



## Major family businesses in Germany

### Data, facts, potential

Carried out by the Institut für Mittelstandsforschung (IfM) Bonn

## Summary

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### **Major family business in good or excellent condition**

A majority of the major family businesses in Germany assess their current economic situation as good, and they are optimistic about the coming twelve months as well. Strikingly, none of them expects its economic situation to deteriorate markedly. This optimism translates into the surveyed companies' investment and recruitment plans.

### **Biggest risks: economic outlook and geopolitical crises**

The family businesses are currently benefiting from strong domestic demand in Germany. However, weak growth in the European Union is increasingly giving rise to concerns. Major family businesses are already experiencing the bite of the EU sanctions taken in the context of the conflict between Ukraine and Russia. More than half of them expect a negative impact on its own business in the near future.

## Summary

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### **Foreign business remains strong – US gain importance**

Almost nine out of ten companies are doing business on the international markets. The weak euro has helped major family businesses to expand their goods and services exports in comparison to 2013. France is the most important export market, right now. However, the surveyed entrepreneurs expect the US to become their most important export destination in the next three years. The US are also gaining importance as a production location.

### **TTIP as an opportunity**

As the economic links to the US are so close, the envisaged trade and investment agreement TTIP offers considerable opportunities – and the major family businesses agree with this view. They believe that lower customs tariffs and mutual recognition of test, licensing and certification procedures will help to expand business and reduce expenses in their perspective.

## Summary

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### **Better financing opportunities, lower interest expenses**

Persistently low interest rates have mostly favourable effects on large family businesses. Financing opportunities have improved, and the companies need to pay less for loans. Nevertheless, many family businesses are reluctant to increase their investment activities in view of the uncertain geopolitical and economic global framework conditions.

### **Beware of the occupational pension trap**

Provisions for occupational pensions give rise to concerns. Low interest rates make it more difficult to keep pension promises. One out of three family businesses is already paying higher contributions into occupational pension systems. However, more than half of the surveyed companies have not made any adjustments yet.

## Background of the survey

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- **Economic importance of major family businesses in Germany**
  - About 0.1% of all companies in Germany are major family businesses
  - They employ roughly 17% of the total number of employees who are subject to social-security contributions
  - They generate about 20% of the aggregate taxable revenue from the provision of goods and services
- **Definition of the term “major family business”**
  - Annual turnover of at least EUR 50 m
- **Research goal**
  - Analysis of the economic development of major family businesses in Germany

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## Research Design

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### ■ Two modules

- Annual update of key figures (autumn) – identification of the 4,497 biggest family businesses
- Annual survey (spring) – based on the available database representative survey among 400 arbitrarily chosen major family businesses

### ■ Spring survey

- Respondents: members of the management
- Participation: telephone interviews conducted by TNS-Emnid and online survey (3.2.–12.3.15)
- Cross-sectional study, trend assessments possible

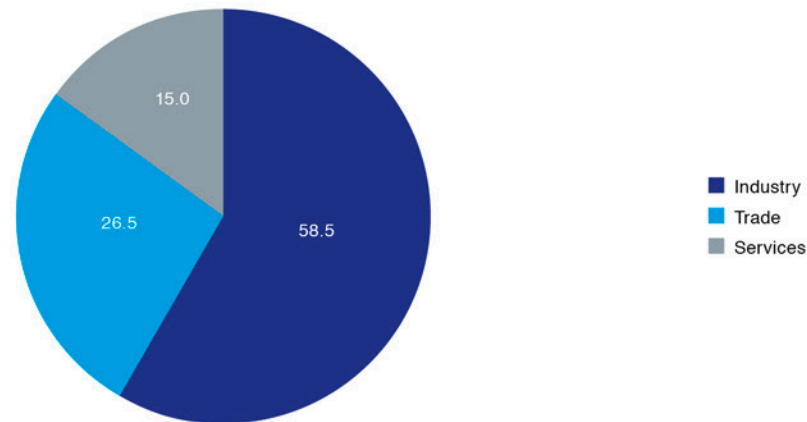
### ■ Current issue

- 24 questions about the current and future economic situation, risks, international activities, financing and investment behaviour during the period of low interest rates

## 400 major family businesses participate in the survey

### The surveyed family businesses according to economic sectors

in %

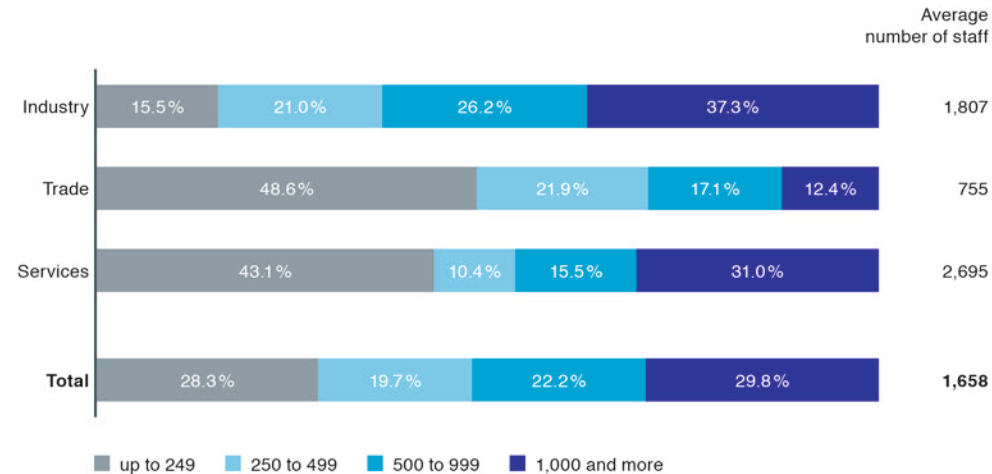


n = 400

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## Majority of the major family businesses employs more than 500 employees

