



When Family Businesses Sell

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Abstract

Family businesses favor the transition of ownership taking place within the family. However, the internal succession often fails, leading families to sell their businesses. Thus, in this thesis I aim to investigate the reasons of families for selling their businesses. I compare the perspectives of family owners and their potential successors to reveal their motives for selling the business to an external buyer. I put forward the proposition that the feasibility of a sale option is dependent on the potential sale scenario and the possible survival of the business to increase the sale inclination. My research is based on eight individual interviews with family owners and the next generation. Provided that those family businesses do not have specific internal succession thoughts, I exposed six different scenarios that have a positive or negative inclination towards selling the family business. Once the family owner or the next generation has established a sale intention a sale process is triggered. In my thesis I explore the sale terms that influence the negotiations during the sale process. My findings indicate that the survival of the firm has certain significance in the sale process. Families carefully examine the buyer, the acquisition price, and the anticipated durability in order to decide whether they complete a deal or discontinue the sale process with the particular buyer. With the discontinuance of the sale process, the intention to sell is still present, and the businesses reenter the sale process.

Keywords: Family Business, Mergers and Acquisitions, Management Buy-out/in, Succession, Sales Process

1. Introduction

“In the past family owned businesses had nowhere to go except intergenerationally... today there is an opportunity for those family-run businesses to sell” (Gilbert, 1989 as cited in [Steen and Welch \(2006\)](#), p. 290) this statement underlines the relevance of this thesis.

The landscape of businesses in the European Union consists of 60% family businesses ([Commission \(2009\)](#)). Up to 690,000 businesses, which account for 2.8 million jobs, go through the ownership transition every year (European Commission, 2006 as seen in [Nordqvist et al. \(2013\)](#)).

Even though the internal succession is favored by family businesses, the option of selling the firm and exiting the entrepreneurial activities are more common than ever. In the coming ten years every second small and medium sized enterprise (SME) in Germany will face a succession process and will require a new owner. However, the tendency that the offspring will continue the family business is decreasing ([Flicke \(2014\)](#)).

Researchers have focused on the issue of succession in family businesses for a long time. Nevertheless, the reasons for why family businesses decide to sell their firms and the

valuation approach of the businesses are scarcely researched and have only gotten minor attention by scholars. However, the urgency of addressing this topic is increasing since a generation of baby boomers will retire without having an internal family successor in place ([Gleason et al. \(2011\)](#)). The economy will face a wave of succession in family firms, causing the need for an understanding of what conditions induce families to sell their businesses ([Flicke \(2014\)](#)). For most family businesses, the question of exiting the firm will be an event that does not occur frequently in the tenure of the generation in charge. Therefore, this thesis gives an explanation from the family businesses' environment. Within the scope of this thesis, the situation of families in the sale process and their decision-making will be examined in order to close the existing gap in the literature and in order to support those families in understanding and evaluating the circumstances that continually lead to sales decisions. An understanding of the different motivation factors involved in the decision-making of family business shareholders to sell their business or allow a management buyout (MBO) or management buy-in (MBI) is inevitable for reaching full comprehension of why family business ownership transfers.

The thesis will address the following research questions:

When do family businesses sell to an external party via a management buyout/ buy-in or a merger and acquisition? How do families value their businesses?

2. Literature Review

2.1. Family Business and External Succession

Scholars have paid a lot of attention to the topic of succession in family businesses (Yu et al. (2012)). In particular Chua et al. (2003) found that most of the articles in the academic family business literature, nearly 19.5%, are concerned with succession. The topic of succession is eligible since surveys revealed that “80% of all business owners expect to transfer their companies to a key employee or family member when they retire” (Knott and McGrath (2004) as cited in DeTienne and Cardon (2012), p. 354). However, it is widely proven in the family business literature that inter-generational transitions succeed only in approximately 30% of the cases when looking at the transition from the first to the second generation (Beckhard and Dyer Jr (1983); Birley (1986); DeTienne and Cardon (2012); de Vries (1993); Lee et al. (2003); Wiklund et al. (2013)). Even less inter-generational transitions succeed in the second and third generation of the family business (de Vries (1993); Morris and Williams (1997); Niedermeyer et al. (2010); Wennberg et al. (2011)). Therefore, the relevance of external succession in family businesses is high. The topic of external succession and the reasons for selling the family business are however only scarcely researched and have not gotten much attention in the family business literature.

