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What happens to a life's work when the children don't take over?

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Abstract

An increasing number of family businesses in the German Mittelstand are unable to find a successor from within their own family. As a result, selling the family firm is becoming more important. This study analyzes the reasons behind this development, the market for private companies, and the transaction process. In doing so, it highlights the challenges that family business owners face.

Zusammenfassung

Immer mehr Familienunternehmen im deutschen Mittelstand finden keinen Nachfolger aus der eigenen Familie. Der Verkauf des Unternehmens gewinnt zunehmend an Bedeutung. Diese Studie analysiert die Gründe für die Entwicklung, den Markt für Unternehmen und den Transaktionsprozess. Dabei wird aufgezeigt, welchen Herausforderungen die Familienunternehmer gegenüberstehen.

1. Introduction

Family businesses account for 88 percent of all companies in Germany, provide around 58 percent of private-sector jobs, and generate 46 percent of private-sector revenue (Stiftung Familienunternehmen 2025). However, family business owners are increasingly facing a problem, as they are growing older and succession is often not secured. According to surveys by the ifo Institute and the Stiftung Familienunternehmen, around 43 percent of family businesses in 2023 were planning a succession within the following three years (Garnitz et al. 2023).

Family businesses are characterized by the controlling influence of the owner family, which holds the shares in the company and usually also manages the business.[1] From the close connection between family and business, an entrepreneurial family derives a non-financial, intangible value known as socioemotional wealth (Gómez-Mejía et al. 2007). To preserve and build on this socioemotional wealth across generations, entrepreneurial families typically pursue intra-family succession (Berrone et al. 2012; Schwartz 2026).

However, the preferred option of intra-family succession has come under increasing pressure in recent years. 49 percent of the business owners advised by the German Chambers of Industry and Commerce (IHKs) report that they cannot find a suitable successor for their company (DIHK 2025). KfW data show that the share of intra-family transfers among all business transfers fell by 7 percentage points between 2016 and 2019, from 41 percent to 34 percent (Leifels 2020). While the desire for a transfer within the family remains stable, a gap is emerging on the side of the next generation. This generation places greater value on personal responsibility and self-determination, which is why potential successors appear to be breaking away from the automatism of family succession. In addition, demographic trends are exacerbating the situation. For a large share of business owners, selling the family business is therefore becoming an alternative solution.

When seeking to sell, an owner enters a professionalized market for corporate transactions. According to a PwC estimate, this market comprises an annual

[1] A distinction is made between family-controlled businesses and owner-managed family businesses. A family-controlled business is a company in which a majority of the ownership lies with up to three natural persons. In an owner-managed family business, at least one of the owners must additionally be actively involved in the company's management. Family-controlled businesses account for 88 percent of all companies in Germany, provide 58 percent of private-sector jobs, and generate 46 percent of private-sector revenue. Owner-managed family businesses account for 86 percent of all companies, provide 54 percent of jobs, and generate 43 percent of revenue (Stiftung Familienunternehmen 2025).

transaction volume of around 135 billion euros in Germany.[2] There, the seller encounters different groups of buyers, such as strategic buyers, financial investors, or private buyers, who differ in their objectives.

In the observable transaction market, slightly more than 60 percent of acquirers are strategic buyers, while financial investors (mostly private equity) account for around 40 percent. In theory, the willingness to pay of strategic acquirers is higher than that of financial investors, because strategic acquirers can realize synergies (Baldi / Salvi 2022). In contrast, recent years have shown that financial investors exhibited a higher willingness to pay (Argos Wityu / Epsilon Research 2026). At the beginning of 2026, financial investors were willing to pay 10x EBITDA, while strategic acquirers paid only 7.8x EBITDA. One reason for this is the currently high level of available uninvested capital (dry powder) held by private equity funds.

A transaction in the market for companies can extend over several years, because the transfer is complex and subject to uncertainties. The transaction process is therefore designed to gradually reduce information asymmetries. Adequate preparation for the transaction process is thus important for entrepreneurial families.

This study is structured as follows. Chapter 2 examines which determinants have led to the structural change in successions in the Mittelstand. Chapter 3 introduces the market for companies, addressing the motives and objectives of the buyer groups as well as the seller's trade-off decision. Chapter 4 examines the transaction process from the seller's perspective and identifies the most important obstacles to transactions. Chapter 5 presents the conclusions.

2. Structural Change in Succession in Family Businesses

In Germany, family businesses are typically classified as part of the Mittelstand, which, however, is not clearly delineated. Qualitative definitions based on ownership and management structure exist alongside quantitative, size-based definitions.[3] This study follows the definition of the Institut für Mittelstandsforschung (IfM), according to which the Mittelstand is defined by the unity of ownership and management, and thus independently of company size (Institut für Mittelstandsforschung 2026). In the following, the terms Mittelstand and family business are used synonymously.

[2] The estimate is taken from PwC M&A Deals Insights (2025). The transaction volume of the DACH region amounts to 177 billion euros, with Germany accounting for 76 percent of the transactions.

[3] On qualitative and quantitative definitions, see Rieger-Fels et al. (2025) or Schwartz (2026).

Succession in Mittelstand companies is undergoing a transformation that is driven by changes both in the current generation of business owners and in the successor generation.

2.1. Societal Context and Options

Business succession describes the process in which an owner-manager relinquishes the ownership and management of his or her company. It is an inevitable part of entrepreneurial life and of the entrepreneurial process (DeTienne 2010). It is typically triggered by retirement, often in connection with health-related reasons (Rieger-Fels et al. 2025).

