

Press Release

"Effective Succession Management" - a New Representative Study by Credit Suisse and the University of St. Gallen

Succession planning is a relevant issue for almost one in three employees and every fourth entrepreneur in Switzerland

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The new study published by Credit Suisse and the Center for Family Business of the University of St. Gallen, entitled "Effective Succession Management," reveals that the number of planned company successions in the next five years will once again rise considerably, making it a relevant issue for almost one in three employees and every fourth company in Switzerland. Generation changes in Switzerland reflect a departure from company successions within the family toward non-family successors. This is connected not only with rational and financial considerations, but also the search for a suitable successor, worries concerning the company's ability to survive and to thrive in the future, retaining existing jobs, and safeguarding the personal retirement provision of the company owners.

A representative study published by Credit Suisse and the Center for Family Business of the University of St. Gallen revealed that, in the next five years, almost 26% of all Swiss companies will undergo a generation change. As recently as January 2005, this figure stood at 18.5%. This means that considerably more Swiss companies and employees will be directly affected by a succession. Interestingly, entrepreneurs' concerns surrounding their own succession have diminished over the past three years. This change may be down to increased awareness of the issue, and the fact that tax matters are now more clearly planned than previously. Corporate succession remains an important strategic challenge, but is seldom perceived as such: Half of the company owners surveyed indicated they had established "no concrete strategy." At 68%, the proportion of microenterprises here is considerably greater than that of large companies.

Increase in External Company Succession

The study demonstrates that the importance of corporate succession from within the family is continuing to decrease. Just four years ago, around 60% of those surveyed indicated that they would like to keep management of the company within the family - this figure has now fallen to just under 40%. Around half of the respondents are planning a non-family solution, with the rest being unsure. In connection with non-family succession, selling a company to its employees has become more commonplace, and now accounts for 52% of all cases.

Early Search for a Successor

"I was astonished to learn that the whole process would definitely take five to seven years. I was expecting it to take two." This quote from a company owner originates from one of the interviews carried out to supplement the study, and reflects a key issue: microenterprises and small businesses in particular often have trouble finding a suitable successor. This is considered to be the largest problem when looking for a successor outside the family, as apart from the skills and competencies required, the successor also needs the will to lead the company into a profitable future. Even once a successor has been found, the question of succession is not yet resolved - further issues such as company valuation and financing also need to be addressed. These are considered the second-largest problem.

Personal Retirement Plan Poses a Stumbling Block

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For many company owners, selling their business is the only way to ensure their own retirement provision. The survey shows that many company owners - especially those of small businesses - have not yet secured their own retirement plan. The smaller the company, the greater the risk that the owner has neglected the issue of his or her own retirement provision. In this regard, 63% of those surveyed from small companies said they had not yet taken any measures to tackle this issue.

Emotional Reasons Outweigh Financial Earnings Prospects

Even though the retirement provision situation of many entrepreneurs can be described as highly precarious prior to handover of their companies, personal profit or financial compensation for the energy invested over the years are seldom their main concerns. Instead, the primary aims in selling the company are cited as ensuring its continued existence, and retaining jobs. With these goals in mind, a surprisingly large number of retiring entrepreneurs forfeit parts of their financial compensation, thus granting considerable concessions to the new owners. This also means that the continued successful existence of one's own life's work has an emotional value that cannot be offset financially.

Foundations for Successful Company Succession

For several years, Credit Suisse has been committed to helping SMEs ensure successful company succession planning. Today, the bank assists several hundred businesses in this complex process in all regions of Switzerland. Credit Suisse breaks the advisory process down into five stages: the initial phase, drawing up options, preparatory work, transition and, finally, implementation. Possible solutions are developed in collaboration with both external and internal advisors, including advice on retirement provision, tailored financing structures, employee participation plans, financial planning, and the processing of company transactions. To provide small businesses with an overview, Credit Suisse published a document in 2007 entitled "Succession Management in SMEs - A Practical Guide," which has met with considerable interest: 20,000 copies have been ordered to date, mostly by companies.

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Center for Family Business of the University of St. Gallen

The Center for Family Business is one of seven specialist centers at the University of St. Gallen. Its research generates new knowledge about, and for, family businesses. This knowledge is passed on in lectures at the University, is put into corporate practice by means of further training programs and transfer projects, and is further developed via international knowledge networks. The Center's main focus areas are currently corporate succession, financial and non-financial values, value management in family businesses, and the ability of these companies to innovate and learn. For more information, visit www.cfb.unisg.ch.