Number of employees of the surveyed family businesses, by sector



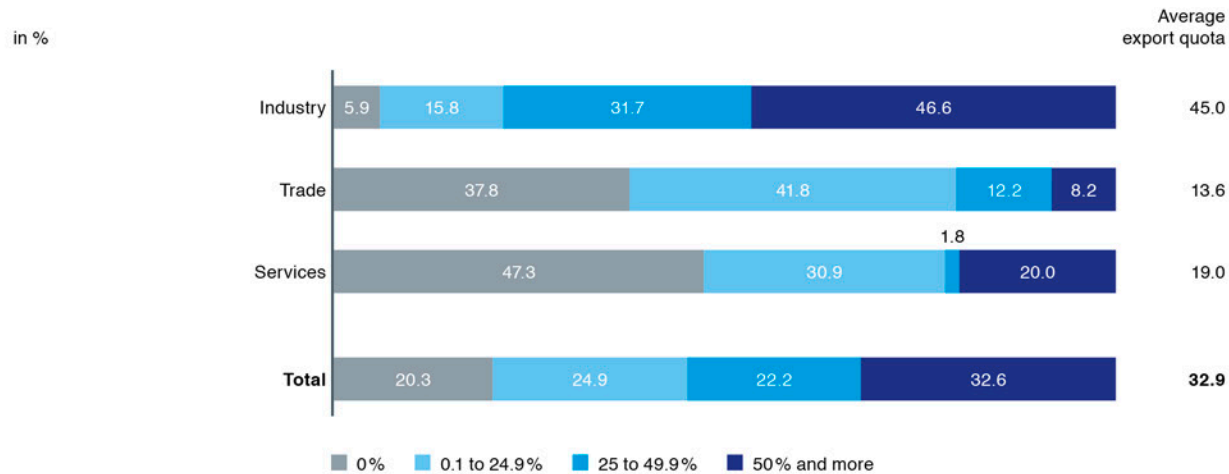
n = 396

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## Export continues to make important contribution to total turnover

### Distribution of the export quotas for 2014 by economic sector



n = 374

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## A majority of family businesses is active on the international markets

### Degree of internationalization of major family businesses

in %

		All types of internationalization (excl. exports)		
		Yes	No	Σ
Export	Yes	66.6	13.1	79.7
	No	7.2	13.1	20.3
Σ		73.8	26.2	100.0

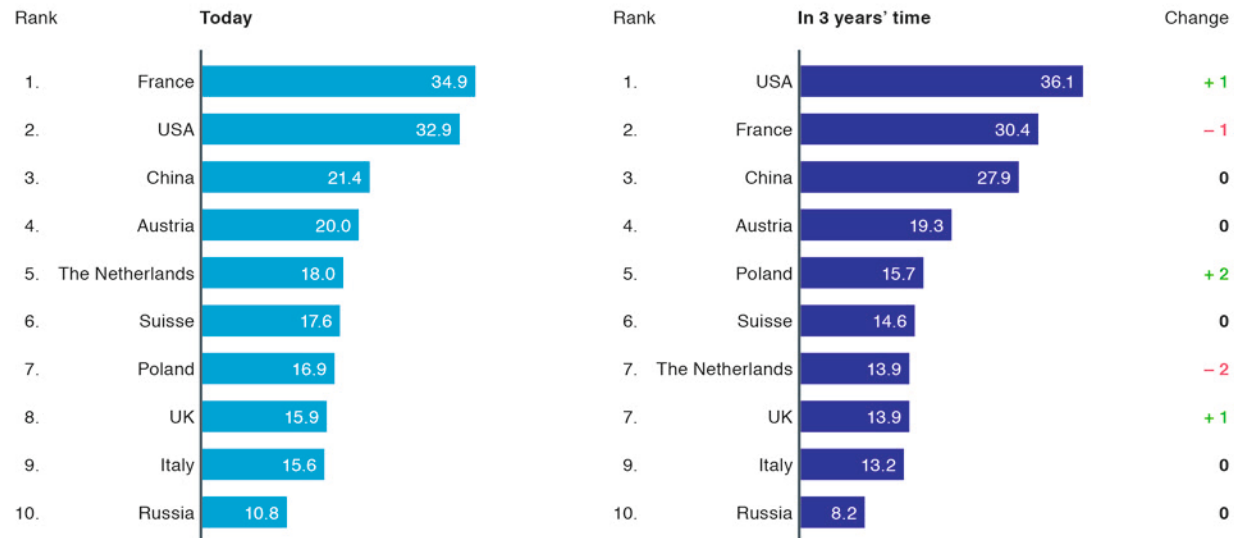
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## Future top export destination: the US

### Top three export destinations, today and in three years' time

in %



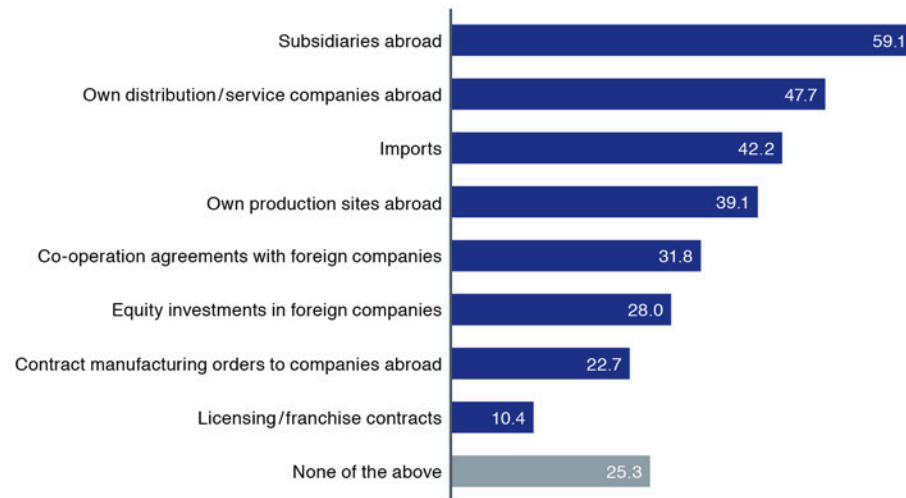
n = 295, multiple answers

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## Family businesses rely on subsidiaries abroad