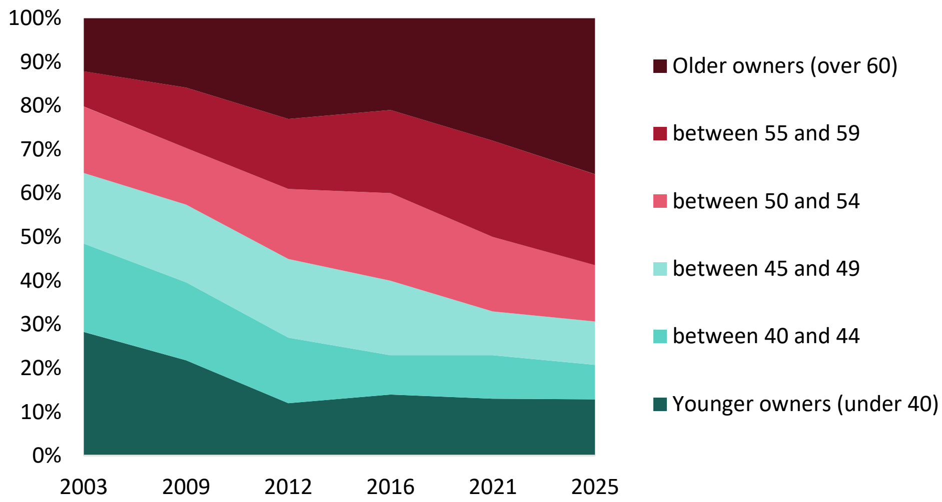
How this transfer is arranged has traditionally been shaped in Germany by the self-conception of Mittelstand entrepreneurs. The entrepreneurial family is closely tied to its business (see, e.g., Berghoff 2006) and sees in it an intangible, non-financial value, also referred to as socioemotional wealth (Gómez-Mejía et al. 2007).[4] Intra-family succession is therefore the preferred succession option, although it is becoming less common.[5]

The average age of business owners rose from 45 to 54 years between 2003 and 2025 (Fig. 1), making the succession problem increasingly urgent. Owners who are aiming for succession in the near future are 66.5 years old on average (Schwartz 2026). Succession can take place in three different ways. First, the company is transferred – usually free of charge – to a family member. Second, the owner can close down the business. Third, the company is sold – either to internal employees who know the company well, or to third parties.

[4] Specifically, this comprises control over the company, the family's identification with the business, the social ties arising from the business, the emotional attachment to the business, and the desire for continuity across generations (Berrone et al. 2012).

[5] In studies whose data were collected before 2010, the share of intra-family succession arrangements is around 55 percent, whereas in studies whose data were collected from 2010 onwards, it has fallen to around 51 percent (Rieger-Fels et al. 2025).

Fig. 1: Age structure of owners in the German Mittelstand
in percent



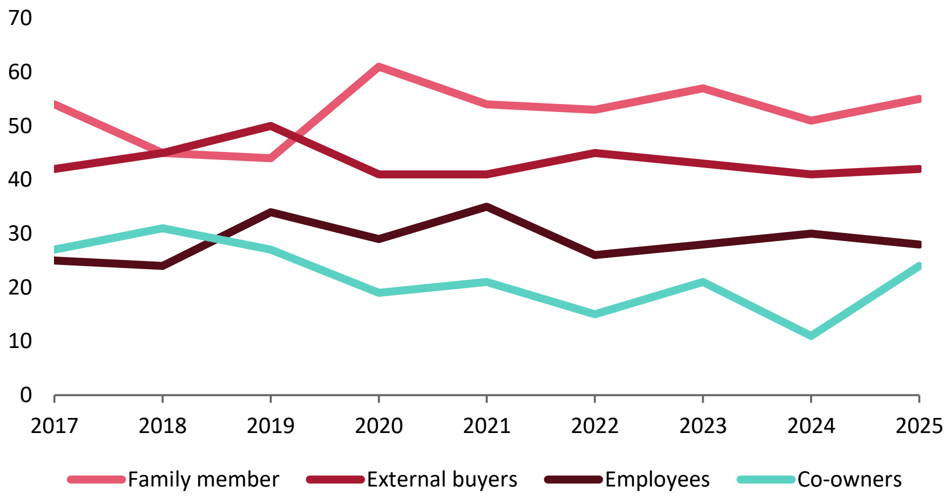
Source: Schwartz 2026. As of July 31, 2026.

2.2. Societal Determinants

The decline in realized family successions is not attributable to a change in the goals of the transferring generation. As Fig. 2 shows, family transfer has consistently been named as the intended succession option by around half of business owners since 2017 (Schwartz 2026). Rather, the gap appears to be growing on the successor side. In a joint survey by the ifo Institute and the Stiftung Familienunternehmen, 42 percent of the family businesses surveyed report having no successor from within the family (Garnitz et al. 2023). The Association of German Chambers of Industry and Commerce reports that 49 percent of senior business owners were unable to find a suitable successor at the time of consultation (DIHK 2025). An intra-family successor is only available if the family has children and these children are willing and able to carry on the business.

Fig. 2: Intended succession options in the German Mittelstand

in percent (multiple answers possible)



Source: Schwartz 2026. As of July 29, 2026.

Children of business owners have various options. They can take over their parents' company, found their own company, or seek salaried employment (Zellweger et al. 2011). Which of these options is chosen depends largely on the children's motives. According to Zellweger et al. (2011), potential successors want to take over their parents' company only at medium levels of entrepreneurial self-efficacy and desire for independence. At low levels, they prefer salaried employment; at high levels, founding their own company.

