WHITEPAPER | FAMILY BUSINESSES

SUCCESSION IN OWNER-MANAGED COMPANIES

The role of the Chief Restructuring Officer during the generational change

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Crisis in the company – unresolved succession

A business succession takes place when a managing owner hands over the leadership of the company for personal reasons. The generational change often goes hand in hand with a shift in ownership and financing structures – family members withdraw, holdings are put up for sale or have already been transferred to external investors. Such a situation is exacerbated when early economic difficulties emerge before the leadership change or the company is already in the middle of a crisis. With unresolved succession arrangements, this can sometimes escalate rapidly and lead to an existentially threatening situation. This mix of challenges requires not only economic understanding but also the ability to reconcile divergent interests – a strength that experienced CROs bring.

It is important to involve the CRO's expertise as early as possible; ideally, this should happen before any potential leadership vacuum has operationally noticeable effects on the company. The restructuring specialist can then help shape the succession process from the outset and specifically consider how the generational change can be conducted in an orderly manner and in the interests of all parties involved. For such a CRO mandate to be successfully filled in a family business, however, a certain openness is required from all family members involved in the company. The role of the CRO should be understood as a temporary sparring partner whose purpose is to find a sustainable solution for the long term preservation of the life's work.

Benefits of deploying a CRO

No two CRO mandates are the same, and every family business has its own unique characteristics. Nevertheless, experience shows that certain effects caused by the deployment of a restructuring specialist in a family business can be observed in various companies and are therefore presented here by way of example:

1. **The CRO creates time – and protects the company's ability to act**

Succession situations are rarely predictable. It is often unclear when and how the next generation will be ready to assume responsibility. The CRO not only fills this gap, but stabilizes the company operationally and, if necessary, prepares it for the next generation without blocking it. This creates room to develop successors, clarify ownership structures or explore external options – while simultaneously securing continuity, financing and market position.

Initial situation

The economic situation in Germany remains strained for many companies. Owner-managed businesses – a central pillar of the overall market – are feeling the effects of the currently prevailing multiple-crisis scenario to a particular extent. Individual family firms face different challenges depending on their sector. One crisis, however, that is likely to occupy an unusually large number of them in the foreseeable future is the still unresolved question of business succession.

According to a recent study by the “Institut für Mittelstandsforschung – IfM” (Institute for SME Research) located in Bonn, there are around 3.7 million companies in Germany. Approximately 3.3 millions of these are family businesses – about 90 percent. Since the mid-1990s, the IfM has regularly estimated the number of pending business transfers. It is therefore to be expected that in the current period from 2022 to 2026 a total of 190,000 family businesses will face succession.

The generational change is one of the decisive watershed moments in the life cycle of a family business. Much of what has worked well for decades becomes fragile during this phase: structures, decision-making processes, role concepts – and not least the confidence in the future. At the same time, external demands are currently increasing: economic pressure, regulatory requirements, digitalization and geopolitical uncertainties require the ability to act – not later, but now. If these external factors meet a company undergoing a generational change, it risks falling into an existential crisis.

All the more important, therefore, is to prepare business succession well, to accompany it and to check its effectiveness during the process. For many family businesses, however, these measures are still a long way off. In a 2024 survey of German family businesses, the ifo Institute found that 42 percent of the companies surveyed had not yet identified a successor from within the family. This threatens not only a leadership vacuum but possibly even the gradual loss of a life's work.

In this challenging situation, a Chief Restructuring Officer (CRO) can provide relief. He brings many years of operational experience and takes on entrepreneurial responsibility in crisis situations – with a clear mandate for stabilization, strategic realignment and communication with shareholders, banks and other stakeholders. The present whitepaper illustrates how the deployment of a CRO during the generational change in a family business can be designed.

2. **The CRO relieves the family – emotionally and operationally**

Owner families often find themselves torn between a personal responsibility to the family legacy and entrepreneurial risk. An external CRO helps to resolve this double burden. He therefore assumes responsibility and creates clarity at the same time. Especially in tense times, it is beneficial if central decisions – for example on restructuring, personnel or financial matters – are made by an experienced, independent leader who is not emotionally involved.

