be prompt and transparent, e. g. by publishing press releases or the initial company results.

Transferring party

Within the context of appointing the transferring party to a board, the establishment of an advisory board can be recommended. It is necessary to clearly define the time period of substantial involvement and financial benefit for the transferring party in this sense.

5 Results

Based on the findings in the expert interviews, specific recommendations for action and hypotheses will be formulated in this chapter. The recommendations for action and hypotheses are always formulated according to the principal-agent theory and use concrete information from the related literature and/or best practices from actual company experience. The statements in this chapter are again oriented upon the three phases of the succession process: preparation, execution and follow-up work. They also include the role-specific perspectives of the transferring party and the acquiring party: In the first phase, the acquiring party assumes the role of the principal who engages the transferring party as an agent to transparently describe his/her entrepreneurial knowledge.³²⁷ In the execution and follow-up phases, there is a reversal of the principal-agent relationship:³²⁸ The transferring party becomes the principal who engages the successor to run the company in accordance with his/her wishes.³²⁹

The recommendations for action ultimately result in a concrete model that describes the succession process from the role-specific perspective. The hypotheses serve as precise reference points for future research.

5.1 Recommendations for Action

Preparatory phase

Acquiring party

The model according to Schulz von Thun appears to be ideal in terms of suitable communication models. Schulz von Thun describes four levels of communication in his model:

- factual level
- appeal side
- relationship side
- self-revelation.³³⁰

³²⁷ Cf. Ciesielski (2007), p. 28.

³²⁸ Cf. *ibid.*, p. 29.

³²⁹ Cf. *ibid.*

³³⁰ Cf. Schulz von Thun (1998), p. 117 ff.

The model illuminates communication in its most important facets between the transmitter and the recipient. It therefore seems particularly well suited when considered in light of the screening solution in the information asymmetry type of the hidden characteristics area within the framework of the principal-agent theory. This is because the model puts the principal in the position to reduce information asymmetry through adequate communication.³³¹

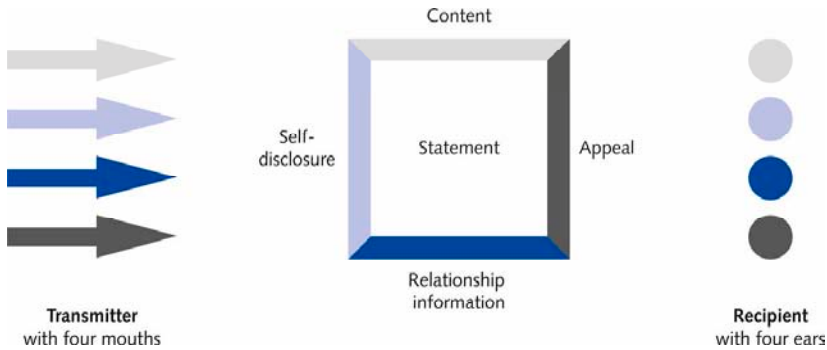


Figure 46: The Inner Team communication square

Source: Schulz von Thun (www.schulz-von-thun.de).

Another recommendation for action that can be taken by the acquiring party is initiating a clear definition of roles. This should be ascribed to the solution of self-selection in view of the principal-agent theory. In many cases, the transferring party has various roles prior to the transfer.³³² As Schulz von Thun recommends with his concept of the inner team, the agent should be fully aware of these possible transferring party roles and ask the transferring party to clearly identify his/her role. This serves as both a confidence-building measure and also helps to bring the acquisition to the point where a decision can be made. Schulz von Thun specifically identifies clarification of the inner team's composition, a step that can be taken against the background of the transfer situation.³³³

In the light of self-selection, the acquiring party can also name and/or formally appoint the appropriate key people vis-à-vis the principal in order to reduce asymmetry in information. Within this context, the acquiring party can specifically name present employees who he/she sees in a future management group. Comprehensive communication with the transferring party according to Schulz von Thun is once again recommended in this

³³¹ Cf. *ibid.*

³³² Cf. *ibid.*

³³³ Cf. *ibid.*, p. 181 ff.

process. This makes it possible to install the management group according to the criteria that Collins describes in his study,³³⁴ for example. Collins studied Fortune 500 companies and only selected companies that had an outstanding performance over 15 years. In researching the influence that management has on the company's success, he differentiates between various levels of management qualities. The acquiring party can draw on this concept when deciding how to select his/her future management group. Collins identifies managers to whom he ascribes level 5 management qualities in his study. Above all, these managers have tremendous assertiveness coupled with personal modesty.³³⁵

The formulation of a family code or model is also based on the idea of self-selection. Within this context, the acquiring party acknowledges the continuation of already established and practiced company values and standards. According to Homburg, the family code should fulfil the criteria of model development³³⁶ in its formulation and contain statements on areas of the company such as:

- customer orientation
- sought market position
- conduct toward competitors
- quality orientation
- social commitment
- management principals.³³⁷

Here is an especially successful example from the practice: The DORMA Group has successfully linked value orientation with developing the competence of its managers. DORMA – which has its headquarters in Ennepetal and is represented by about 7,000 employees in over 50 countries – produces entry solutions and provides services for buildings. The corporate group generated sales revenue of about € 1,032 million in 2012/2013. After consulting its employees throughout the company, DORMA formulated its four basic values: integrity, responsibility, innovation and performance. On the basis of these values, a competence profile was developed for management. The entire process took place as part of a company transfer.³³⁸

In view of the acquiring party's qualification, the situation is reciprocal in the principal-agent theory. This means the acquiring party can encourage the acquisition process by

³³⁴ Cf. Collins (2001), p. 17 ff.

³³⁵ Cf. Collins (2001), p. 17 ff.

³³⁶ Cf. Matje, A. (1996): p. 85 ff.

³³⁷ Cf. Homburg (2000), p. 21.

³³⁸ Cf. Ritter et al. (2014), p. 75 ff.

means of signalling (this is reserved for the agent/transferring party in the preparatory phase). In view of the acquisition, particularly suitable training and continuing education measures can be selected and made comprehensible. In concrete terms, this could mean that personal profiles focused on technology can be rounded out with management know-how. Individually designed MBA programmes on company succession are now offered. Furthermore, people with profiles defined by business skills can enhance their CVs through phases of practical experience in the commercial area of the company.

The acquiring party is therefore advised to critically check his/her own competence profile and optimise it accordingly. In order to check the competence profile, the acquiring party can voluntarily undergo a management appraisal specifically tailored to the acquisition situation. The required competencies are reflected in this process. The standard methods for this are:

- comparison of self-image/external image
- use of performance-diagnostic and personality-diagnostic test procedures
- depth interviews.³³⁹

The acquiring party can support the transfer process by installing a suitable documentation system. This does not involve a specific solution in the sense of signalling, screening or self-selection as part of the PAT, but a process-supporting measure. Systematic documentation can be handled according to the fundamental plan for project documentation, which is specifically designed for the transfer process. The most important documents include:

- contracts
- letter of memorandum
- milestone plans
- protocols of all meetings.

One approach would be to develop a joint data room that is used by the transferring party and the acquiring party.³⁴⁰

³³⁹ Cf. Gerhardt/Ritter (2004), p. 77 ff.

³⁴⁰ Cf. Dörfel (2002) p. 75 ff.

In the sense of screening, the principal can primarily counter the asymmetry in information in the area of balance sheet analysis. The balance sheet analysis essentially follows the procedure outlined below:

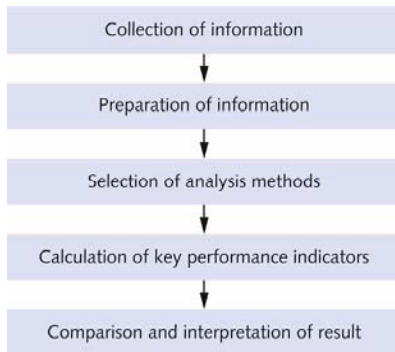


Figure 47: Steps in balance sheet analysis

Source: Based on Bröse/Zwirner (2009), p. 56.

To prepare the actual balance sheet analysis, the relevant information is initially collected and prepared. The annual financial statements represent the most important source of information. When interpreting all types of publications, it is important to have a feeling for subjective distortions. In processing the information, the employed accounting instruments are identified and eliminated. The result is the structural balance sheet, i. e. the adjusted comparison of assets and capital. On this basis, it is necessary to consider what methods are compatible for calculating the key performance indicators with the available information. The results of the calculations can be judged subsequently on the basis of the specified criteria for comparison.³⁴¹

³⁴¹ Cf. *ibid.*, p. 55 ff.