According to Stiftung Familienunternehmen (2023), young people place less value on traditions and more value on personal responsibility. Zellweger et al. (2015) document a decline in the succession intentions of students with a family business background between 2011 and 2014. Correspondingly, Sieger et al. (2016) show that more than a third of students intend to run their own company within five years of graduation. This can also lead to a changed path toward entering the family business, when the takeover of the parents' company is preceded by founding one's own venture.[6] The option of an ownership role without operational management responsibility is also gaining importance (Stiftung Familienunternehmen 2023).

Around 40 percent of Mittelstand business owners state that a sale to external parties is one of the succession options under consideration (Schwartz 2026). Among the successor generations, the share of those who consider a sale possible rose from 14.4 percent in 2020 to 23.2 percent in 2023 (Stiftung Familienunternehmen 2023). The sale of large family businesses with long

[6] The share of those who regard founding their own venture as preparation for a possible succession rose from 25 to 45 percent between 2017 and 2023 (Stiftung Familienunternehmen 2023).

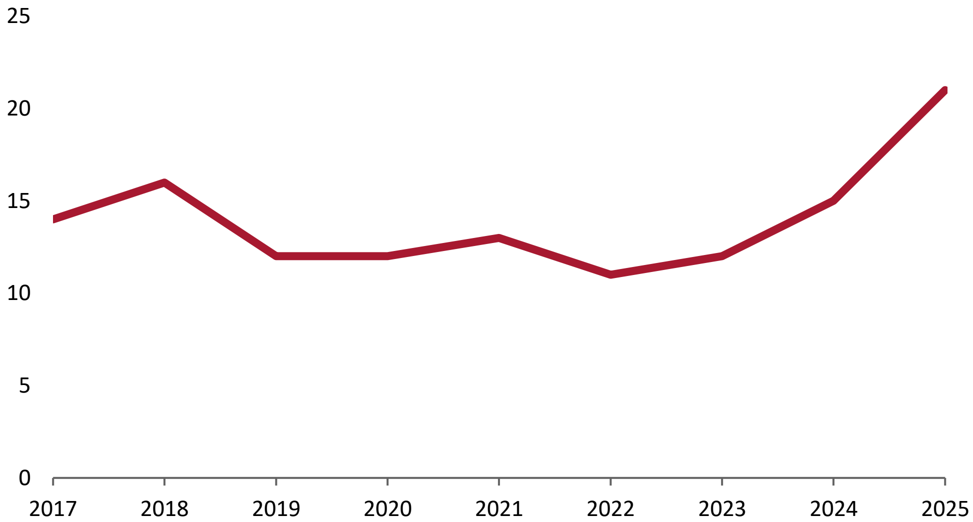
traditions appears to be encouraging a shift in thinking (Stiftung Familienunternehmen 2023).

2.3. Closure Dynamics in the Mittelstand

Fig. 3 shows that the share of business owners planning a closure has risen significantly over the past decade. Since 2017, the share of definitively planned closures, measured against the total stock of Mittelstand companies, has risen by 7 percentage points, from 14 percent to 21 percent (Schwartz 2026). Extrapolating these plans to a five-year period from 2025 to 2029, around 569,000 owners of Mittelstand companies do not intend to continue their business after their withdrawal by the end of 2029 (Schwartz 2026).

Fig. 3: Share of definitively planned closures

in percent, measured against the total stock of all German Mittelstand companies

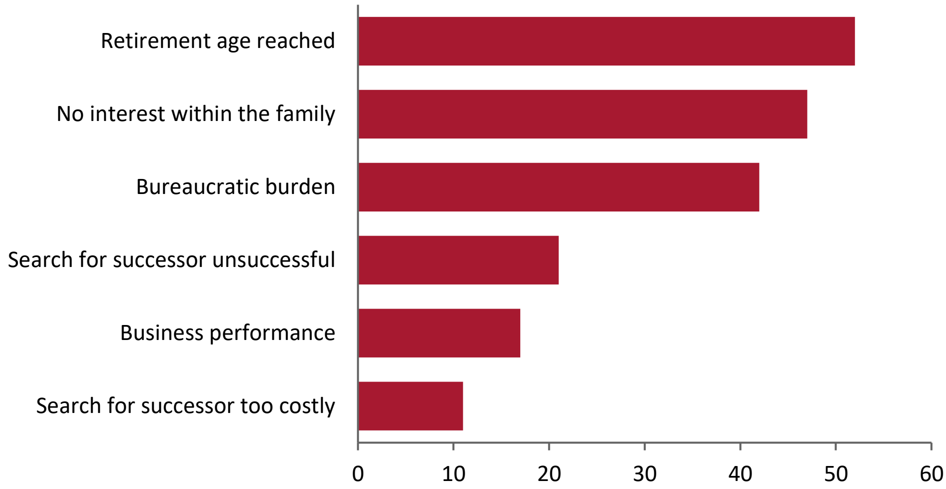


Source: Schwartz 2026. As of July 29, 2026.

Based on its own Mittelstand panel survey, KfW's succession monitoring identifies six main reasons. The most frequently cited reason is reaching retirement age (Fig. 4). This is followed by a lack of family interest and the bureaucratic burden associated with general business operations and with succession.[7] The citing of the bureaucratic burden as a main reason suggests that the expected returns from continuing the business no longer justify the expected effort of a transfer, even though KfW assesses some of these companies as profitable in the future. Cited far less frequently are the failure of the search for a successor, the general business situation, and the effort involved in searching for a successor.

[7] KfW estimates that Mittelstand companies spend an average of 7 percent of their monthly working time on bureaucracy (Schwartz 2026).

