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When Keeping the Business in the Family No Longer Makes Sense

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A study of German family businesses showed that as intra-family succession becomes more difficult, families are increasingly open to selling — and intermediaries are emerging to help match owners with outside buyers.

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Passing the baton to the next generation is seen as the default option in family businesses. But a study that we conducted in Germany shows that many families are deciding that keeping the business in the family is problematic, and selling it to an outsider is an increasingly attractive option.

Our study sought to explain why such a shift in ownership transfer can occur. We took a bird's eye view: Instead of looking at how particular families decide on transferring their business; we looked into the expectations, norms, and practices that shape how ownership should change hands, and the circumstances that can change them.

Germany, where our study took place, is known for its high number of multi-generational family businesses. For a long time, intra-family succession was the preferred way to transfer ownership . Yet, annual surveys conducted by the Kreditanstalt für Wiederaufbau (a promotional bank) among business owners over the past decades indicate a tremendous change: More and more family business owners could imagine selling the business to someone outside the family. In 2019, the majority of business owners even *preferred* an external solution.

We wanted to know the reasons for this shift because it challenges the default option for family businesses. Selling the business to an entity outside the family also has implications for economic development and the stakeholders who interact with the family. For example, the new owner might be a private equity firm or other institution bent on consolidating and concentrating business assets, and this risks disruption to the local community. The trend in outside sales also opens up new opportunities for "matchmakers" who can help the family find the new owner.

What We Studied

We traced the evolution of the intra-family succession regime in Germany from the 1990s until today, drawing on a rich collection of documents and expert interviews from business owners, their advisors, intermediaries, researchers, and policymakers. By doing so, we saw how the typical rules and processes for intra-family succession became problematic, and how the option to let the family exit altogether became more viable.

We also spoke with fiduciaries of family owners, such as lawyers, tax advisors, and business consultants who have been involved in ownership succession for at least 10 years. In contrast to business owners, who often only go through one succession in their life, these fiduciaries had witnessed many ownership transfers in their interactions with business owners, other experts, and policymakers, and knew all the issues associated with it.

The interviews provided first insights into how the intra-family succession process has changed over the years, and the initiatives, public discourses, events, or people who may be relevant to understanding these changes. We reviewed pamphlets, news articles, laws, and law commentaries that documented how practices evolved for dealing with intra-family succession. Based on the initial interviews and the collected materials, we pursued another round of interviews to follow the cues.

From 2019 through 2022 we conducted 30 interviews with 24 experts, including lawyers, consultants, representatives of the chambers of commerce, academics, and firm platform providers. More importantly, we compiled a rich collection of documents including, for example, all chamber of commerce succession guides, postings for succession events, articles in industry magazines on succession, images and texts of business platforms, legal documentation on tax breaks for business sales, and many other documents and interview records. We gathered business owners' perspectives through case studies or journalistic interviews. The collected material allowed us to trace the origins of the gradual change in the intra-family succession regime from the 1990s until 2023.

What We Found

We discovered that intra-family succession gradually shifted and morphed into a new type of transfer, which we term "exit regime." This shift occurred in four phases:

Key stakeholders saw intra-family succession as a problem: First, the incumbents increasingly were perceived as clinging to their control for too long. Later, successors were critically portrayed as non-existent, unwilling, or incompetent. Overall, the family was no longer seen as the best possible owner of the business.

A number of campaigns raised awareness of the problems with succession. Research institutions started to estimate how many employees may be affected by a poorly managed ownership transfer, which increased public interest in succession even more.

Families were increasingly willing to consider new forms of ownership transfer. More specifically, we saw a rise of intermediaries who proactively advised family businesses during succession, but most importantly acted as matchmaker in bringing family firms and potential buyers together. More platforms emerged that offered matchmaking services for business owners interested in selling.

Eventually, the norm to transfer a business within the family was weakened by a new openness to selling the business outright. The narrative that outsiders who buy the business are themselves "founders" took shape, which implied that taking over a business is equivalent to founding a new business and positioning the sale as a legitimate, even desirable option for ownership transfer.

The shift from intra-family succession to exit did not occur immediately, but involved a number of interim steps before the new exit process eventually emerged. Each dimension of the intra-family succession process —who should be an owner, what is actually owned, how should it be used, and how ownership transfer should occur—was gradually renegotiated and reframed. This shift promoted new expectations toward ownership transfer that emphasized sales and matchmaking between entrepreneurial incumbents and new, external buyers. We identified intermediaries as main change agents in the shift toward an exit regime, as they turned from on-demand fiduciaries to indispensable matchmakers.

Despite this shift, many businesses are still transferred within the family. However, intra-family succession is now expected to be problematic, while selling the business as a form of ownership transfer has gained legitimacy. Micelotta et al. (2017) refer to this transformative change as institutional accretion: a change that is slow in pace but forceful in its scope.

Takeaways

Deciding to keep the family in the business or to sell the business externally are not only individual decisions, but totally different processes involving different expectations, norms, rules, and practices. The interplay between family businesses, their advisors, policymakers, bankers, chambers of commerce, and the general public all shape these norms. It takes a village to raise a child and it takes a society to re-draw the blueprint for ownership transfer.

Beyond Germany, our findings may also be relevant in other economies. The US, for example, has a strong start-up and exit culture as well as some longstanding family business dynasties. In this setting, the question is how ownership transfer changes under these

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conditions, and which actors participate in this shift. In settings where selling a firm is widely framed as a successful entrepreneurial outcome, the meaning of ownership transfer may change in more fundamental ways.

Our research suggests these strategies for key stakeholders:

- **Family businesses owners** can take comfort in knowing that their considerations in ownership transfer follow specific rules. They should dare to ask others how to find the best solutions. If they decide to sell their business rather than keep it in the family, they should carefully reflect on the prospective buyer – Is the new owner really a "founder"?
- **Family business advisors** should be more cautious in assuming that families want to keep the business within the family. They should be aware that they are change agents in shifting a blueprint. Some may see the offering of matchmaking and support during sales as a promising business model. Others may critically question the allocation of assets under new owners and the risks of fueling a concentration of business ownership.
- **Policymakers** should first acknowledge their important role in this institutional shift. They should consider if this ongoing shift also needs further changes in order to really encourage business ownership to transfer to "new founders" instead of strategists and institutional investors. This shift in the blueprint of ownership transfer may require new policies, more financing options for entrepreneurs buying family businesses, and tax laws that discourage institutional investors.

Explore the Research

A Bird's-Eye View on Family Business Succession: Ownership Transfer Regimes and How They Change. (https://journals.sagepub.com/doi/full/10.1177/08944865251393305) *Family Business Review,* January 2026.

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