Another recommendation for action is that the principal communicate early on and openly with people close to him/her. In concrete terms, the truth of the situation communication model can be used here with the background of the screening solution in the principal-agent theory.³⁴²

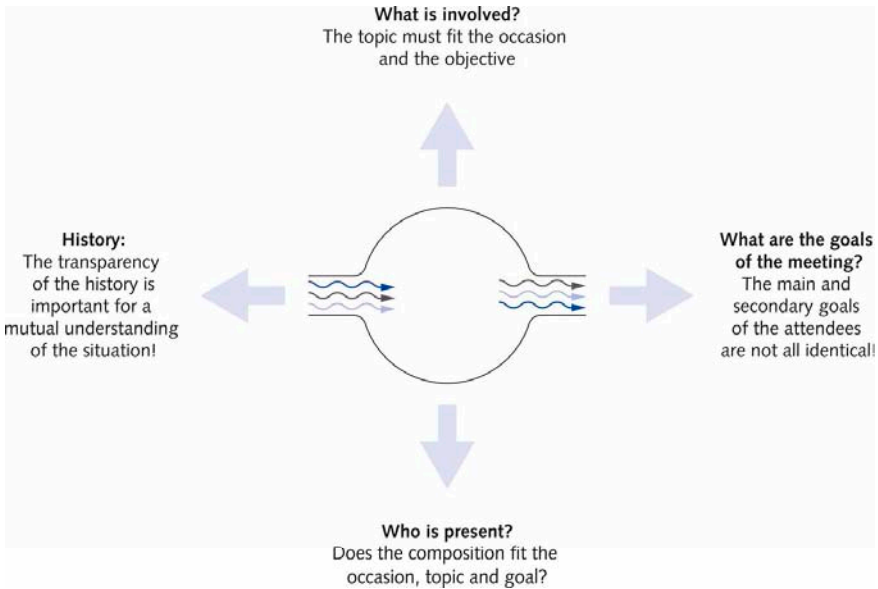


Figure 48: Situation model of Truth of the Situation

Source: Schulz von Thun (www.schulz-von-thun.de).

The purpose is to make the acquiring party's goals and intentions transparent to the immediate environment, as well as obtaining open and constructive feedback. This can allow the acquiring party to obtain previously undiscovered additional information in his/her effort to acquire the company.

Innovation and strategy can be made useful within the context of a business case. This is where investment decisions that are pending and therefore in the acquiring party's area of responsibility can be made transparent. In particular, the following aspects must be considered in the design of a business case:

- It is a complex company decision that cannot be handled trivially.
- The decision must actually still be open.

³⁴² Schulz von Thun (1998), p. 13 ff.

- Multiple decision alternatives must be described.
- The business case does not provide any guidelines regarding these alternatives.
- The business case represents the decision scenario completely in fiscal terms.³⁴³

In turn, the business case cannot be classified with any solution in the sense of the principal-agent theory. In addition to a suitable documentation system, it is a further process-supporting aid.

Another specific recommendation for action in the preparatory phase can also be classified with screening. By consulting advisers in highly specialised areas (e. g. taxes and law), the principal can obtain additional information. Based on experience, the following criteria should be focused on when selecting advisers:

- accreditation by recognised associations such as the Federal Association of German Management Consultants (BDU)
- reviewable references in the field of consulting on company succession
- long-standing experience in the topic of succession rules.

Another recommendation can be categorised with the solution of self-selection. The main points can be established in a milestone plan. This milestone plan can be prepared with the aid of a Gantt chart, which is presented here as a general procedure:

Milestone	CW	CW	CW	CW	CW	CW	CW	CW	CW	CW
1 Workshop with transferring party, acquiring party and advisers										
2 Preparation of the financial plan										
3 Meeting with tax adviser										
4 Planning and negotiating with banks										
5 Management audit by acquiring party										
6 Qualification plan by acquiring party										
7 Status workshop with transferring party, acquiring party and advisers										
8 Contractual negotiations										

Figure 49: Milestone plan by means of a Gantt chart

Source: Author's chart based on Gourmelon et al. (2014), p. 257 f.

In this process, important milestones regarding the transfer date can be presented to the transferring party. This practice can be useful for discovering hidden motives and/or

³⁴³ Cf. Taschner (2013), p. 15 ff.

intentions that the agent may have. The milestones serve the operational planning in the transfer process.³⁴⁴

In the preparatory phase, it is in the interest of the acquiring party to check a conclusive recommendation for action in terms of numbers, dates and facts – but not ignore the gut feeling. This is critical with regard to screening as a solution in the principal-agent theory. Specific checklists can be used for this purpose. Checklists are basically focused on figures, dates and facts.³⁴⁵ However, observation protocols that are used explicitly for the weak factor of gut feeling as a criterion in assessment situations are found to be a strategic criterion for making decisions or occupational and organisational psychology³⁴⁶ in areas such as capital costs.

Transferring party

In the preparatory phase, the transferring party can present a due diligence report in the sense of signalling in the light of the principal-agent theory. Strategic considerations should take precedence, especially in the case of a company transfer as proposed by authors such as Herrmann. Among other steps, this entails reaching an early agreement in a letter of intent and therefore gaining the opportunity of inspecting the data room and pursuing the prompt inclusion of the house bank within the scope of this process.³⁴⁷

Otherwise, a due diligence should always achieve the following objectives:

- demonstrating risks before a company sale
- improving the quality of the financial data
- supporting and improving the transaction process.³⁴⁸

Priority can be given to a letter of intent or a memorandum of understanding, which should contain the following important points from the transferring party's point of view:

- formulation of the transfer and/or sales intention
- goals with regard to finances, employees and corporate culture.³⁴⁹

³⁴⁴ Cf. Felden/Klaus (2007), p. 73 ff.

³⁴⁵ Cf. *ibid.*

³⁴⁶ Cf. Geginat et al. (2006), p. 9.

³⁴⁷ Cf. Herrmann (2007), p. 65 f.

³⁴⁸ Cf. Pomp (2015), p. 18 f.

³⁴⁹ Cf. *ibid.*

From the acquiring party's point of view:

- formulation of acquisition and buying intention
- commitment to the achievement of certain goals.³⁵⁰

With the background of signalling, the communication model by Schulz von Thun (truth of the situation) should also be recommended here. In the preparatory phase, it appears suitable to include closely affiliated people on the factual level. Another recommendation that can be evaluated as process-supporting is the drafting of unambiguous development and process charts. A target concept for a future organisation could be designed here. This should clearly depict the responsibilities of the acquiring party, a possible change in the composition of departments and the related changes in the responsibilities of important key persons for the period after the company transfer.³⁵¹

Analogous to the acquiring party, the recommendation can also be made to the transferring party that he/she should obtain the service of advisers in due time. In the light of the principal-agent theory, this can be understood as signalling from the perspective of the transferring party. Furthermore and especially in the light of signalling, the externalising of implicit knowledge can promote the transfer process. The SECI model by Nonaka/Takeuchi, as illustrated by Völker et al in simplified form below, can be useful within this context:

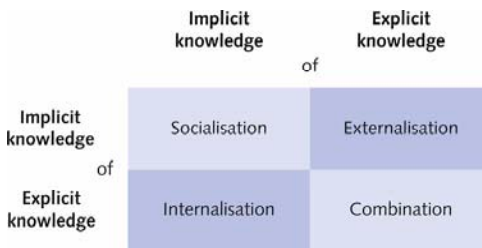


Figure 50: The four forms of converting knowledge

Source: Völker et al. (2012), p. 171.

The authors describe the fundamental possibilities in the forms of knowledge transfer, which also includes the transfer from implicit to explicit knowledge.³⁵² Especially in the context of signalling, it could be mentioned that a specific model for the inheritance ar-

³⁵⁰ Cf. *ibid.*

³⁵¹ Cf. Fiedler (2010), p. 26 ff.

³⁵² Cf. Völker et al. (2012), p. 170 f.

rangement can prepare the acquisition. In particular, the 5-7 year model should be mentioned (cf. section 3.1.7).

Regular communication with all stakeholders of the transferring party is also associated with signalling in the PAT solution. Proper formats of communication can be useful for this. Georgsdorf stresses the importance of an integrated stakeholder communication concept and identifies some instruments for this purpose such as:

- workshops
- personal letters and meetings
- company intranet
- company newspapers
- social media
- business TV.³⁵³

Obtaining expertise in the form of advisory services can also be recommended to the transferring party. However, this is only from the perspective of signalling in the light of the principal-agent theory. This also involves making information transparent for the acquiring party by means of third parties. The selection criteria for advisers follow the above-mentioned recommendations for action from the acquiring party's perspective.

Defined milestone plans, including plans with regard to the transfer date, can be categorised with the self-selection solution in the PAT. From the transferring party's point of view, it is a good opportunity to examine the acquiring party's intentions by employing distinct variations. As described in other places, a Gantt chart can be useful here.

Execution phase

Acquiring party

In terms of monitoring, the acquiring party can underscore his/her suitability as a buyer through proper communication measures (building a reputation as a particular form of incentive system for avoiding the moral hazard, cf. section 3.2.4.1 of this dissertation). As previously described, classic formats of communication also serve as a vehicle. With regard to the acquiring party's reputation, the recommendation for action is evaluating the

³⁵³ Cf. Georgsdorf (2010), p. 52 ff.

consistency of word and actions. In particular, mutually defining goals according to the SMART rule is recommend:

- S = Specific
- M = Measurable
- A = Accepted
- R = Realistic
- T = Timed.³⁵⁴

Another recommendation that can be categorised as process-supporting is developing an unambiguous structure and/or process organisation as described in Felden/Pfannenschwarz³⁵⁵ The agent can support the process in this phase by consulting advisers in highly specialised areas, e. g. by using tax and legal advice in specific instances.