Fig. 4: Reasons for closure in the German Mittelstand
in percent, multiple answers possible



Source: Schwartz 2026. As of August 4, 2026.

Since the study also includes micro-enterprises and solo self-employed individuals (Schwartz 2026), the results may be biased by this group. According to the estimation methodology of the Institut für Mittelstandsforschung, a company is only considered worth taking over if it generates a return for the owner equivalent to a comparable employee salary of approximately 68,000 euros per year (Rieger-Fels et al. 2025). Most companies with an annual revenue of 500,000 euros or less do not reach this threshold. Since the last estimate, the share of these small companies among all companies due for succession has fallen markedly, from 30 percent to 13 percent. This suggests that small businesses are increasingly dropping out of the group of companies "suitable for takeover" (Rieger-Fels et al. 2025).

3. The Market for Private Companies

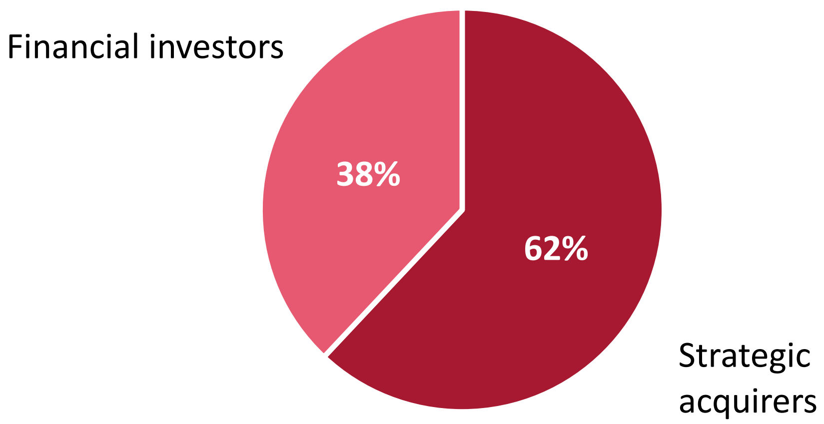
For larger companies with annual revenue of 500,000 euros or more, a sale is the obvious succession option if the transfer within the family fails. In Germany, around 186,000 companies with revenue of more than 500,000 euros are facing a transfer in the period from 2026 to 2030, of which around 9,400 most recently had annual revenue of more than 10 million euros, and around 1,600 even of more than 50 million euros (Rieger-Fels et al. 2025). The ifo Institute reported that around 50 percent of family businesses with more than 250 employees were to be fully or partially transferred in the three years after 2023 (Garnitz et al. 2023).

3.1. Market Development

On the buyer side, a distinction is made between private buyers, strategic acquirers, and financial investors. Private buyers are natural persons who acquire a company in order to subsequently manage it themselves. Strategic acquirers are companies that buy other companies in order to integrate them into their own business. Financial investors are investment firms that acquire companies with the aim of realizing a capital gain through a later resale. The most important financial investors are private equity funds.

Private buyers account for the largest share of transactions. The start-up statistics record around 58,000 takeovers of existing companies by natural persons each year (Metzger 2025). Many of these companies are very small and are therefore not included in analyses of the transaction market. In the observable transaction market, most companies are bought by strategic acquirers. As Fig. 5 shows, transactions involving strategic acquirers account for around 62 percent of transactions in the observable market. The remaining 38 percent of companies are acquired by financial investors.

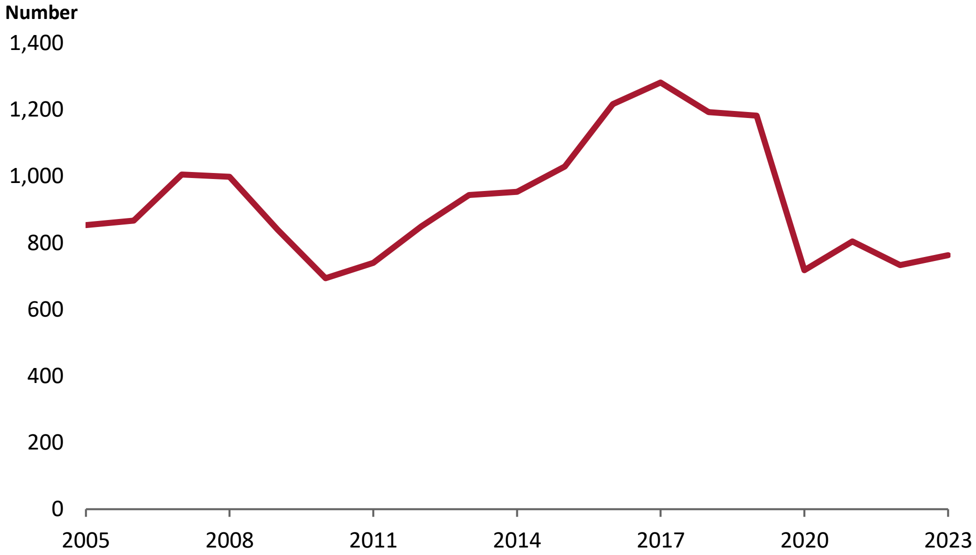
Fig. 5: Transactions of Mittelstand companies by buyer type (observable market)



Source: Oaklins 2026. As of September 17, 2026.