### Types of internationalization (excl. exports)

in %

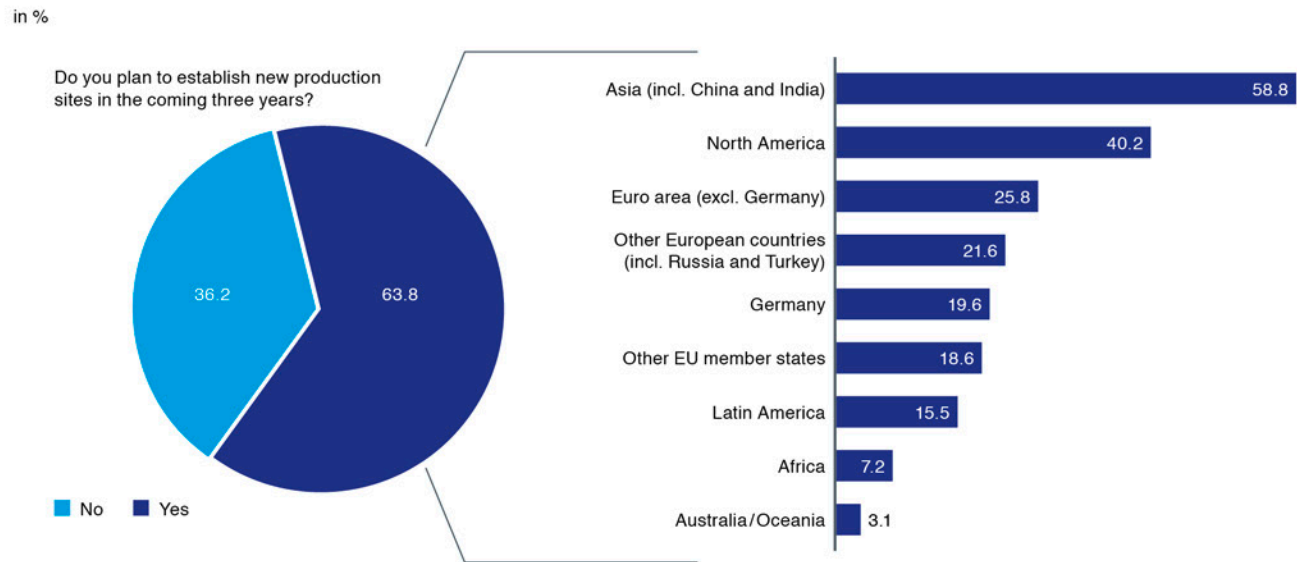


n = 396, multiple answers

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## New production sites tend to be in Asia and America

### Companies which already have production sites abroad: planned new production sites, by region



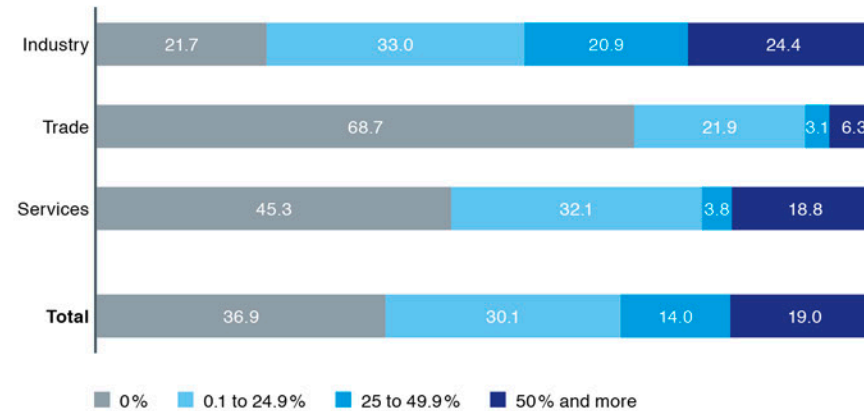
n = 152, multiple answers

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## Almost two-thirds of family businesses employ abroad

Share of employees abroad in aggregate number of employees, by sector, 2014

in %



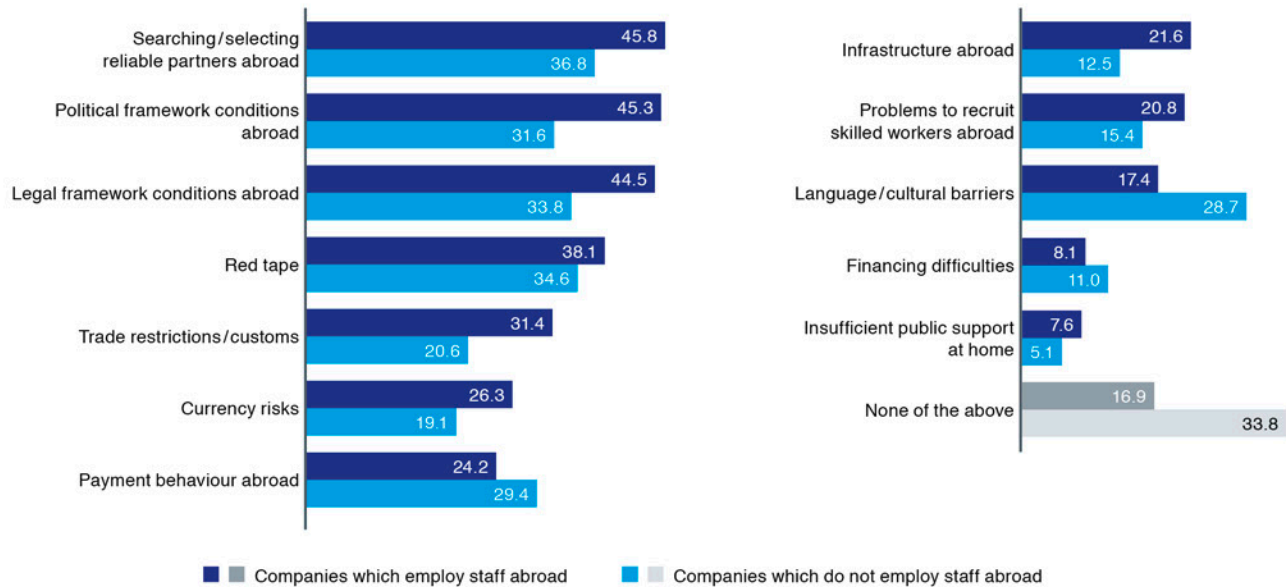
n = 379

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## Wanted: reliable partners