In reference to the subject of reputation, team-building measures are also viewed as expedient. For example, team-building could be conducted with the acquiring party and the company's key people since a joint team must be formed here in the future. The optimal planning and implementation of team-building measures should be worked out with an external specialised management trainer.³⁵⁶

From the acquiring party's viewpoint, early warning systems must be used in an essential and process-supporting way during the execution phase. Possible early warning systems are:

- SWOT analysis
- scenario technique
- networked thinking
- key performance indicator systems.³⁵⁷

The inclusion of banks is also helpful for improving reputation. Annual status meetings are useful for this purpose. The design of such status meetings involves important elements:

- latest available financial reports
- forecast

³⁵⁴ Cf. Doran (1981), p. 35 f.

³⁵⁵ Cf. Felden/Pfannenschwarz (2008), p. 55.

³⁵⁶ Cf. Adair (2009), p. 124 ff.

³⁵⁷ Cf. Gomez/Probst (2007), p. 1 ff.

- innovation projects
- investment plan.³⁵⁸

Transferring party

The transferring party can contribute to the acquiring party's appropriate positioning in the execution phase by placing the acquiring party in an optimal starting position in the sense of bonding. In concrete terms, first official visits and/or presentations to banks, customers and suppliers should be mentioned here. The transferring party can prepare the path for the acquiring party and actively shape the creation of trust.³⁵⁹

In terms of monitoring, the transferring party is an optimal sparring partner if he/she finds the right balance between closeness and distance. A management coach can provide support here.³⁶⁰

The inclusion of the transferring party should be clearly regulated. In the sense of monitoring, this can occur specifically in the executing phase by setting up a business council. Kormann argues that it is especially necessary to pay attention to the following aspects in the process:

- number of council members
- qualification of council members
- appointment and recall of council members
- term of office for council
- revocation of the council
- organisation of the council
- liability of the council
- council remuneration.³⁶¹

A moderated transfer process can be useful as a process support. An external supporter can be meaningful from the transferring party's perspective if he/she satisfies the following criteria according to Drescher:

- neutrality

³⁵⁸ Cf. Engelbrechtsmüller/Kerschbaumer (2014), p. 11 ff.

³⁵⁹ Cf. Felden/Klaus (2007), p. 186 ff.

³⁶⁰ Cf. Weiss (2003), p. 3 ff.

³⁶¹ Cf. Felden/Klaus (2007), p. 190 ff.

- method competence
- experience with the topic of company transfer.³⁶²

In terms of monitoring, the securing of knowledge is critical. The model according to Probst can serve as a basis here.

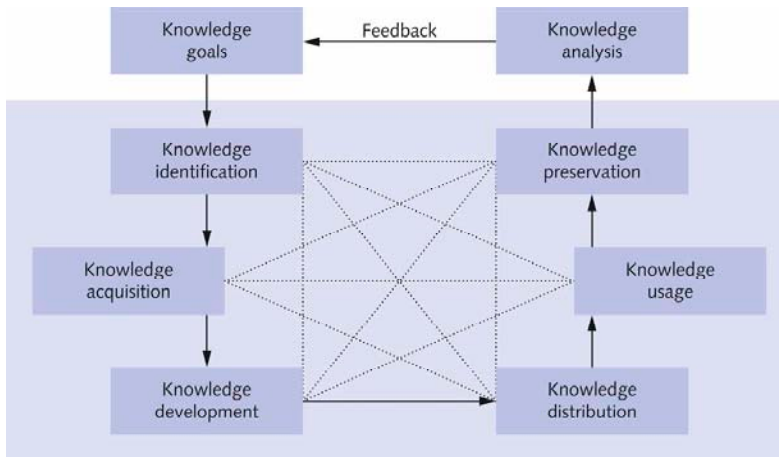


Figure 51: Knowledge spirals in the generation of knowledge

Source: Probst et al. (1999) p. 58.

The model's outer loop shows what is between the sought development of knowledge in the company (knowledge objectives) and the measurement of the corresponding success. The inner loop illustrates the corresponding required areas of responsibility.³⁶³

Follow-up phase

Acquiring party

Analogous to the execution phase, the unity of word and actions can be mentioned with regard to the reputation solution in the principal-agent theory. During this phase, particular attention should be paid to the work-life balance construct in terms of unifying work and private life.³⁶⁴

³⁶² Cf. Drescher (2003), p. 56 ff.

³⁶³ Cf. Probst et al. (1999), p. 58.

³⁶⁴ Cf. Schnetzer (2014), p. 1 ff.

When considering the background of reputation, focusing on management tasks is recommended. <Haga/Röpke describe the evolution of an acquiring party as a learning process.

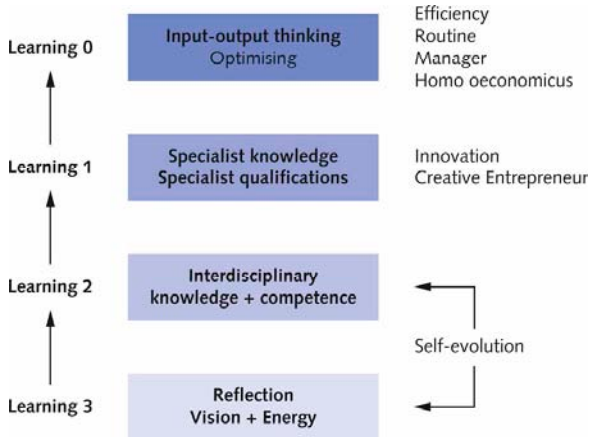


Figure 52: Learning cycle

Source: Haga/Röpke (2007), p. 11.

Reflection rounds on a regular basis can support the process. These can take place in the presence of third parties or without them. The findings on successful communication according to Schulz von Thun provide guidance here as well.

Especially in the follow-up phase, systematic public relations are necessary with regard to reputation. Knödler defines public relations as follows: “Public relations are a classic instrument of corporate communication. The focus here is not on sales promotion but primarily on supporting and designing relationships with the public.”³⁶⁵

Transferring party

From the transferring party’s viewpoint, setting up a council in the sense of the principal-agent theory (control system) can be recommended in the follow-up phase (see details under the Execution phase).

³⁶⁵ Knödler (2005), p. 19.

5.2 Hypotheses

A hypothesis is fundamentally understood to be a formulation that describes the correlation or an assumption of a correlation between different matters.³⁶⁶ According to Kromrey, the following conditions must be met in order to speak of a hypothesis.

- It must be fundamentally possible to falsify the hypothesis. For example, this means that it must be made refutable in terms of content within a research process.
- Multiple hypotheses must be connected with each other on the basis of an internal logic, i. e. referring to the same intellectual construct.
- The content of hypotheses must not contradict each other.³⁶⁷

The hypotheses in this dissertation will be presented in the following section. As already described in other places, this dissertation involves a hypotheses-generating research project. This means that the previous course of the research has essentially served to outline the derived hypotheses in an understandable way. For the most part, the hypotheses are based on the following methodological steps and their results:

- Analysis of the relevant literature
- Focus group
- Interviews
- Expert interviews.

The order of the ensuing hypotheses follows the fundamental phases of the acquisition process: preparation, execution and follow-up work. Furthermore, they take into account the role-specific perspectives of the acquiring party and the transferring party. This is always based upon the possible solutions in the principal-agent theory.

³⁶⁶ Cf. Kromrey (2006), p. 48 ff.

³⁶⁷ Cf. *ibid.*, p. 38.

Hypotheses of the preparatory phase

Acquiring party

For the preparatory phase, it is possible to state with regard to the acquiring party that all the potential solutions proposed in the principal-agent theory (PAT)³⁶⁸ can be applied before the contract is concluded. Furthermore, process-supporting measures in the preparatory phase can make the acquisition easier.³⁶⁹ The result is the following hypotheses:

Hypothesis (sequential no.)	Formulation
H ₁	The signalling solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the preparatory phase.
H ₂	The screening solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the preparatory phase.
H ₃	The self-selection solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the preparatory phase.
H ₄	Process-supporting measures have a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the preparatory phase.

Figure 53: Hypotheses Block 1

Source: Author's chart.

Transferring party

For the transferring party, the following hypotheses – which also reference the signalling and self-selection solutions – can be formulated during the first phase of the acquisition process.

³⁶⁸ Possibilities for the specific design of the potential solutions proposed in the PAT – signalling, screening, self-selection, control system, reputation and monitoring – are based on qualitative research (cf. chapter 4 of this dissertation).

³⁶⁹ Process-supporting measures appear to be fundamentally important for the acquisition process. They are basically taken into account during each phase of the acquisition process. They only appear to be ineffective for the transferring party during the follow-up phase.

Hypothesis (sequential no.)	Formulation
H ₅	The signalling solution proposed in the PAT has a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the preparatory phase.
H ₆	The self-selection solution proposed in the PAT has a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the preparatory phase.
H ₇	Process-supporting measures have a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the preparatory phase.

Figure 54: Hypotheses Block 2

Source: Author's chart.

Hypotheses in the execution phase

Acquiring party

For the execution phase, two main solutions with regard to the acquiring party can be found on the basis of the principal-agent theory (PAT). These two solutions form the foundation of the formulated hypotheses:

Hypothesis (sequential no.)	Formulation
H ₈	The monitoring solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the execution phase.
H ₉	The reputation solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the execution phase.
H ₁₀	Process-supporting measures have a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the execution phase.