Published market data do not allow a clear delineation of a market for family businesses in Germany. This is due both to the lack of definitional precision of the family business and to the limited disclosure of private company transactions. KfW, for example, counts an average of around 1,000 company transactions per year between 2005 and 2023, with transaction numbers falling to an average of 750 between 2020 and 2023 (Fig. 6). These figures include companies with annual revenue of up to 500 million euros (Gerstenberger 2024). Surveys by PwC, by contrast, count more than 2,000 transactions per year for the same period between 2020 and 2023 (PwC 2025). The German Private Equity and Venture Capital Association (Bundesverband Beteiligungskapital, BVK) reports the number of annual private equity acquisitions (buy-outs) in the German market in the low three-digit range. In 2025, the BVK counted 139 buy-outs across all size classes (Fig. 7) (Bundesverband Beteiligungskapital 2026).

Fig. 6: Company transactions with German Mittelstand companies as targets

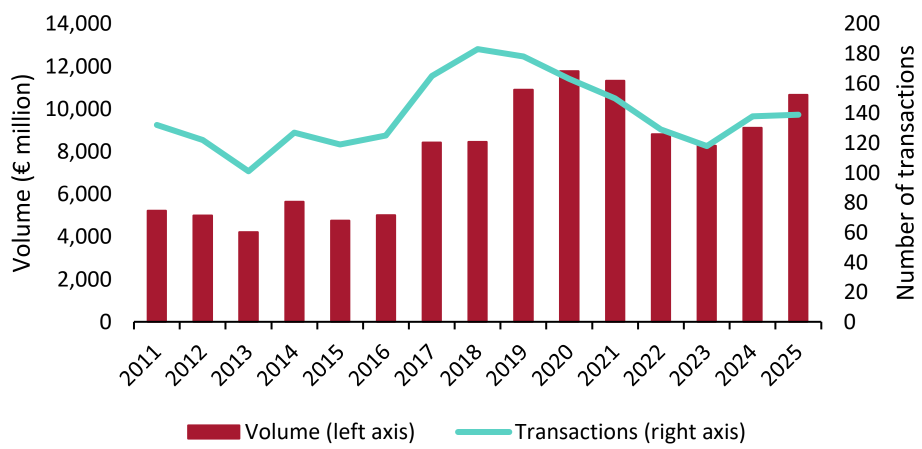


Source: Gerstenberger 2024. As of August 6, 2026.

Regardless of the underlying transaction universe, Fig. 6 and Fig. 7 show the fundamental dynamics of the observable transaction market: the number of transactions rose during the 2010s, collapsed in the wake of the coronavirus crisis in 2020, and stabilized at a lower level in the following years. This development can be attributed to several factors. The 2010s were characterized by favorable financing conditions and high market liquidity. Since capital market liquidity is a key driver of merger waves (Harford 2005), this favored transaction activity. The coronavirus crisis then led to a slump in transaction activity in 2020, and the subsequent interest rate increases and geopolitical tensions prevented a return to previous peak levels.

Fig. 7: Buy-outs by private equity firms

in the German transaction market

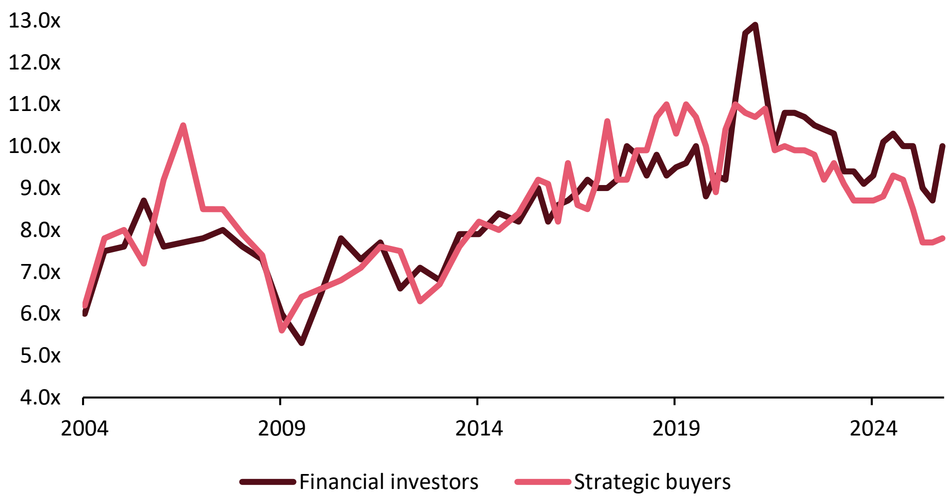


Note: Company size is measured by the amount of the investor's equity investment. Source: Bundesverband Beteiligungskapital 2019, 2026. As of August 7, 2026.

The valuation of private companies describes the gross enterprise value and is usually expressed as an EBITDA multiple in the industry.[8] Fig. 8 shows that the rise in transaction numbers during periods of expansionary monetary policy was also accompanied by a rise in valuation levels. In addition, the economic uncertainty during the coronavirus crisis had an impact on valuation levels. Different buyer groups, namely financial investors and strategic buyers, have different willingness to pay. Since 2021, the willingness to pay of financial investors has been significantly higher than that of strategic buyers (see Fig. 8).

Fig. 8: Valuations in the European mid-market segment

Multiple: EV / EBITDA



Source: Argos Wityu / Epsilon Research 2026. As of August 14, 2026.

3.2. Buyers' Motives and Objectives

Buyers in company transactions differ in their purchase motives and the objectives they pursue. The private buyer acquires a company in order to manage it personally. KfW categorizes transactions in which private buyers take over a company as takeover start-ups (Schwartz 2026). In a private transaction, the objective is usually to become self-employed by founding one's own business.