### Obstacles in entering (new) foreign markets

in %



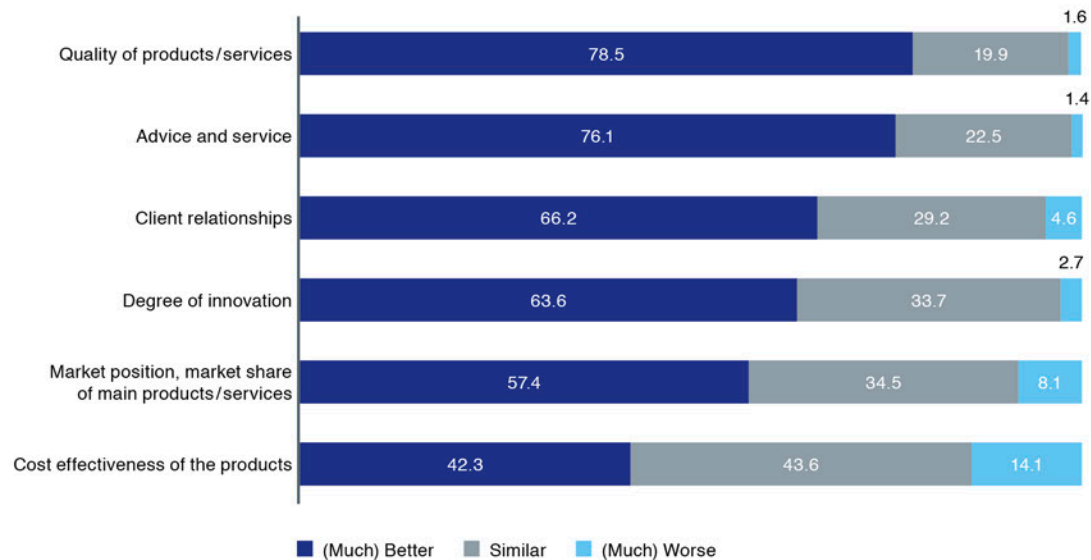
n = 372, multiple answers

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## Family businesses do not fear international competition

### Assessment of the own position in comparison to competitors

in %



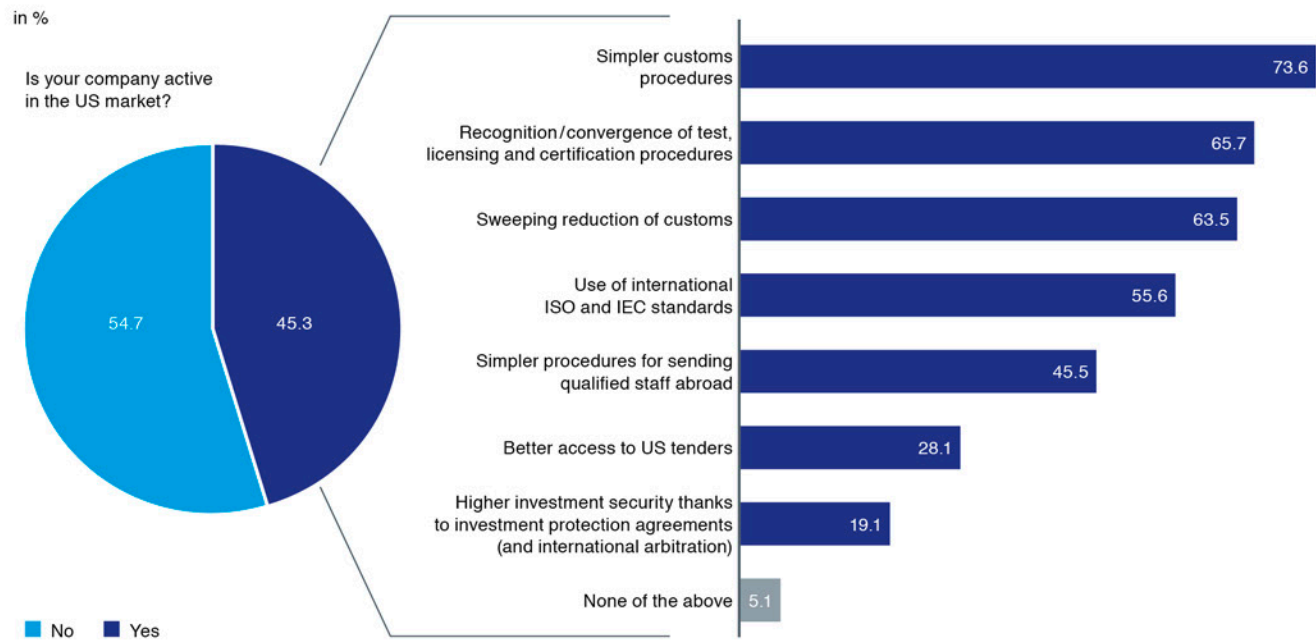
n = 371

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## TTIP brings significant advantages