Figure 55: Hypotheses Block 3

Source: Author's chart.

Transferring party

The principal-agent theory proposes solutions that can serve as guidance in the formulation of hypotheses for the transferring party during the execution phase due to the findings in the research on this project:

Hypothesis (sequential no.)	Formulation
H ₁₁	The bonding solution proposed in the PAT has a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the execution phase.
H ₁₂	The monitoring solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the transferring party during the transfer process in the execution phase.
H ₁₃	Process-supporting measures have a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the execution phase.

Figure 56: Hypotheses Block 4

Source: Author's chart.

Hypotheses in the follow-up phase

Acquiring party

For the acquiring party in the follow-up phase, one solution in the principal-agent theory is apparently dominant and therefore serves as the foundation for the formulation of the hypotheses:

Hypothesis (sequential no.)	Formulation
H ₁₄	The reputation solution proposed in the PAT has a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the follow-up phase.
H ₁₅	Process-supporting measures have a positive impact on the actual completion of the acquisition with regard to the acquiring party during the acquisition process in the follow-up phase.

Figure 57: Hypotheses Block 5

Source: Author's chart.

Transferring party

One possible solution based on the principal-agent theory is promising for both the acquiring party and the transferring party in the follow-up phase:

Hypothesis (sequential no.)	Formulation
H ₁₆	The control system solution proposed in the PAT has a positive impact on the actual completion of the transfer with regard to the transferring party during the transfer process in the follow-up phase.

Figure 58: Hypotheses Block 6

Source: Author's chart.

6 Discussion

This chapter methodologically discusses the findings in this study that were obtained from the various steps in the research. The research question is focused on the development of solution mechanisms in terms of the principal-agent theory as part of the phases in company succession with the background of role-specific asymmetry in information. In the following section, the findings from the individual research steps will be shown with regard to their scientific contribution. The data was obtained from a focus group, expert interviews and expert talks on the basis of the qualitative research approach. This data will be subject to critical reflection in the following section.

6.1 Discussion of findings from the literature analysis

Pertinent literature and relevant research work was analysed to create a context for the research question and as a basis for the empirical research. It was possible to limit the available succession models in the literature to six relevant models and examine them with regard to their suitability for answering the research question.

Consideration of the succession models by Kary/Dittmers, Viehl and the Witten phase model showed that they are relevant for the research question and especially in relation to the transferability of the findings since these models have a clear procedural character for company succession. Consequently, a three-stage process of succession served as guidance for the design of the qualitative collection. The analysis of the collected data, with a high priority on the specific design of the collection instruments, is based on these phases: preparation, execution and follow-up work. However, the three models do not show any particular connection to specific characteristics of a role constellation between the transferring party and the acquiring party with regard to the characteristics described in the principal-agent theory. The succession models are therefore not suitable for showing the asymmetries in information. This also applies to the Wiesbaden model, the 5-year model and the 7-year model. The models also contain no indications of how to handle risks arising in the succession process with the assumed principal-agent relationship of transferring party and acquiring party. Instead, they provide insight into relevant subjects that characterise the succession process. This is important for understanding one portion of the research topic, which involves the fundamental characteristics of succession. So

the models in the research process form a share of the necessary background information.

The St. Gallen succession model by Halter/Schröder is considered to be authoritative for the study. This model combines the phase model with an analysis of the levels, as well as the topic of self-image for family companies within the succession process and therefore provides two different ways of looking at company succession. The model supplies the framework for this study's research design. In particular, the interpersonal level associated with the family company, i. e. the various relationship constellations – primarily those between the transferring party and the acquiring party – makes the research topic more transparent for future empirical research and should be considered an important theoretical result. This result leads to the collection of data on mainly these two protagonists in the company succession process and on the interpersonal level, which justifies the qualitative research approach in addition to the previously “narrow” appraisal of the research field. The context-based reality of the company succession phenomenon will be explored so that it is possible to work with it in a way that generates hypotheses and provides the space for follow-up research.

Consequently, the methodological design of the focus group and the expert interviews or expert talks is oriented upon the three phases of company succession on the one hand; on the other hand, it is oriented upon the various role perspectives of the transferring party and acquiring party.

Building on the succession model by Halter/Schröder, this dissertation applies the principal-agent theory. Lüders identifies the fundamentally different stages in the relationship between the principal and agent in the phases before the conclusion of a contract, during a contractual period and after the end of a contract.³⁷⁰ Placing the roles of the transferring party and acquiring party in the succession process in relation to each other as phase-dependent and changing principal-agent relationships can therefore be seen as a major finding in the analysis of the literature.

The following sections of this dissertation should be referred to for a detailed discussion of these research results:

³⁷⁰ Cf. Lüders (2008), p. 34.

- The identified succession models are considered in greater detail and examined critically in section 3.1.
- In section 3.2, the principal-agent theory is the subject of intensive analysis.

6.2 Discussion of findings from the focus group

The previously presented, theory-derived findings initially justify the sampling of the focus group in that the selected test persons in the focus group are each at different phases in the company succession process. This situation offers the opportunity for making various aspects of the principal-agent relationship tangible by means of empirical findings.

The findings in the focus group emphasise the particular importance of four main categories for company succession: entrepreneurial personality, attitude – willingness – action, strategic aspects and financing-relevant aspects. These categories are found in relation to the phases of succession, yet their relevance differs in the individual phases. Furthermore, the theoretical relationship to the four levels of analysis in the model by Halter/Schröder and other research work can be seen here. In this regard, the data collected in the focus group confirms the content of the St. Gallen succession model. Another finding is that the evaluation of entrepreneurial personality and attitude – willingness – action as personal categories is just as important in the focus group as more economic aspects such as finances and strategy. The general role of entrepreneurial personality for company succession is also confirmed by the research on entrepreneurial personality and entrepreneurship elsewhere. The focus of this dissertation is on the possible characteristics and typologies.³⁷¹ Other research institutions are attempting to examine the forms of conduct typical for the profiles of entrepreneurs.

In addition, the succession phase concept adopted from the theoretical findings also proved to be the fundamental orientation model for the focus group and was confirmed by its participants.

Each category includes a number of elements/issues in turn. However, the results from

³⁷¹ For example, Chell et al. (1991; 2000) identify four different types of entrepreneurs in their research: the opportunistic entrepreneur, the caretaker, the quasi-entrepreneur and the administrator. Cf. Chell, E. (2000): "Towards researching the 'opportunistic entrepreneur': A social constructionist approach and research agenda." *European Journal of Work and Organizational Psychology*, p. 9, 63 ff. Miner (1997; 2000) also depicts an entrepreneurial personality model with four distinct types. He differs between the personal achiever, the real manager type, the empathetic salesperson type and the expert idea generator type. Cf. Miner, J. B. (2000), "Testing a Psychological Typology of Entrepreneurship Using Business Founders." *The Journal of Applied Behavioral Science*, 36, 43 ff.

the focus group do not completely clarify the precise point at which the dynamism of the principal-agent relationship concretely takes effect in the succession process. This is why the elements/issues developed from the results of the focus group are correlated with the principal-agent theory. This occurs in the form of topic areas where aspects such as the problems of hidden information could be seen. As a result, the elements/issues serve as the starting point for future data collection.

With regard to the general assessment of focus group results, some scientific statements have been made. Here is a brief reference to some of this work:

- Mayerhofer states that the relaxed atmosphere in a focus group and the related honesty of the participants also comes with the risk of moderator influence and the subjective interpretation of the results.³⁷²
- In her critical reflection on the focus group, Misoeh refers to the impact that the group composition has on the potential results. She states that if the group constellation is not homogeneous, there is a risk that there will be no disclosure of non-group-conforming conduct or opinions particularly in regard to stigmatised issues with this method. Consequently, the suitability of the method must be questioned with regard to the topic.³⁷³

6.3 Discussion of findings from the expert interviews

The findings in the focus group led directly to the methodological design of the applied interview guidelines. The interim results of the focus group also justify the second research step within this context – continuing along the lines of the qualitative research approach. On the one hand, this means a confirmation that the ongoing study will systematically be oriented upon the phase model; on the other hand, it shows that the role constellation should continue to be explicated and that the principal-agent theory is directly “workable” as a basis of company succession by using the elements/issues actively introduced by the researcher.

The results of the expert interviews show how the existing asymmetries in information and their forms such as hidden characteristics are reflected in different ways depending

³⁷² Cf. Mayerhofer (2009), p. 485 ff.

³⁷³ Cf. Misoeh (2015), p. 148.

on the phase. Nevertheless, the interview partners attribute greatly differing levels of importance to the issues: not everything should be considered equally important and therefore a risk for the company succession.

An equally clear result is that the transferring party and the acquiring party each evaluate the issues differently, depending on the phase that they are currently in. Like the focus group, the expert interviews confirm the importance of the definable phases found in the theory. By the same token, the interview results also clearly show the dynamic role constellation in the background of a company succession. This can be interpreted as a principal-agent relationship that changes over the course of the company succession process. It develops independently of the specific participants and has an impact on the communication processes.