Strategic buyers seek to generate growth, gain access to new customers, and increase their own competitiveness by integrating a company into their own company or corporate group (Blajer-Gołębiewska et al. 2025). In addition, acquisitions are increasingly used to attract capable employees in order to counter the skilled

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[8] A multiple relates the enterprise value to an earnings figure. The EBITDA multiple described here relates the gross enterprise value to EBITDA (earnings before interest, taxes, depreciation, and amortization). An EBITDA multiple of 5.0 therefore means that a buyer pays five times EBITDA.

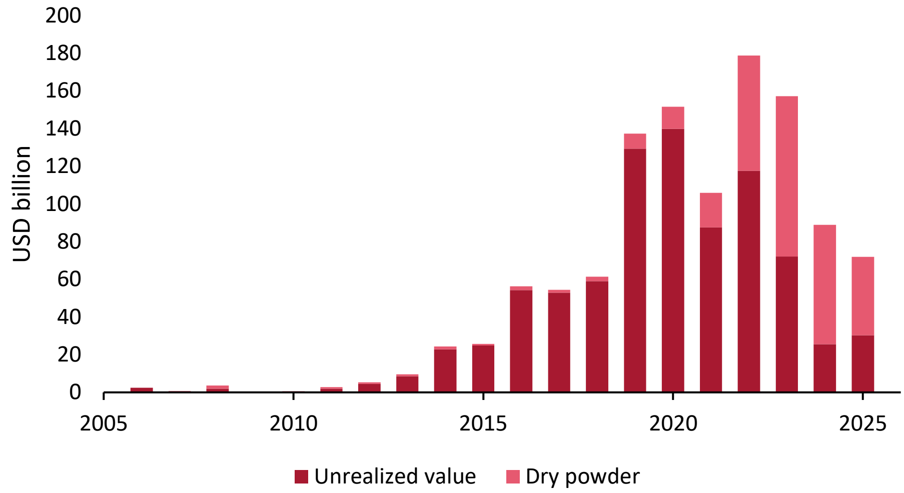
labor shortage (DIHK 2025). The aim is to realize synergy potential through the acquisition, which requires an organizational integration of the target company into the buyer's own company (Bauer et al. 2026; Larsson / Finkelstein 1999). This integration can take the form of a functional incorporation into the buyer's structures, or of a human integration, in which the companies are coordinated through personal relationships, trust, and a shared identity among the workforces, without giving up the target company's independence (Bauer et al. 2026).

Financial investors are investment firms that buy a company in order to generate an increase in value for their investors. These value increases are achieved through operational improvements, optimization of governance structures, and improved financing structures (Kaplan / Strömberg 2009). The most important players are private equity funds (buy-out funds) and venture capital funds, although the latter concentrate on acquiring young start-ups and are therefore not relevant to the succession context. A defining characteristic of the financial investor in the sense of this study is a fund structure (Kaplan / Strömberg 2009). The lifetime of a private equity fund is limited, usually to 10 years (Kaplan / Strömberg 2009).

Fig. 9 shows, as of December 31, 2025, the vintage years from which the assets currently managed by private equity funds in Europe originate, divided into capital not yet deployed (dry powder) and capital invested in companies (unrealized company values). In the young vintages, substantial dry powder is available, while in the older vintages the capital is almost fully invested in companies. A fund typically has five years to deploy its dry powder and typically five to eight years for the holding period (Kaplan / Strömberg 2009). Fig. 9 shows that funds from the 2022 and 2023 vintage years still hold considerable dry powder. Given the five-year investment period, these accumulated holdings point to investment pressure on financial investors.

Fig. 9: Assets held by private equity funds by vintage year, as of December 31, 2025

in Europe



Note: The horizontal axis shows the vintage year of the respective funds. Dry powder refers to capital that has been raised but not yet deployed. Source: Preqin. As of September 10, 2026.

3.3. The Seller's Considerations

The emotional attachment to one's own business is usually a major hurdle for an owner in a decision to sell (DIHK 2025). This is because the owner's control over socioemotional wealth is lost with a sale (Berrone et al. 2012). Nevertheless, individual components of socioemotional wealth, such as the company's name or the social ties within the business, can persist even after a sale. Whether this is the case in practice also depends on the choice of buyer. At the same time, the buyer types differ in the purchase prices they are willing to pay (see above). The seller therefore usually faces a trade-off between preserving socioemotional components and maximizing the sale proceeds.

In a transaction with a private buyer, the sale proceeds are lowest, since a private buyer generally neither has the purchasing power of an operating company nor raises fund capital from investors. The major hurdle usually lies in obtaining financing, as bank loans and equity resources have become scarcer in recent years (DIHK 2025). As a supplementary financing component, a vendor loan is therefore used increasingly often, which keeps the seller exposed to entrepreneurial risk even after his or her departure (DIHK 2025). In return for the lower sale proceeds, however, the seller can expect the greatest preservation of socioemotional components when selling to a private buyer. Especially when the buyer is a manager or employee of the seller's own company, not only the name but also the social ties and the company ethos can be preserved. The private buyer then comes closest to a family succession.

With a strategic buyer, the potential for high sale proceeds is considerably greater than with private buyers. Synergy potential means that the strategic buyer can theoretically pay a premium over the company's intrinsic earnings value (Baldi / Salvi 2022). However, this synergy potential impairs the components of socioemotional wealth. This is because, in order to realize synergies, central functional areas of the business are often absorbed into the buyer's group structure (Bauer et al. 2026).

The financial investor is particularly sensitive to credit conditions in its pricing compared with other buyers, since more than half of a transaction is often financed with debt (Kaplan / Strömberg 2009). The amount of debt raised does not depend primarily on the profitability of the target company but on conditions in the credit market (Axelson et al. 2013). Investments by financial investors are therefore procyclical. Credit availability is reflected in the willingness to pay high EBITDA multiples (Axelson et al. 2013). Consistent with this, Fig. 8 shows that the EBITDA multiples paid by financial investors have fallen with rising interest costs since 2022.