3. **The CRO supports successors – without overwhelming them**

The next generation is often well educated but still inexperienced in crises. The CRO acts as a sparring partner, coach and safeguard. He thus protects against overload and promotes individual development. Through joint decision making processes, targeted handovers and leading by example, the CRO can strengthen successors professionally and stabilise them personally – without contesting their position.

4. **The CRO prevents costly mistakes in critical phases**

Hasty personnel decisions, overwhelmed managers, poor communication with banks or an overly hesitant strategic shift – all of these can quickly become existential threats during the succession phase. The situation is further aggravated when these issues arise in the midst of an ongoing crisis. The CRO reduces these risks. His external perspective, independence and expertise help to assess situations realistically and implement viable solutions. And he does so even under high pressure and with the clear objective of making the company fit for the future.

5. **The CRO creates structure where culture previously dominated**

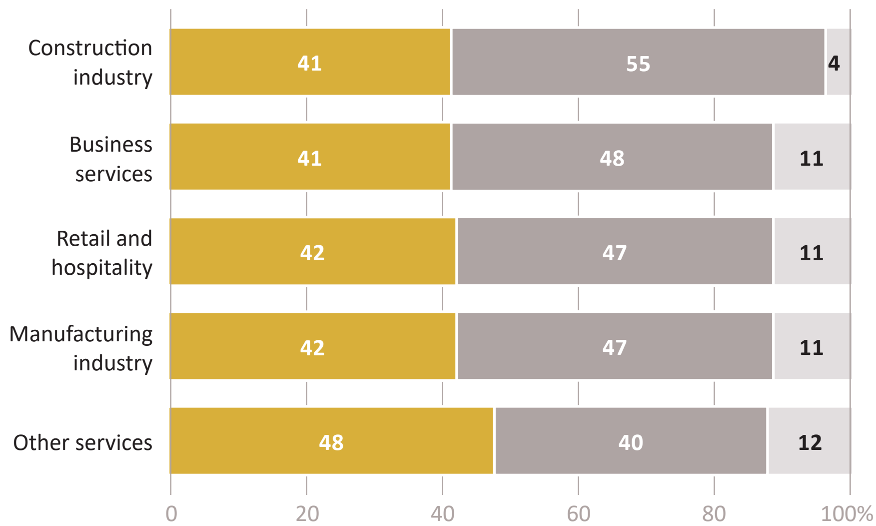
Many family businesses have been shaped over decades by personal closeness, handshake quality and implicit rules. During the succession phase, clear processes, measurable goals and verifiable responsibilities are needed. The CRO establishes the necessary professionalism while taking the company's individual culture into account. He respects the "old" corporate culture and provides important stimuli for new requirements – whether in reporting, executive management, leadership processes or in dialogue with stakeholders. Only in this way can the path be cleared for the next generation.

Conclusion and Outlook

Business succession is not a one off event but a complex process with far reaching consequences. Family businesses should not leave the generational change to chance but actively shape it – in a structured, timely manner and with professional support. A CRO can, as a neutral, experienced authority, provide decisive impetus, create orientation and minimise risks. Crucially, the change should be seen not only as a challenge but as a strategic opportunity for renewal and securing the future.

Succession needs differentiated by economic sectors

Is a company or share transfer planned within the next three years as part of succession planning?[1)]
(N = 803)



Yes No Don't know

1) By sector
Source: FamData 2023

Haselhorst Associates is one of the leading restructuring consultancies in Germany and part of the growing H&Z Group. The team of around 35 internationally experienced consultants and partners develops tailor-made solutions for its clients: from analysis through project planning to implementation. In addition, Haselhorst Associates supports municipalities, utilities, and companies in their strategic positioning as well as operational implementation around urban transformation. A central instrument of this work is the annually prepared Smart City Ranking, which provides a comprehensive and well-founded data basis for the development of the 400 largest cities in Germany.

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Sabrina Hirniak has been with Haselhorst Associates since 2010. Her work focuses in particular on restructuring and CRO. Over the past years, Ms. Hirniak has successfully advised numerous companies in Germany and Europe on comprehensive reorganizations and restructurings, gaining extensive experience in top management consulting. Before joining Haselhorst Associates, Ms. Hirniak worked for various industrial companies and later for Pricewaterhouse Coopers.

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