Consequently, the starting points become fundamentally identifiable in the design of the recommended actions: They primarily consist of supporting communication between the participants, particularly in the guidance of topic diversity. This is demonstrated in the Halter/Schröder model on the level of the family company.

A general critical appraisal of results that are generated by expert interviews can be found, in sources such as the following research:

Liebold and Trinczek initially emphasise the privileged view of the problem and the possibility of developing complex fields of research with the inclusion of conceptual preliminary considerations. However, the potential results of the methodology depend on many different factors. They see the problem areas as a balancing act between structuring and openness, subjective interpretation of the results and the high requirements of competence that interviewer must fulfil.³⁷⁴

6.4 Discussion of findings from the expert talks

In terms of validation, the interview results are discussed anew in the form of a second round of expert interviews. These discussions examine the issues in terms of the different alternatives for action that exist in each phase from the perspective of both roles. This step results in specific recommendations for action that could reduce the existing imbal-

³⁷⁴ Cf. Liebold und Trinczek (2009), p. 53 f.

ance from the impact of the principal-agent relationship. A central aspect of this is consciously designing the necessary communication processes between the participants and therefore the attempt to change the specific actions of the transferring party and the acquiring party.

In summary, it has been determined that the succession model by Halter/Schröder serving as the guide for this study can explain the results of the first interview round. However, it does not reflect the issues discovered in the second set of expert interviews. Within this context, it appears that the principal-agent theory is better suited as a framework that can make these aspects more transparent and explainable by supplying the appropriate terms.

The methodology of the expert interview also applies within the context of the principal-agent theory in the following studies:

- Zissler understands the transfer of technology in contractual research projects as a principal-agent relationship and uses expert interviews to derive recommended actions for the participants. For this purpose, he includes the significant factors of the principal-agent theory in the design of the guidelines so that they can be addressed during the course of the interview. He bases the selection of the methodology on the complexity of the research topic and the opportunity to link the practical importance of the data collection to the fundamental theoretical understanding of the principal-agent theory.³⁷⁵
- Seiter draws on the principal-agent theory as an explanatory approach for opportunistic conduct as a result of asymmetries in information within the value-added chain. She therefore uses the semi-structured expert interview within this context to limit the instruments identified in the literature for avoiding opportunistic conduct to the five that are most relevant for further quantitative research.³⁷⁶

6.5 Discussion of the derived hypotheses

Hypotheses for the further structuring of the research topic are gained from the results of the data collections and the theory construction within this study. The hypotheses ini-

³⁷⁵ Cf. Zissler (2011), p. 114 ff.

³⁷⁶ Cf. Seiter (2006), p. 110 ff.

tially implicate a confirmation of the phase approach and aim for a more precise examination of the correlations in the role constellation and the impact that the result-based, recommended solutions for reducing the negative effects of the principal-agent relationship will have on the success of company succession.

The theoretical linking of the succession model with the principal-agent theory and the juxtaposing of the empirically obtained results in this study suggest that future research should examine the extent to which the principal-agent relationship can be influenced as an effective, systematic background condition that may not be identified by the actors, or whether this is ultimately unimportant. Moreover, these hypotheses could be explained within the scope of future research on company succession. If the number of included cases is expanded and the significance of influential factors is examined, the hypotheses could be tested in the corresponding quantitative sense. For more information on this, see the recommended methods in chapter 7.

7 Conclusion

The objective of this dissertation was to propose concrete actions for the company succession process and generate qualitative research hypotheses. The concrete aim was to achieve the following objectives derived from the research question posed in section 2.1:

- O₁: Identification of the issues and resulting risks
- O₂: Determination of the solutions and specific recommendations

It was possible to identify the issues and resulting risks by using a qualitative research approach.³⁷⁷ Based on this approach, potential solutions and specific design recommendations for the succession process were developed.³⁷⁸

The project was generally implemented in a methodological-qualitative manner. Based on an extensive analysis of the literature and a focus group, a series of interviews was conducted. The collected data was evaluated by using the content analysis according to Mayring. The outcome of these results was a model that developed from the St. Gallen succession model and also considers the principles of the principal-agent theory.

The results of the project can be summarised and depicted in the following graphic:

³⁷⁷ Cf. section 4.4 to 4.8.

³⁷⁸ Cf. section 4.1.

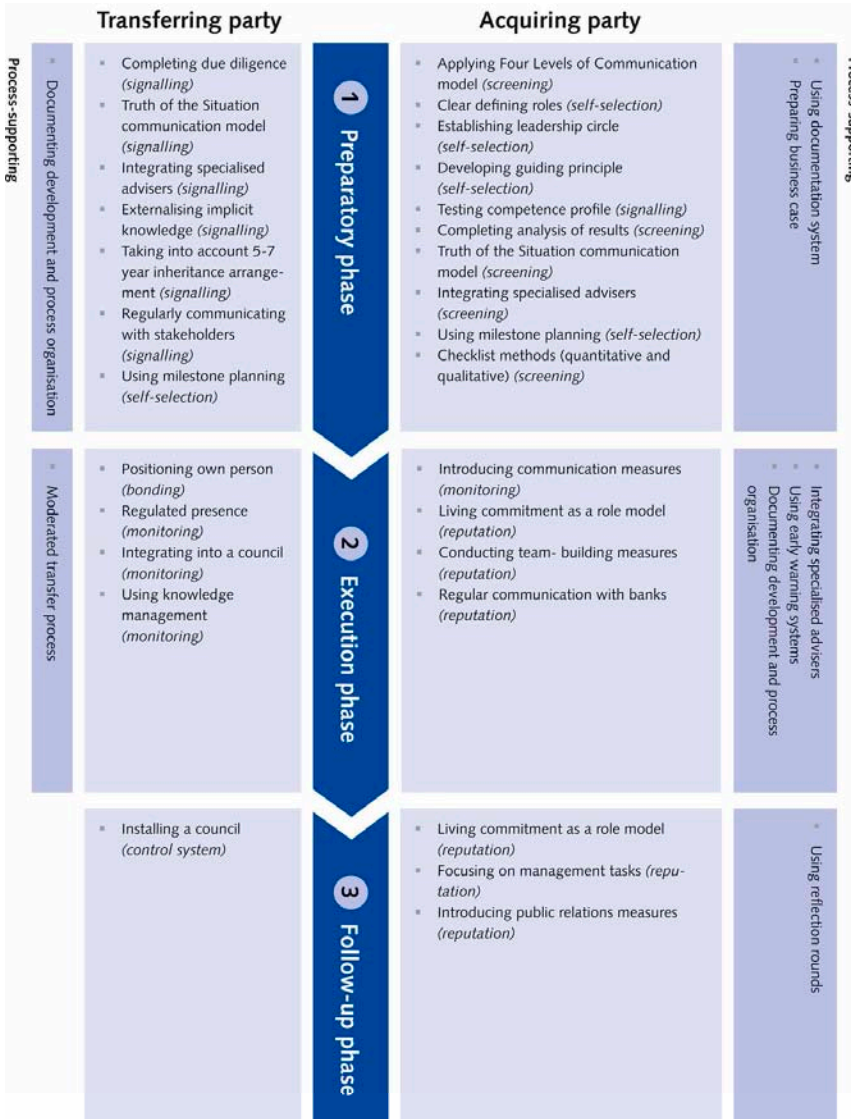


Figure 59: Company succession model at a SME

Source: Author's chart.

The model outlined in figure 59 is generally oriented upon the three fundamental phases of the St. Gallen succession model according to Halter/Schröder (preparation, execution

and follow-up work). In addition, the principal-agent theory serves as an organising element when considering the different perspectives of the acquiring party and the transferring party. The recommended actions from corporate practice were specifically categorised with the theoretical solutions (signalling, screening, self-selection, reputation, control system and monitoring) proposed by the principal-agent theory. This ensures that the recommended actions are both concrete and practically relevant, as well as also having a theoretical foundation. Furthermore, recommended actions were identified in the qualitative research that cannot be assigned to the possible solutions of the principal-agent theory. Consequently, these are called process-supporting measures. Such process-supporting measures can be initiated by both the acquiring party and the transferring party, and are generally intended to support successful progress in the transfer process.

In terms of content, the following statement can be made about the general overview of the model: A successful transfer process is essentially defined in the preparatory phase. Many recommended actions can be assigned to this phase from the perspective of both the acquiring party and the transferring one. The execution phase is defined by recommended actions that are based on the preparatory phase and its recommended actions. There are relatively few recommended actions in the follow-up phase.

It was possible to formulate the recommended actions that developed within the course of the project into hypotheses with the background of the St. Gallen succession model and the fundamental functionality of the principal-agent theory. In this respect, the project succeeded in achieving its goal of generating hypotheses and allowing room for future research as a result. In particular, this room for future research can be useful for addressing possible flaws in the project. The following methodological flaws are listed here:

- Insufficient opportunity to consider quality criteria in quantitative research: The project intensely considers the entrepreneurial world by working with qualitative approaches. In terms of a three-layered procedure (focus group and two interview series), it was possible to generate valuable results. This was sometimes at the expense of possible quantitative research approaches and their quality criteria of validity, reliability and objectivity.³⁷⁹
- No opportunity to demonstrate or check the causal measurement models: The causal check of the correlations assumed in the project cannot be treated here. In this re-

³⁷⁹ Cf. section 4.2 of this dissertation.

spect, no statements can be made about which of the solutions or specific recommended actions has a significantly greater impact on the succession process than the others under certain circumstances.