In order to understand what induces family owners to sell their business, it is necessary to penetrate the current research on family businesses and the external succession undertaken by scholars in recent years. In a first step, family businesses and their idiosyncrasies will be defined to create a common ground of understanding for the further analysis. A second step of the literature review will deal with the definition of external succession, which will be followed by narrowing down the different routes available to sell the business.

2.1.1. Family Businesses and their Idiosyncrasies

There are a lot of varying definitions concerning family businesses in the appendant literature. For this thesis I have chosen to make use of the definition by Carney (2005, p. 199) who define the family business as “an enterprise in which the family is involved in the ownership and management of the firm and the owning family desires transgenerational control”. This definition allows me to consider different kinds of family businesses, which are in different stages with regard to maturity and the potential selling process. Other definitions require a family member to be a chief executive officer (CEO) and narrow the family business down to at least two generations in which the family is in control and has a minimum of five percent of the voting rights (Colli et al. (2003) as cited in Carney (2005)). Since these definitions

limit the potential interviewees for the qualitative research part and reduces the management and ownership compositions, I focus on the first definition by Chrisman et al. (2012). Nevertheless, it is important to mention other definitions of family businesses stated in the literature as most of them consider the aspects of family ownership and control as well as the involvement of the family in the business and “the expectation, or realization, of family succession” (Carney (2005), p. 251).

In order to understand the reasons of family businesses for selling their firm, it is important to explain what differentiates a family business from other businesses. In a family business “the business is embedded in the family and [...] family and business are intertwined” (Wiklund et al. (2013), p. 1320). Furthermore, a family business is seen as having a long-term orientation (Miller & Le Breton-Miller, 2005 as cited in Wennberg et al. (2011)) and tends to avoid risk taking more than other firms (Zellweger (2007)). The literature on family businesses has further revealed that family businesses have a willingness to forgo an optimal capital structure (Burkart et al. (2003) as seen in Wennberg et al. (2011)) when in return the ownership structure maximizes the probability of retaining the control rights in the long run (Mishra and McConaughy (1999) as seen in Wennberg et al. (2011)). Hence, the above-stated factors contrast family businesses in relation to other firms. These main differences can be traced to the pivotal role family members exert in every layer of the family business (Davis and Harveston, 1998; Chua, Chrisman and Sharma, 1999 as seen in Ucbasaran et al. (2001)).

2.1.2. External Succession in Family Businesses

For this thesis, I adopt the definition of internal and external transition options in a family business by Wennberg et al. (2011). An internal transfer, meaning an intra-family transfer of ownership, is “occurring when one or several members in the nuclear or immediate family leave the ownership of the family firm in the hands of a successor (spouse or children)”, whereas an external transfer of ownership “occurs when non-family members take over the ownership” (Wennberg et al. (2011), p. 4). The scope of the external succession in this thesis relies on actual ownership transition to a nonfamily member and not just the changing management. Whether the family business changes its ownership internally or externally is under the influence of the owner-family’s structure, the relationships within the family and the involvement of the family (Wiklund et al. (2013)). Lee et al. (2003) argue that the idiosyncrasies of a family business are highly related to the decision of internal succession. The researchers found that with high idiosyncrasies internal succession is much more likely unless the qualifications of the inheritor are insufficient so that it could threaten the family businesses’ survival. Regardless of the internal or external process, the succession proposes a difficult challenge for the outlook of the family business (Lansberg (1999) as cited in Howorth et al. (2007)).

Researchers discovered that firms which transition externally tend to have an increased performance in terms of sales

growth when compared to businesses with intra-family transitions. These findings also have held true over a long period of observation (Wennberg et al. (2011)). However, firms that are transferred within the family have a higher survival rate than externally transitioned firms (Wennberg et al. (2011)). These findings call for more information on exit routes and the reasons families have for exiting their firms.

2.2. Exit Reasons and Options in Family Businesses

Family businesses favor the succession within the family (DeTienne and Chirico (2013); Kuratko (1993) as seen in Parker (2016); Wiklund et al. (2013)), however, exiting the business cannot be considered a failure and is rather a choice for the family in order to harvest what they have built (DeTienne (2010); Mickelson and Worley (2003); Steen and Welch (2006); Wennberg et al. (2011); Wiklund et al. (2013)). Thus, the exit of the family business can be seen as “a wise entrepreneurial decision or even a sign of success” (Akhter et al. (2016), p. 374). This section of the literature review will discuss the reasons why families exit their firms and will explain the different exit options in a second step.