### Advantages of TTIP from the vantage point of businesses which are already active in the US



n = 395, multiple answers

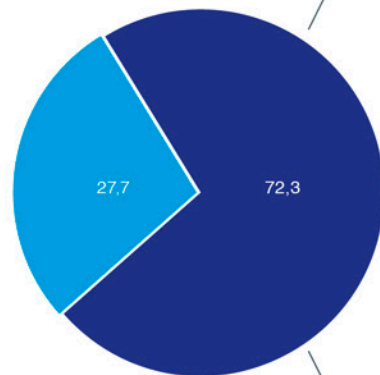
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## Expansion of equity capital base results in higher financial stability

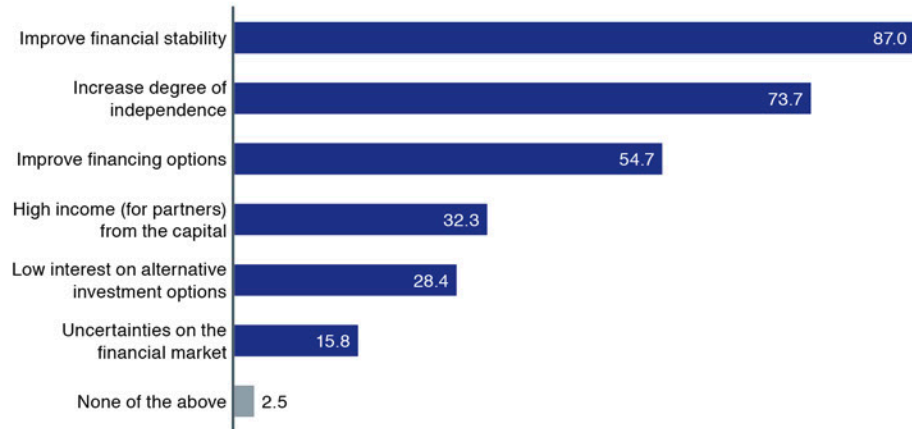
### Reasons to increase the equity capital

in %

Did you increase your company's  
equity capital in the past three years?



■ No ■ Yes



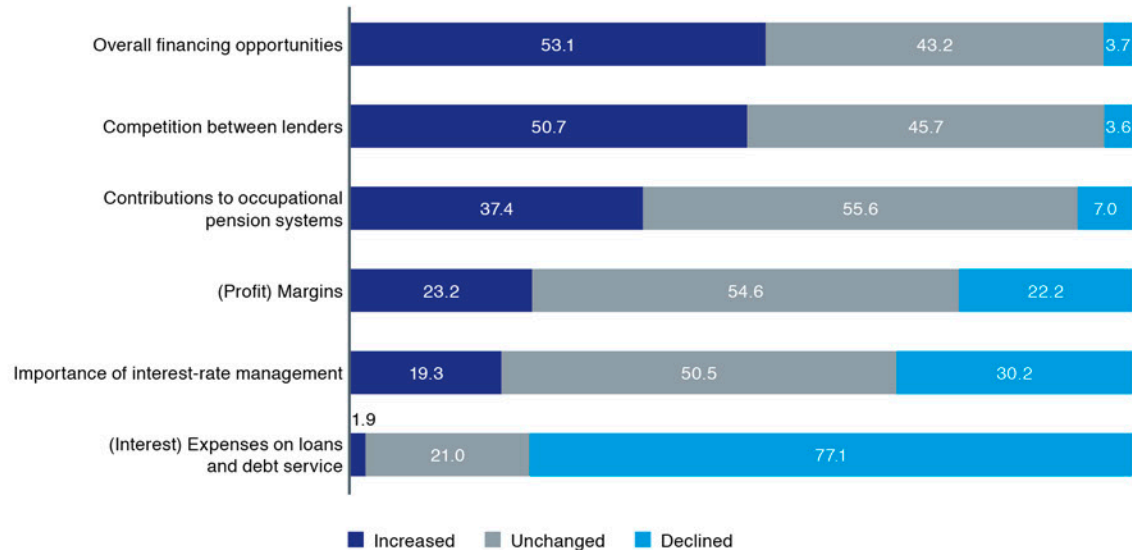
n = 394, multiple answers

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## Low interest rates: mixed impact

### Effects of the low interest rates of the past three years

in %



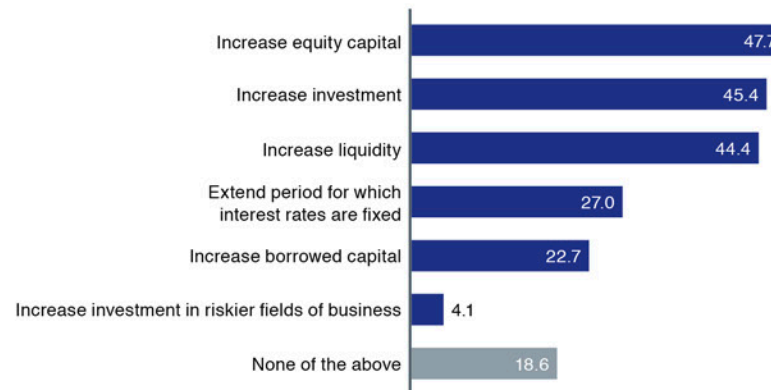
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## Low interest rates: subdued reaction

### Measures taken in response to the low interest rates in the past three years

in %



n = 392, multiple answers

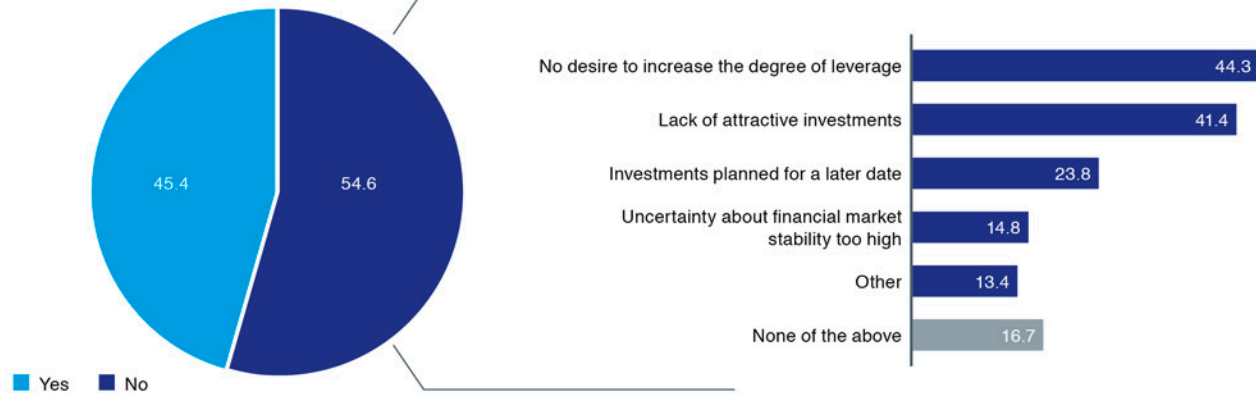
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## Low interest rates: not a boost to investments