In addition to the above-mentioned methodological flaws, the dissertation's consistent theoretical focus on the St. Gallen succession model and the principal-agent theory gives rise to content deficiencies that could also become the topic of future research:

- It was possible to develop a number of individual recommended actions that can address specific issues in the practice and could be assigned to the issues in the principal-agent theory in most cases. The principal-agent theory represents a fundamental theory that can be applied to many management areas. In the further course of research, issues and recommended actions can be drawn from this theory and used in another theoretical context that could be more specific.
- In terms of its content, the project considers the succession process as family succession and management succession. This leads to findings that are fundamentally suited for addressing both perspectives. Within this context, room for future research can be found in systematically studying one of these two categories. With regard to the two succession options and their forms, this would allow for the sharpening and more detailed examination of the findings in this dissertation, as well as making them more specific on the whole.

In terms of the methodology, room for future research could take the following form: The model proposed in this project could be transferred into a causal model. The causal model could be produced from an internal structural model consisting of the preparation, execution and follow-up work constructs. The application of both formative and reflective measurement models would be conceivable. In terms of quantitative confirmation, such a model could be tested with a PLS (Partial Least Squares) or LISREL (Linear Structural Relationships) approach.³⁸⁰ When demonstrating the structural model or the measurement model, the above-mentioned content focus could also be used. For example, a role-specific focus (transferring party or acquiring party) could be meaningful or the succession process of a certain type of company (e. g. family company) could be the focus of a study. The proposed hypotheses in this dissertation could basically be used for developing such a causal model and setting the content focal points. These are derived from corporate practice on the one hand and have a theoretical basis of possible solutions in the principal-agent theory on the other hand.

³⁸⁰ See Chin/Newsted (1999), p. 314, for an introduction to the PLS and LISREL approach.

Despite the described limits on its methodology and content, this dissertation can provide valuable information for the actual practice:

- The qualitative approach includes specific recommended actions “from the actual practice for the actual practice.” It was possible to assign these recommended actions in each case to the acquiring party or the transferring party, as well as further focusing them with the findings in literature. Consequently, the dissertation makes a contribution to addressing acquisition processes from the role-specific perspective in a promising manner.³⁸¹
- By using the St. Gallen succession model and the principal-agent theory, it is possible to depict the succession process as a model in all of its complexity. The results establish a comprehensive approach to succession from the viewpoint of both the transferring party and the acquiring party.

From a scientific standpoint, the dissertation makes a further contribution to the research on company succession. In particular, the openness of the qualitative approach allows for a comprehensive perspective of the topic and therefore appears to be suited in the sense of transferability and making the empirical findings applicable to the actual practice.

³⁸¹ Also see section 1.3 with the issues described from the viewpoint of the transferring party and the acquiring party.

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Appendices

Appendix 1: Letter of invitation focus group



Mit freundlicher Unterstützung
des CFB-HSG der



Ivo Odak | Am Seegatter 18 | 87452 Altusried

Sparkasse „Name des Landkreises“
Herr Ansprechpartner
Straße, Hausnummer
PLZ Stadt

Altusried, den 04.10.2012

Teilnahmebestätigung zur Fokusgruppe am 04.12.2012

Sehr geehrter Teilnehmer der Fokusgruppe,

vielen Dank für das freundliche Telefonat.

Wie bereits geschildert schreibe ich seit drei Jahren berufsbegleitend an meiner Dissertation. Das Thema meiner Arbeit lautet:

Unternehmensnachfolge in KMU aus finanzwirtschaftlicher Perspektive *Phasen – Erfolgsfaktoren – Implikationen*

Die Arbeit setzt auf dem St. Galler Nachfolge Modell auf und ergänzt das Modell um den finanzwirtschaftlichen Part. In der quantitativ konfirmatorischen Erfolgsfaktorenforschung habe ich ein Strukturmodell entwickelt, indem ich manifeste und latente Indikatorvariablen im Prozess einer erfolgreichen Unternehmensnachfolge besetzt habe. Im nächsten Schritt folgt eine Fokusgruppe, in der mein Strukturmodell unter verschiedenen Gesichtspunkten, aus der beruflichen Praxis heraus, verifiziert wird. Nach dieser Fokusgruppe wäre ich in der Lage meine explorativen Hypothesen abzuleiten.

Für die Fokusgruppe habe ich folgenden Personenkreis identifiziert:

1. Ein Unternehmer, der den Nachfolgeprozess bereits abgeschlossen hat
2. Ein Unternehmer, der vor einigen Jahren ein Unternehmen im MBO – Prozess aus der Insolvenz übernommen hat
3. Eine Person, die unmittelbar vor der Unternehmensnachfolge steht
4. Ein/-e Banker/-in aus Kreisen der Sparkasse
5. Ein Banker aus Kreisen der Volks- und Raiffeisenbanken
6. Ein Forscher aus dem Bereich Unternehmensnachfolge von der Universität St. Gallen
7. Meine Person als Moderator

Nachdem die Sparkassen die stärksten Mittelstands- und Nachfolgefinanzierer in Deutschland sind und die Kreissparkasse „Name des Landkreises“ zu den großen Sparkassen in Deutschland zählt, sind Sie genau der richtige Teilnehmer für diese Fokusgruppe. Mit Abstand folgen die Volks- und Raiffeisenbanken im Bereich der KMU Finanzierer. Die Privatbanken hinken in der KMU Finanzierung und insbesondere in der Nachfolgefinanzierung von KMU so sehr hinterher, sodaß eine Teilnahme der Privatbanken als nicht relevant erscheint.

Ziel der Fokusgruppe ist es, die unterschiedlichsten Betrachtungsweisen und deren Gewichtung in den verschiedenen Problemkreisen (z.B. in den Hard- und Softfacts) der Teilnehmer zu identifizieren.



Mit freundlicher Unterstützung
des CFB-HSG der



Mehr möchte ich nicht verraten, da die Teilnehmer **keine** Vorbereitung für diese Fokusgruppe vornehmen sollten, sondern aus Ihrer beruflichen Praxis berichten sollen.

Die Fokusgruppe dauert im gesamten ca. drei bis vier Stunden und wird in der Nähe des Stuttgarter Flughafens, am Institut des „Steinbeis Center of Management and Technology“ stattfinden.

Ort: SCMT, Gottlieb-Manz-Str. 10 in 70794 Filderstadt

Termin: Dienstag, den 04.12.2012

Beginn: 10:30 Uhr

Die Teilnahme der Sparkasse wäre für die wissenschaftliche Arbeit von sehr hoher Bedeutung. Um den wissenschaftlichen Kriterien der sauberen Forschung zu entsprechen, wäre eine Übernahme von Kosten nicht möglich. Sie würden einen Beitrag im Dienste der Wissenschaft leisten. Die im Anschluß folgenden Experteninterviews und deren Ergebnisse würde ich Ihnen selbstverständlich zur Verfügung stellen.

In dankbarkeit und vorfreude Ihrer Teilnahme verbleibe ich

mit freundlichen Grüßen

Ivo Odak

Kontaktdaten: Ivo Odak | Am Seegatter 18 | 87452 Altusried | Email: mail@ivo-odak.de

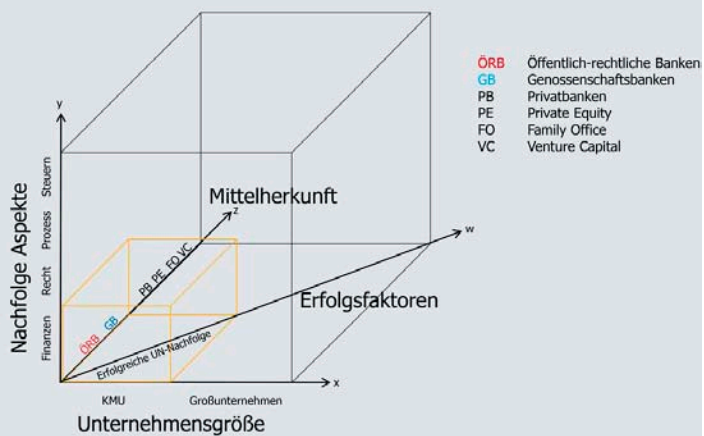
Appendix 2: Guideline focus group

Fokusgruppe

- 1 Einführung in Forschungslücke
- 2 Theoretischer Hintergrund
- 3 Leitfragen

Ivo Odak
Stuttgart, 04.12.2012

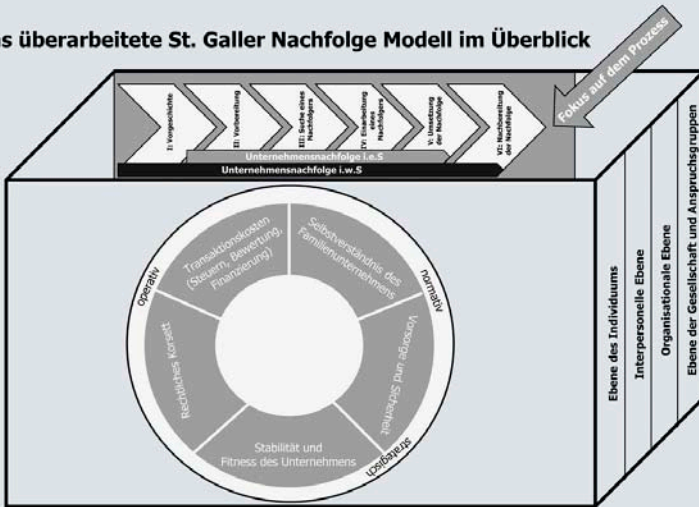
1. Forschungslücke



Eigene Darstellung

2. Theorien

Das überarbeitete St. Galler Nachfolge Modell im Überblick



Quelle: Halter/Schroder [2010]