Surprisingly, however, financial investors have been willing to pay more for companies than strategic buyers since the coronavirus crisis, despite the synergy premium available to strategic buyers. This can possibly be explained by the investment pressure mentioned above, which is triggered by the high dry powder holdings (Fig. 9). For the seller, this development is advantageous, since the financial investor currently pays higher EBITDA multiples than the strategic buyer. The components of socioemotional wealth can in principle be preserved under financial investors, as they generally continue to run the company as an independent entity (Wenzel / Schupp 2025). Nevertheless, intended structural changes often cause owners concern about the company ethos that has grown over time (Kreer et al. 2018).

4. The Transaction Process

Choosing the right buyer type is not in itself sufficient for a transaction to be completed successfully. Between the decision to sell and the handover lies a process that can stretch over many years and whose hurdles can cause a succession to fail.

4.1. Preparation

Preparation for the sale of the company ideally begins long before the first contact with a buyer.[9] To identify and eliminate potential transaction obstacles in advance, the company undergoes pre-sale due diligence[10] (Nawe 2019: 748). Typical

[9] According to the assessment of the IHKs, however, 38 percent of business owners willing to transfer are not prepared for a transfer in good time (DIHK 2025).
[10] Due diligence describes the "necessary care" taken to identify possible problems with the takeover in advance. In addition to pre-sale due diligence, there are also other types of due diligence (Nawe 2019: 748).

problems that come to light are the business's dependence on the person of the owner, entanglements between private and business assets, change-of-control clauses[11] in contracts, and the lack of a meaningful planning and controlling system (NORDVISORY 2026; KP TECH 2026). In addition, forward-looking tax planning for the transaction is often missing. If the company shares are sold from private assets, the capital gain is subject to full personal taxation. If, by contrast, a holding GmbH is interposed during the preparation phase, the capital gain is largely tax-free at the holding level[12] (NORDVISORY 2026).

Remedying these problems can take several years. Particularly time-consuming are the delegation of responsibility in order to create a second management level that is independent of the current leadership, and the tax optimization of a transaction through holding companies (NORDVISORY 2026).

The findings gained from the pre-sale due diligence are consolidated in the sale documentation. In the observable transaction market, these documents are usually compiled by an M&A advisor. The sale documentation comprises a teaser, an information memorandum, a fact book, and a data room. The teaser is an anonymized short profile intended to attract initial attention from potential buyers without allowing them to identify the company (KP TECH 2026). The information memorandum presents the company in detail, covering its business model, market environment, and financials, and serves interested parties as the basis for their indicative offer (NORDVISORY 2026). Both documents have a promotional character, highlighting positive aspects and opportunities (Nawe 2019: 755). By contrast, the fact book and the data room are detailed presentations. A fact book is prepared by the seller to communicate selected matters in greater depth (Nawe 2019: 755). The data room is a digital document collection, organized by functional area, for the later due diligence (Nawe 2019: 758). In addition, an internal company valuation helps the owner form expectations regarding the sale proceeds and have a well-founded benchmark for the purchase offers (Nawe 2019: 754).

4.2. Buyer Search and Matching

The provision of the sale documentation marks the end of the preparation phase.

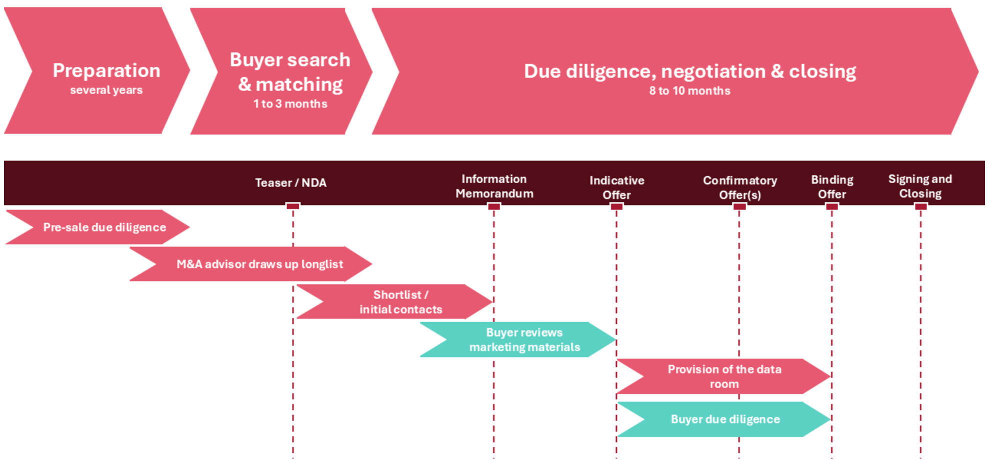
[11] Change-of-control clauses are contractually agreed special termination rights that can be activated in the event of a change of ownership. Where such clauses exist, customers, suppliers, or banks may have the right to terminate contracts after the transaction has been completed (NORDVISORY 2026).

[12] Under Section 8b (2) of the German Corporate Income Tax Act (KStG), gains from the sale of shares in corporations are tax-free at the level of a corporation. Under Section 8b (3) KStG, 5 percent of the gain is treated as non-deductible business expenses, so that ultimately only 95 percent of the capital gain remains tax-free. With a combined corporate income and trade tax rate of 30 percent, this results in an effective tax burden of around 1.5 percent.