2.2.1. Exit Reasons in Family Businesses

De Massis et al. (2008) have researched the factors that prevent families from handing over their business to the next generation. The scholars discovered that “factors that play a role in the succession process are not necessarily factors that prevent succession from taking place” (De Massis et al. (2008), p. 185). An advanced focus on the factors that prevent succession revealed that there are three scenarios in which succession will fail. The first scenario discusses the problem of all potential successors not being willing to take over the business (De Massis et al. (2008)). Parker (2016) calls this dilemma the “willing successor problem” (p. 1243). He argues that parents are able to invest further resources in form of tangible and intangible capital and effort in order to reduce the attractiveness for the successor to sell the firm and increase the choice of enduring the family business (Parker (2016)). The second cause that could hamper a succession from proceeding occurs when the incumbent family members reject the offsprings as potential successors. Lastly, De Massis et al. (2008) establish a situation in which the ones in charge of the family business decide against family succession. Along with these scenarios, the scholars identified five antecedent factors that prevent family succession: contextual, individual, relational, financial and process factors. Due to the limited scope of this paper, the latter factors cannot be explained here. Instead, a detailed overview of the model by De Massis et al. (2008) will be provided in figure 4 and Table 9 in the appendix.

Salvato et al. (2010) argue that exiting the family business is not solely caused by the internal family factors discussed above, but rather influenced by external factors like changing business environment or industry crises.

Additionally, there are typical exit reasons in firms which are not limited to family businesses. A need for liquidity,

reaching the retirement stage or even boredom, burnout and age or health issues as well as the death of the founder are among these reasons (Akhter et al. (2016); DeTienne (2010); Meier and Schier (2014); Mickelson and Worley (2003)). Graebner and Eisenhardt (2004) discovered personal reasons of managers for selling the business, including factors like the fear of failing as a manager, the high stress and the risk of dilution, which means that they exchange their current financial position for a higher one in the future for possible financial gain. However, these findings are not limited to family businesses and it needs to be researched in more detail whether those reasons can be extended to family firms as well. Nevertheless, the findings are important as they reveal personal factors that influence the exit decisions in businesses (Graebner and Eisenhardt (2004)).

2.2.2. Exit Options for Family Businesses

When a family has decided to exit their business there are different exit routes that could be feasible options for the family. These options possess different degrees of reward, risk, complexity and different levels of engagement by the family after the exit (DeTienne and Cardon (2012)). Among the exit options are initial public offering (IPO), discontinuing the business by liquidation or variations of selling the business.

Selling the business can take place in form of a family buy-out (FBO), in which another family member takes over the business, a management buyout (MBO), in which the current employees buy the company, or in the form of a management buy-in (MBI), in which external individuals purchase the business. A last potential option of selling the business is a merger or acquisition (M&A) by another business (e.g., Akhter et al. (2016); DeTienne and Cardon (2012); Kammerlander (2016); Scholes et al. (2007)).

The focus of this thesis is on the sale to an external party, therefore, MBO/I and M&A will be in the foreground of the following two chapters. The exit route of an IPO constitutes an external transition as well. Nonetheless, it is not seizable for most firms, especially in the landscape of small firms. The most common exit option for small and medium-sized enterprises is the sale in form of an MBO/I or an acquisition (DeTienne (2010); DeTienne and Chirico (2013)).

2.2.3. Management Buyout and Buy-ins in Family Businesses

Howorth et al. (2004) define MBOs as the “purchase of the firm by a group of normally four to six senior managers who are already employed in the business, typically using their own funds plus external private equity and bank loan” and MBIs as the “purchase of the firm by external entrepreneurs, with funding from the same sources as for MBOs” (p. 511).

The largest group of MBO/Is comprise family businesses with incumbent managers taking over the firm from the family (Howorth et al. (2016)). “MBOs of privately held family firms involve a switch from concentrated family ownership to concentrated non-family ownership” (Chrisman et al. (2012), p. 198), however, MBOs do not necessarily decrease

agency costs when the target is a family business (Chrisman et al. (2012)). Before the MBO/I is established the ownership and management of the firms are often combined so that agency cost issues in a traditional sense do not apply (Howorth et al. (2004)). Selling the family business in form of an MBO/I is a common option, constitutes an evolutionary process (Chrisman et al. (2012)) and is seen as a step towards professionalization (Howorth et al. (2007); Gilligan and Wright (2010) as seen in Howorth et al. (2016)). Hence, the informal methods are reduced and formalization will increase in the family business after the MBO/I is completed, especially when a private equity (PE) investor is participating (Howorth et al. (2016)).