### Reasons why investment activity was not increased despite the low interest rates

in %

Did you increase your investments  
in the past three years?



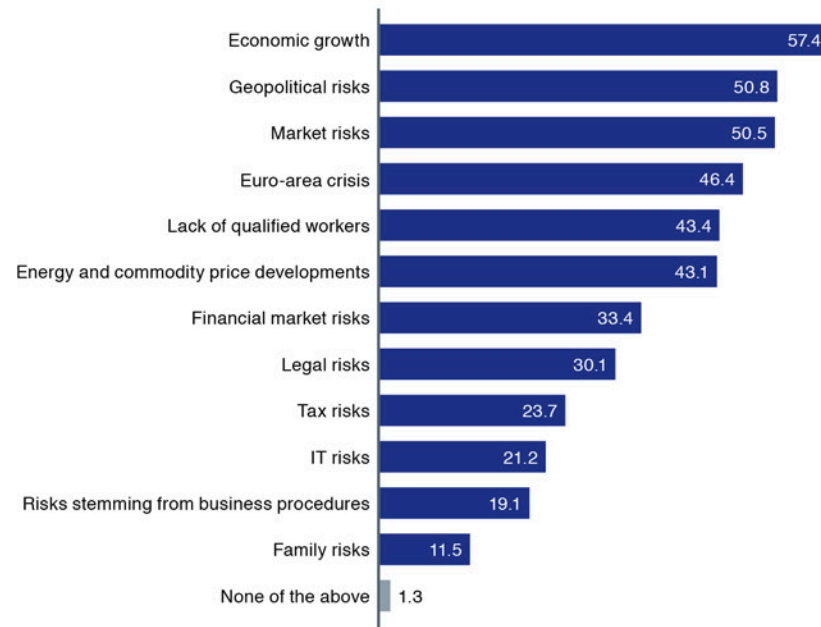
n = 392, multiple answers

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## Key concerns: economic growth and geopolitical risks

### Key risks for companies in the coming three years

in %



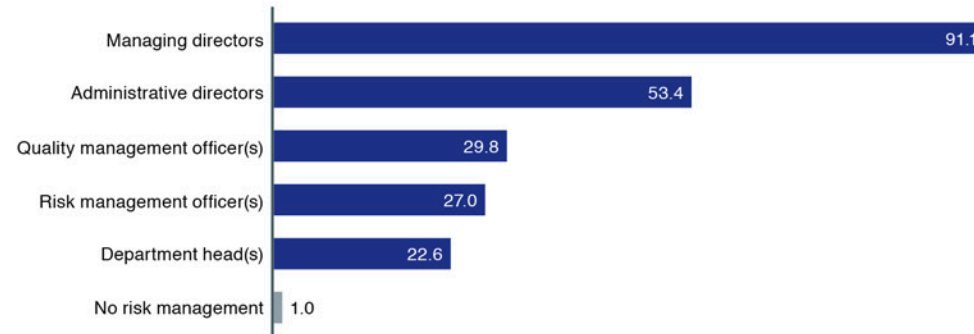
n = 397, multiple answers

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## Risk management: top level of management's concern

### Responsible persons for the identification of risks in the company

in %



n = 397, multiple answers

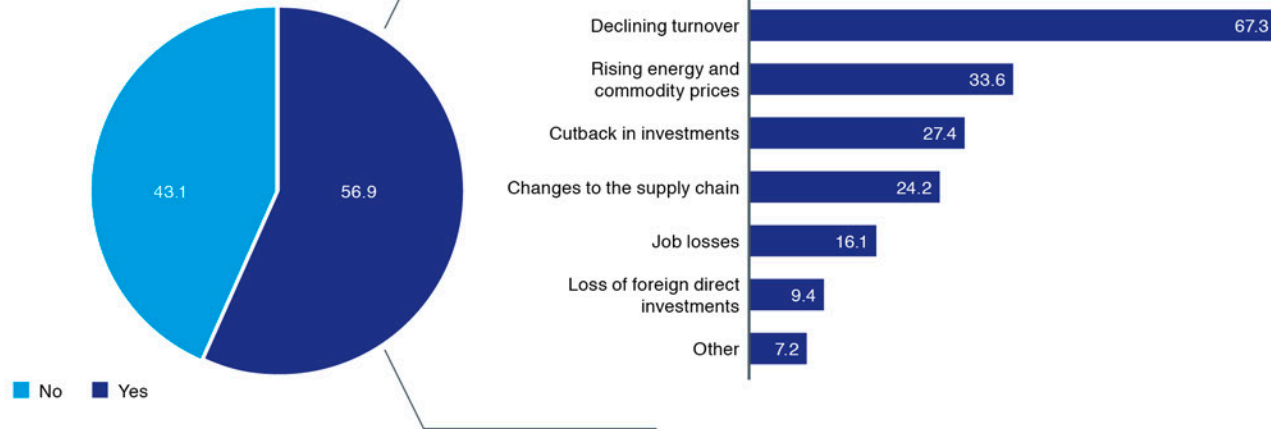
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## Ukraine crisis: negative impact expected