2. Theorien

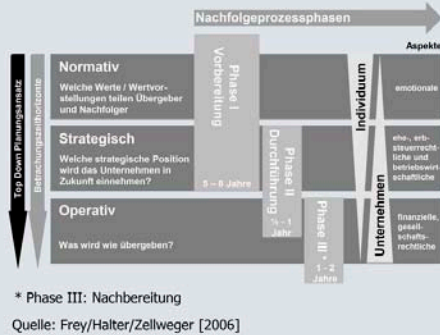
Die Ableitung des St. Galler Management Modells in das St. Galler Nachfolge Modell



Quelle: Frey/Halter/Zellweger [2006]

2. Theorien

Der Prozess des St. Galler Nachfolge Modells



3. Leitfragen

- 2.1 Was sind die wesentlichen Kriterien in der vorbereitenden Phase?
- 2.2 Was sind die wesentlichen Kriterien für die durchführende Phase?
- 2.3 Was sind die wesentlichen Kriterien für die nachbereitende Phase?

Appendix 3: Letter of invitation expert interviews



Ivo Odak | Am Seegatter 18 | 87452 Altusried

Unternehmen
Herr Ansprechpartner
Straße, Hausnummer
PLZ Stadt

Altusried, den 01.06.2015

Forschungsprojekt: Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU | Einladung zum Interview

Sehr geehrter Herr XYZ,

herzlichen Dank für das sehr konstruktive Telefonat. Es freut mich sehr, dass Sie mein Forschungsvorhaben mit Ihrer Expertise bereichern.

Wie telefonisch besprochen untersuche ich in meiner Arbeit auf Basis der Principal-Agent-Theory Problemkreise und Handlungsempfehlungen im Rahmen der Unternehmensnachfolge bei KMU.

Im bisherigen Untersuchungsgang entstand auf Basis gängiger Theorien und insbesondere durch eine Fokusgruppe ein Modell. Dieses Modell lege ich Ihnen gerne zum kritischen Diskurs vor, im Kern des Interviews wird es darum gehen, ob sogenannte Problemkreise innerhalb des Nachfolgeprozesses aus Ihrer Sicht tatsächlich Problemkreise darstellen bzw. welche Gefahren daraus resultieren können und welche Handlungsempfehlungen empfehlenswert sein können.

Ich freue mich auf das persönliche Gespräch mit Ihnen am Donnerstag, den 11.06.2015 in Ihren Räumlichkeiten.

Mit freundlichen Grüßen

Ihr

Ivo Odak

Kontaktdaten: Ivo Odak | Am Seegatter 18 | 87452 Altusried | Email: mail@ivo-odak.de

Appendix 4: Guideline expert interviews

Dissertationsprojekt

Titel:

Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU
 Problemkreise und Handlungsempfehlungen aus rollenspezifischer Perspektive

Bisheriger Gang der Untersuchung:

- Principal-Agent-Theory als theoretisches Fundament
- Schaffung rollenperspektivischer Klarheit und spezifischer Handlungsempfehlungen durch Berücksichtigung von Übergeber und Übernehmer
- Forschungsmethodisches Vorgehen – qualitativ und hypothesengenerierend

Transferpotential:

- Konkrete Handlungsempfehlungen für die Hauptakteure auf Basis der Principal-Agent-Theory

Forschungsfrage:

Welche Problemkreise und daraus resultierende Gefahren sowie Lösungsmechanismen im Prozess der Unternehmensnachfolge existieren unter Berücksichtigung der Informationsasymmetrie im Rahmen der Principal-Agent-Theory?

Zielsetzung:

Z₁ Identifikation der Problemkreise und resultierender Gefahren

Z₂ Ableitung von Lösungsansätzen und konkreter Gestaltungsempfehlungen

1

Ort, Datum, Uhrzeit des Interviews:

Ort, den

Beginn: Uhr | Ende: Uhr

Name des Interviewten:

Ausbildung/Akademischer Grad:

Funktion des Interviewten im Unternehmen:

Unternehmen des Interviewten:

Unternehmensgröße (Umsatz/Mitarbeiterzahl):

Rolle des Interviewten:

(Übernehmer vor Übergabe/Übernehmer nach Übergabe/Übergeber nach Übergabe)

Übernahme der Leitung/Übernahme des mehrheitlichen Eigentums:

2

Sehr geehrter Proband,

herzlichen Dank für Ihre Unterstützung bei meinem Forschungsprojekt mit dem Titel:

Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU

Gegenstand meines Forschungsvorhabens ist es, Problemkreise sowie daraus resultierende Gefahren und mögliche Lösungsansätze in der Unternehmensnachfolge zu untersuchen.

In vorherigen Forschungsmeilensteinen wurde ein erstes Phasenmodell der Unternehmensnachfolge erarbeitet. Es gilt nun auf Basis dieses Phasenmodells praxisnahe Lösungsansätze zu entwickeln. Hierzu ist Ihre Expertise notwendig (**Reminder**: Rolle des Interviewees).

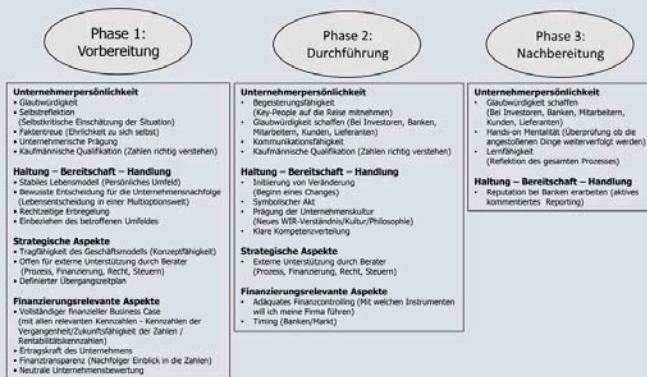
Hinweis für Interviewer: Modell / Phasen vorstellen.

Ich stelle Ihnen das Modell bzw. einzelne Blöcke nun im Detail vor. Ich bitte Sie, eine kurze Aussage darüber zu treffen, ob es sich um relevante Problemkreise handelt.

Außerdem bitte ich Sie, zu folgender Frage Stellung zu nehmen:

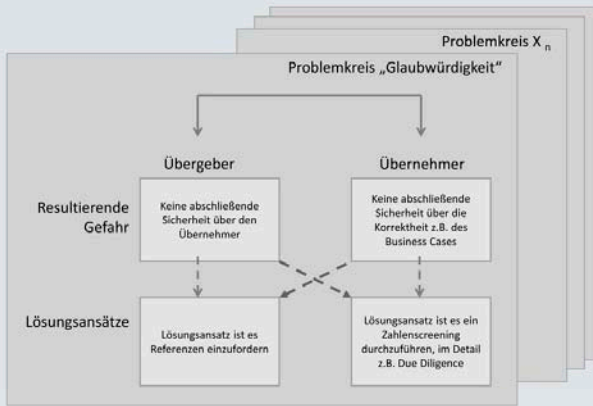
Wo sehen Sie konkrete Gefahren und Lösungsansätze in den einzelnen Problemkreisen?

3



4

Als mögliches Fazit - Problemkreise und deren Handlungsempfehlungen



5

Gibt es noch Problemkreise, Gefahren und Lösungsansätze, die wir heute vergessen haben bzw. die Sie ergänzen möchten?

6

Appendix 5: Letter of invitation expert interviews II



Ivo Odak | Am Seegatter 18 | 87452 Altusried

Unternehmen
Herr Ansprechpartner
Straße, Hausnummer
PLZ Stadt

Altusried, den 26.01.2016

Forschungsprojekt: Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU | Einladung zum Experteninterview

Sehr geehrter Herr XYZ,

herzlichen Dank für das sehr konstruktive Telefonat. Es freut mich sehr, dass Sie mein Forschungsvorhaben mit Ihrer Expertise bereichern.

Wie telefonisch besprochen untersuche ich in meiner Arbeit auf Basis der Principal-Agent-Theory Problemkreise und Handlungsempfehlungen im Rahmen der Unternehmensnachfolge bei KMU.

Es liegen nun Untersuchungsergebnisse, die anhand einer Fokusgruppe und weiterer Interviews generiert wurden, vor. Aufbauend auf diesen Ergebnissen möchte ich nun mit Ihnen über konkrete Handlungsalternativen sprechen, welche sowohl aus Sicht des Übernehmers bzw. des Übergebers zu einem erfolgreichen Nachfolgeprozess beitragen können.

Ich freue mich auf das persönliche Gespräch mit Ihnen am Dienstag, den 02.02.2016 in Ihren Räumlichkeiten.