Which channel the seller uses to approach potential buyers depends above all on the size of the company being sold. For companies without employees, almost 40 percent of sellers name succession exchanges[13] as their sales channel, while transactions in the observable market are accompanied by M&A advisors[14] (Moritz et al. 2023). The following section takes a closer look at the process in this transaction market.

The buyer search in the transaction market begins with the teaser and the information memorandum. The aim is to approach potential buyers without the market learning that the company is for sale. As little information as possible about the company being sold should be disclosed to competitors. Confidentiality is important in order not to unsettle employees, customers, and suppliers. In addition, a loss of face for the owner is to be avoided should the transaction fail (Funck / Silge 2019: 793). Likewise, the target company must protect itself against industrial espionage by competitors (Schmitting 2019: 171). The transaction process (Fig. 10) is therefore designed to gradually reduce information asymmetries on both sides in exchange for commitments from the other party. This gradual reduction of information asymmetries is necessary because the buyer only fully recognizes the true value of the company after having taken it over (Wolter 2008).

Fig. 10: Transaction process



Source: Berens et al. 2019; NORDVISORY 2026; own analysis. As of August 17, 2026.

[13] Succession exchanges are online platforms on which offers to sell and requests to buy companies are advertised. In Germany, the Federal Ministry for Economic Affairs, together with KfW, operates the platform "nexxt-change."

[14] M&A advisors accompany a transaction from the buyer search through to closing. In the market segment described here, these are predominantly boutique advisory firms and the M&A units of the large audit firms.

At the beginning of this process, a longlist is drawn up. The longlist is a compilation of the acquirers that come into consideration for a transaction in strategic and financial terms (Schmitting 2019: 160; NORDVISORY 2026). It is typically prepared by the appointed M&A advisor and made available to the seller. The seller reviews the potential acquirers and, in cooperation with the M&A advisor, narrows the list down to his preferred candidates. The resulting list is called the shortlist (KP TECH 2026). By drawing up the shortlist, the seller can control which buyer types are approached in order to safeguard his interests as effectively as possible. The shortlist candidates then receive the teaser. Only once a potential buyer expresses explicit interest and signs a non-disclosure agreement (NDA) is company-specific data released. The interested party then receives the information memorandum (Schmitting 2019: 171).

On the basis of the information memorandum, interested parties submit a first non-binding offer. If the seller decides in favor of an interested party, the parties sign a letter of intent (LOI) (Funck / Silge 2019: 793). In it, the negotiating parties record the key terms of the planned transaction – such as the purchase price range, structure, timeline, and, where applicable, exclusivity – without committing themselves to concluding the contract. If both parties intend to enter into deeper negotiations, the second part of the process begins, in which the company is valued and examined and the sale is contractually concluded.

4.3. Buyer Due Diligence, Negotiation, and Closing

This is followed by the buyer due diligence, with which the buyer attempts to reduce the information asymmetry and gain an impression of the true quality of the business (Funck / Silge 2019: 788). The buyer due diligence is divided into partial reviews of financial, legal, and tax aspects.

During the due diligence, the buyer continuously provides price indications, which are used to bring the price expectations of buyer and seller closer together. This is necessary because there is usually a large gap between the seller's price expectations and the buyer's offer (Moritz et al. 2023). This is attributable to the fact that buyer and seller base their calculations on different metrics. The family business owner takes a retrospective perspective, considering the investments made, the effort expended, the personal sacrifices, and the growth achieved (Schwartz 2026), while the buyer values the company's future earnings power.

If buyer and seller reach an agreement, the process culminates in the conclusion of the transaction. After an agreement is reached, a binding offer is submitted, followed by the signing of the purchase agreement (signing) and its completion (closing). Signing and closing usually occur at different points in time, since closing is tied to further conditions such as financing or antitrust approvals. The sale process is only completed with the closing. However, due to deferred purchase price payments and vendor loans, the owner's ties to the company often persist for several more years.

5. Conclusion and Outlook

Business succession in the German Mittelstand is undergoing a structural change. The succession within the family preferred by business owners can no longer be realized as often, since the next generation places greater value on personal responsibility and more frequently prefers founding its own venture to directly leading the family business. Added to this is the growing demographic pressure of an aging generation of business owners. As a result, selling the company is becoming an important alternative for a growing share of owners and successors.

In the market for companies, the seller encounters buyer types with different objectives and motives. The choice of buyer type represents a trade-off between maximizing the sale proceeds and preserving the components of socioemotional wealth. The current market situation eases this trade-off, since financial investors currently pay higher EBITDA multiples than strategic buyers while at the same time better protecting the socioemotional components. One of the most important elements is the careful preparation of the company and the owner for the transaction. This is because the transaction process demands of the target company, among other things, owner-independent management and documented processes. At the same time, the owner must prepare for the transfer in tax and emotional terms.

With the closing of the transaction, the individual business succession is complete. For the German Mittelstand as a whole, company transactions bring change, because the ownership structure changes. On the one hand, companies pass from family ownership into the ownership of larger corporations or financial investors. On the other hand, the entrepreneurial family receives the sale proceeds for its stake as freely available capital.

The family's economic role therefore does not end with a sale. Rather, it undergoes a transformation from entrepreneur to investor, so that the role of capital provider can take the place of operational leadership. While company-specific responsibility falls away, the entrepreneurial wealth and experience of the families remain fundamentally available. To what extent the defining characteristics of family businesses – such as long-term orientation and regional roots – will endure, and whether the wealth of entrepreneurial families will be preserved for the Mittelstand as entrepreneurial capital, are among the central questions to be answered in the future.

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