### Impact of the Ukraine crisis on companies in the coming 12 months

in %

Do you expect an impact  
on your company?



n = 394, multiple answers

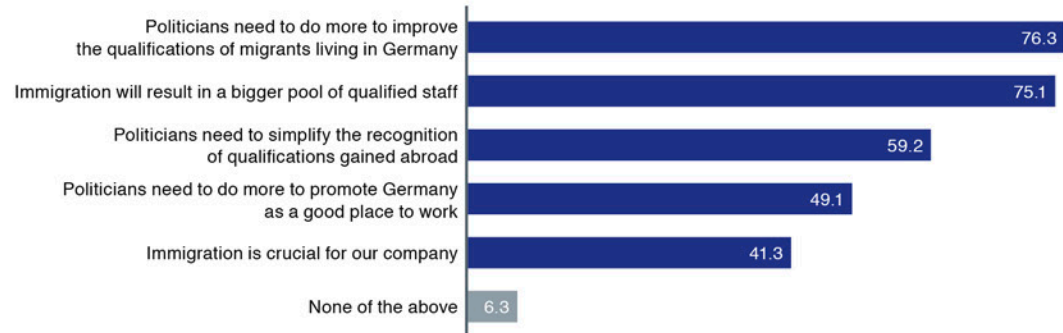
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## Immigration: politicians have their work cut out

### Views on immigration (policy)

in %



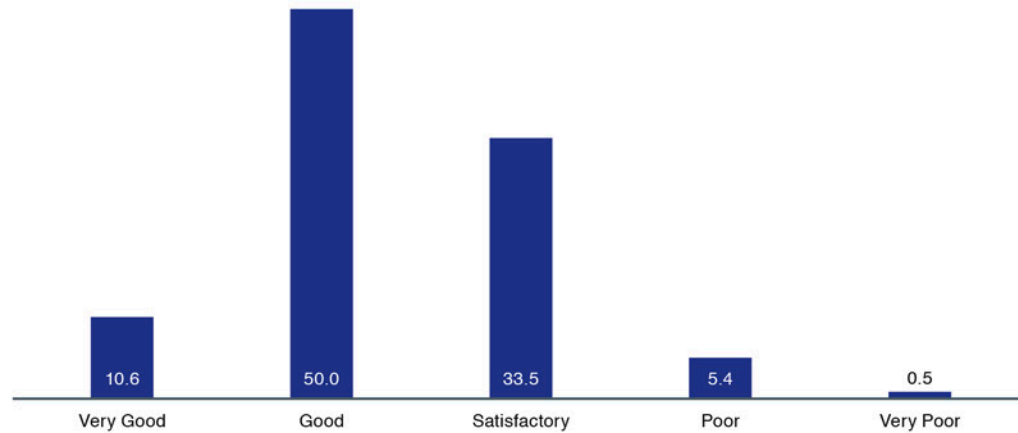
n = 397, multiple answers

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## Excellent or good current economic situation

### Assessment of the current economic situation

in %

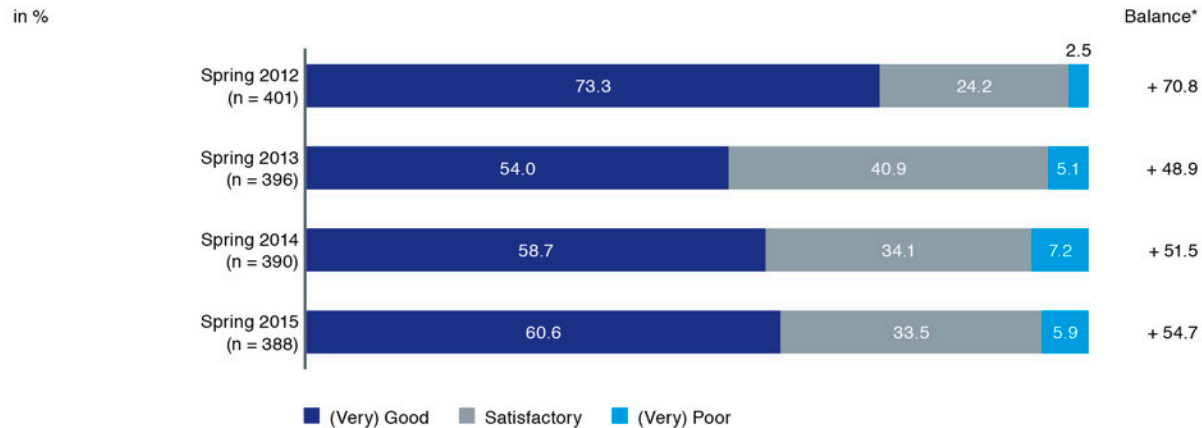


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## Assessment of the economic situation still favourable

### Assessment of the current economic situation, 2012 to 2015



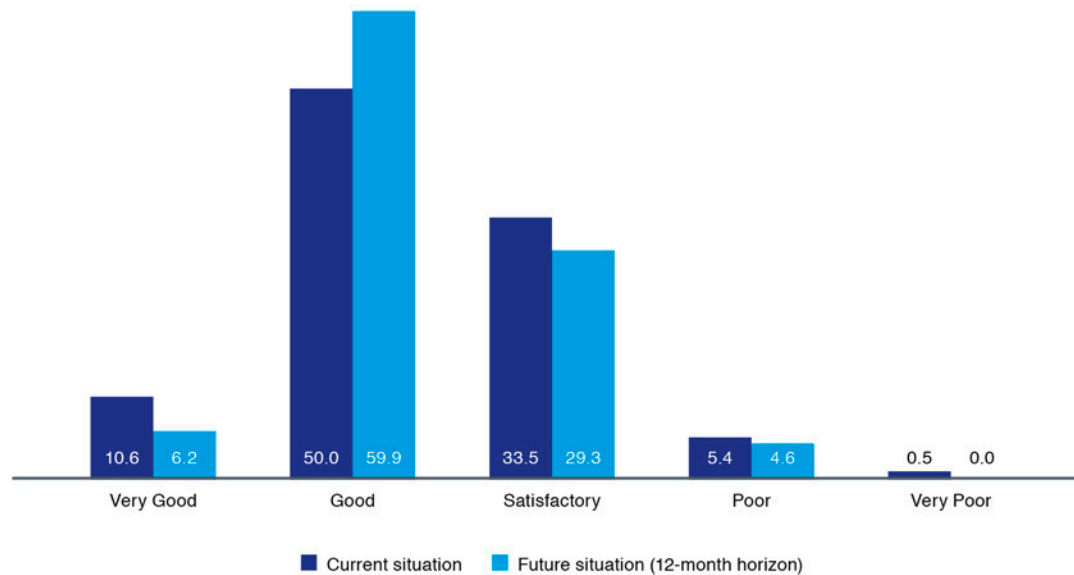
\*Balance in %: (Very) Good minus (Very) Poor