Mit freundlichen Grüßen

Ihr

Ivo Odak

Kontaktdaten: Ivo Odak | Am Seegatter 18 | 87452 Altusried | Email: mail@ivo-odak.de

Appendix 6: Guideline expert interviews

Dissertationsprojekt

Titel:

Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU
 Problemkreise und Handlungsempfehlungen aus rollenspezifischer Perspektive

Bisheriger Gang der Untersuchung:

- Principal-Agent-Theory als theoretisches Fundament
- Schaffung rollenperspektivischer Klarheit und spezifischer Handlungsempfehlungen durch Berücksichtigung von Übergeber und Übernehmer
- Forschungsmethodisches Vorgehen – qualitativ und hypothesengenerierend

Transferpotential:

- Konkrete Handlungsempfehlungen für die Hauptakteure auf Basis der Principal-Agent-Theory

Forschungsfrage:

Welche Problemkreise und daraus resultierende Gefahren sowie Lösungsmechanismen im Prozess der Unternehmensnachfolge existieren unter Berücksichtigung der Informationsasymmetrie im Rahmen der Principal-Agent-Theory?

Zielsetzung:

- Z₁** Identifikation der Problemkreise und resultierender Gefahren
Z₂ Ableitung von Lösungsansätzen und konkreter Gestaltungsempfehlungen

1

Ort, Datum, Uhrzeit des Interviews:

Ort, den

Beginn: Uhr | Ende: Uhr

Name des Experten:

Ausbildung/Akademischer Grad:

Expertenfunktion des Interviewten im Unternehmen/Forschungseinrichtung:

Unternehmen/Forschungseinrichtung des Interviewten:

Welche Erfahrung besitzen Sie mit Unternehmensnachfolgen:

2

Sehr geehrte/r Experte/in,

herzlichen Dank für Ihre Unterstützung bei meinem Forschungsprojekt mit dem Titel:

Anwendungsmöglichkeiten der Principal-Agent-Theory im Rahmen der Unternehmensnachfolge bei KMU
Problemkreise und Handlungsempfehlungen aus rollenspezifischer Perspektive

Gegenstand meines Forschungsvorhabens ist es Problemkreise, sowie daraus resultierende Gefahren und mögliche Lösungsansätze in der Unternehmensnachfolge zu untersuchen.

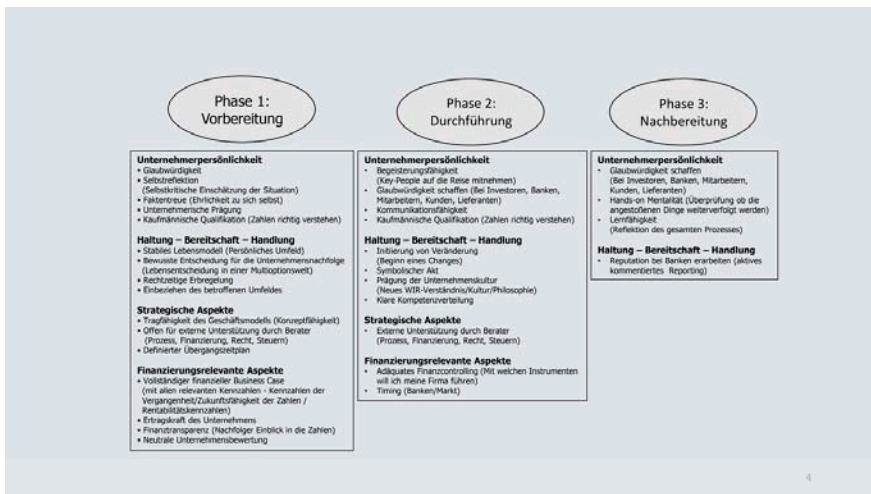
In vorherigen Forschungsmellensteinen wurde anhand einer Fokusgruppe ein erstes Phasenmodell der Unternehmensnachfolge erarbeitet. (Siehe Folie 4.) Auf Basis dieses Phasenmodells wurden durch Interviews praxisnahe Problemkreise und Lösungsansätze entwickelt. Aufbauend auf diesen Ergebnissen möchte ich nun mit Ihnen über konkrete Handlungsalternativen sprechen, welche aus Sicht des Übernehmers bzw. Übergebers zu einem erfolgreichen Nachfolgeprozess beitragen können. Hierzu ist Ihre Expertise notwendig.

Ich stelle Ihnen das Modell bzw. einzelne Blöcke nun im Detail vor. Ich bitte Sie, eine kurze Aussage darüber zu treffen, ob es sich um relevante Lösungsansätze handelt.

Außerdem bitte ich Sie, zu folgender Frage Stellung zu nehmen:

Wo sehen Sie anhand Ihrer bisherigen Erfahrung konkrete Handlungsempfehlungen in den einzelnen Lösungsansätzen?

3



4

Übernehmer		
	Lösungsansatz	Handlungsempfehlung
Vorbereitung	<ol style="list-style-type: none"> 1. Adäquater Vertrauensvorschluss Entscheidungsreife Rückzug auf Sachebene Definition der Rollen Aufbau eines Führungskreises Etablierung eines Familienkodes Qualifikation (fachlich u. methodisch) Vertrauensperson kritische Sicht auf ZDF Fortführung der Tradition in der Unternehmensfirmierung 2. Dokumentation von Entscheidungen 3. Unternehmerische Erziehung Treffen von gemeinsamen Entscheidungen im Familienkreis 4. Interpretation Kennzahlen erlernen Auswahl von Beratern und leitenden Angestellten mit Bedacht Zugriff auf relevante Steuerungskriterien 5. Praktische Erfahrungen sammeln 6. 5 - 7 Jahres Erbschaftsmodell Rechtzeitige Weichenstellung 7. Rechtzeitige Kommunikation mit dem engsten Umfeld Bei mehreren betroffene ordentliche Formate der Partizipation 8. Offenheit für Innovation Strategieprozess 9. Dossierter Einsatz von Beratungsleistung im hochspezialisierten Bereich Offene Kommunikation 10. Übergangsstippen und Rollen fixieren 11. Rückzug auf Zahlen, Daten und Fakten Portion Bauchgefühl 	1.

5

Übernehmer		
	Lösungsansatz	Handlungsempfehlung
Durchführung	<ol style="list-style-type: none"> 1. Einbindung von Mitarbeitern Klare Kommunikation 2. Strategische Planung Intensive Kommunikationsmaßnahmen 3. Offene Kommunikation auf Basis Zahlen, Daten und Fakten 4. Qualifikationsmaßnahmen gezielter Einsatz von Externen 5. Betroffene zu Beteiligten machen Veränderungen mit Augenmaß 6. Authentizität 7. Aufbau- und Ablauforganisation 8. Dossierter Einsatz von Beratungsleistung im hochspezialisierten Bereich Offene Kommunikation 9. Einsetzen passender Monitoringsysteme / Frühwarnsystem 10. Rechtzeitige Einbeziehung von Banken 	1.

6

Übernehmer		
	Lösungsansatz	Handlungsempfehlung
Nachbereitung	<ol style="list-style-type: none"> 1. Persönliches Engagement Wirtschaftlicher Erfolg Begeisterungsfähigkeit 2. Fähigkeit zur Priorisierung 3. Sillige Selbstreflexion Austausch mit Dritten Bereitschaft zur Veränderung 4. Konsequente Kommunikation 	1.

Übergeber		
	Lösungsansatz	Handlungsempfehlung
Vorbereitung	<ol style="list-style-type: none"> 1. Eindeutige Messkriterien 2. Einbindung nächsthöherer Personen Entscheidungen losgelöst von Emotionen 3. Laufende Prüfung für Übergabe relevanter Punkte 4. Klare Rollen- und Zieldefinitionen 5. Qualifikation Einsatz von qualifiziertem eigenen Personal oder externe Berater 6. Gemeinsame und rechtzeitig fixierte Erbregelung 7. Sorgfältige Vorbereitung der Nachfolge seitens des Übergebers 8. Dossierierter Einsatz von Beratungsleistung im hochspezialisierten Bereich 9. Übergangszeitplan und Rollen Rollen 10. Branchenübliche Multiple Kennzahlen sowie ein Due Diligence 	1.
Durchführung	<ol style="list-style-type: none"> 1. Kommunikation mit Mitarbeitern 2. Frühzeitige Kommunikation in entsprechende Kanäle 3. Treue zu Zahlen, Daten und Fakten 4. Arbeitsplatz- und Standortgarantie Gutes Bauchgefühl In Bezug auf den Übernehmer 5. Klare vertragliche Regelung bezüglich der operativen Einbindung des Übergebers 6. Sillie Vorbereitungsphase Dossierierter Einsatz von Beratungsleistung im hochspezialisierten Bereich 7. Frühzeitige Auseinandersetzung mit dem Nachfolgeprozess insbesondere mit Nachfolgekandidaten in Kombination mit einem Wissensmanagementsystem 	1.
Nachbereitung	<ol style="list-style-type: none"> 1. Installation des Übergebers in einem Gremium 	1.

**Gibt es weitere Handlungsempfehlungen, die wir
heute vergessen haben bzw. die Sie ergänzen möchten?**