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## Family businesses are optimistic about the future

### Assessment of the current and future economic situation

in %

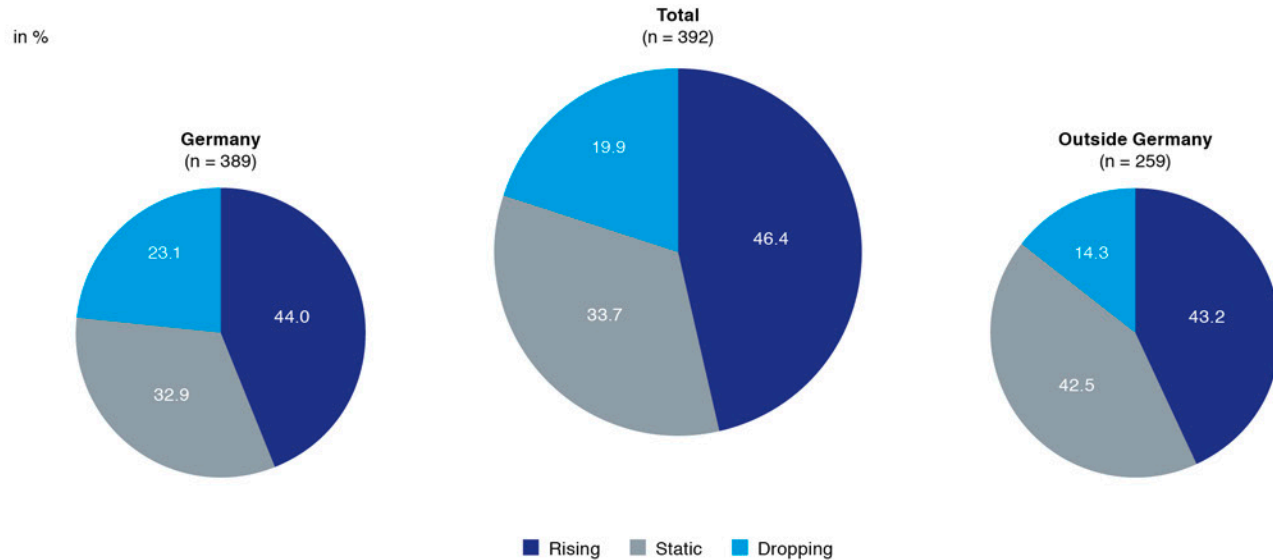


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## Almost one out of two family businesses plans to increase investment

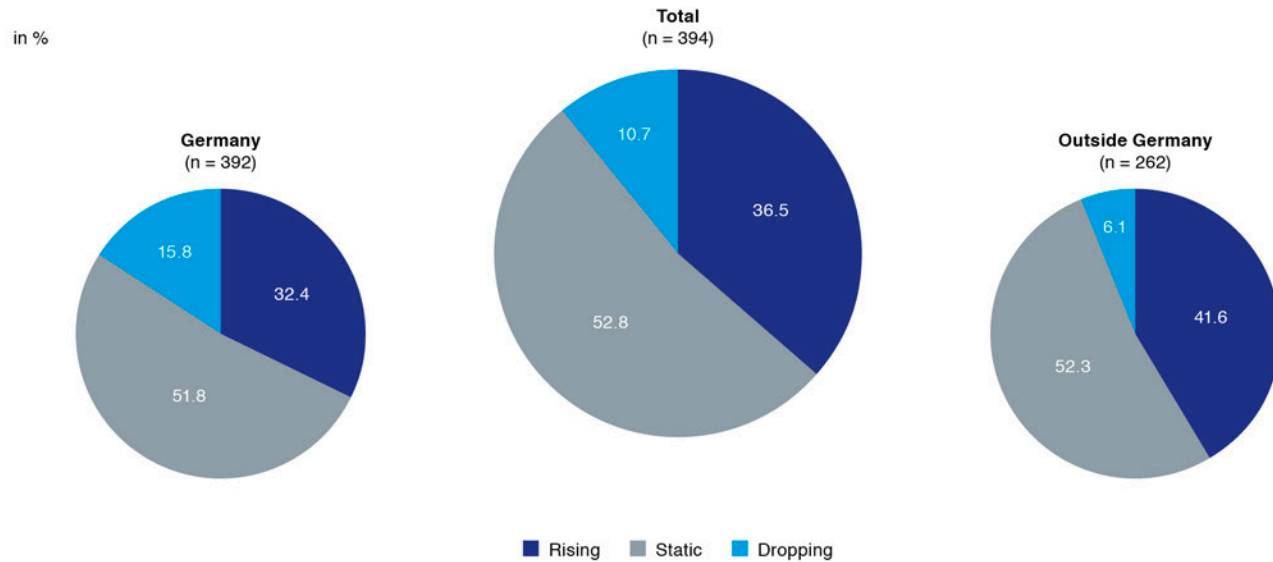
### Expected development in investments in 2015



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## Family businesses create jobs

### Expected development in staffing levels in 2015



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