The exit route through MBO/Is is a possibility for family businesses to “maintain [their] independent ownership and sustain the notion of ‘familiness’ over time” and to sustain “ethos and identity” (Howorth et al. (2007), p. 1). It also ensures the “continuity of the firm” (Howorth et al. (2004), p. 510). Simultaneously, the business can often advance the growth opportunities and its operational efficiency (Scholes et al. (2009)).

Howorth et al. (2004) mention missing successor, missing experience of the successor, missing intention of transgenerational transition of the firm by the incumbent managers and the breakdown of the relationship between the management and the family as potential reasons for choosing the MBO/I route to sell a business.

2.2.4. Mergers & Acquisitions in Family Businesses

The activity of M&A in family businesses can either be of defensive or offensive nature. A defensive M&A process can be an “effective exit strategy” (Mickelson and Worley (2003), p. 251), on the other hand, an offensive exit strategy can increase the firm’s value and create a competitive advantage while also meeting the demands of stakeholder (Mickelson and Worley (2003)). The families’ values and culture can have a significant influence, negatively as well as positively, on the transaction, but when the top managements of the businesses do not work well together the M&A process is likely to fail (Mickelson and Worley (2003)). Additionally, it is known in the literature that approximately 70% of all M&A transactions are categorized as a failure (Cartwright & Cooper, 1995; Fairfield (1992) as seen in Mickelson and Worley (2003)). However, some merger motives arise out of the desire to achieve financial, operational and managerial synergies as well as a desire to increase the market power (Trautwein (1990)).

According to Caprio et al. (2011) family ownership decreases the likelihood of being acquired from an outside party, nonetheless, the acceptance of the firm being acquired increases when the shares in the hands of the family are below 20%.

2.3. Valuation in Family Businesses

If a family decides to sell the family business, a valuation of the firm needs to be established by the buyer and the

seller. The valuation is “a procedure to determine the price to be paid for the acquisition” (Granata and Chirico (2010), p. 341). From a general standpoint of firm valuation there are several options including discounted cash flow methods (DCF), income statement-based methods like multiple valuation, as well as seldomly used balance sheet and goodwill-based methods (Fernández and Fernández (2002) as seen in Granata and Chirico (2010)). These valuation methods often obtain different values in absolute terms (Kammerlander (2016)).

Acquirers presume family businesses as less professional and lacking efficiency by virtue of the decision-making procedures which are guided by emotions instead of economic-rationality (Gómez-Mejía et al. (2007), as seen in Granata and Chirico (2010)). Thus, acquirers ask for a discount on the acquisition price when the target is a family business in contrast to a non-family business. Even though some of the value in family businesses does not only originate from the business activities but rather from the family itself and relevant research findings proof that family businesses tend to perform better than non-family businesses, the acquirers tend to focus on family businesses’ negative aspects and undervalue them (Granata and Chirico (2010)).

From the family businesses’ perspective, “owner-managers are willing to provide substantial discounts to their successors” depending on different factors, including the “perceived firm performance, managerial tenure within the firm, and the relationship (‘familiarity’ or ‘closeness’) between the owner-manager and the successor” (Kammerlander (2016), p. 205). Furthermore, Kammerlander (2016) ascertains a negative effect of the business size on the transaction price in relation to its real value based on the scarce potential successor who can finance the takeover transaction. Therefore, giving a discount, averagely 30%, on the transaction price could enforce successors to take over the firm.

2.4. Implications on Selling the Family Business

Selling the family business is a decision that requires a lot of preparation and thought on the family side about whether or not to give away its legacy to an external party. However, the sale to an external party can be the right choice to preserve financial and socio-emotional wealth for the family (Wennberg et al. (2011)). Motivations to sell the business stem from business reasons like shrinking markets and constant downturns as well as from liquidity issues and family related reasons including conflicts among the members and asymmetric altruism. Additional motivations arise from personal reasons related to age, other potential personal difficulties as well as the need for leisure time and the lack of a willing successor (Graebner and Eisenhardt (2004); Niedermeyer et al. (2010)). The decision to sell and harvest the wealth for the family increases in probability when family members see themselves more distanced from the founder in terms of generations between them (Salvato et al. (2010)). Nevertheless, in situations where strategic problems are not in place, owners are much more reluctant to sell their busi-

ness and even neglect attractive bid offers (Graebner and Eisenhardt (2004)).

Families choose the above mentioned exit routes to reinvest in other possible activities (DeTienne and Chirico (2013)). Additionally, families do not necessarily exit the whole business but rather sell or liquidate some of their portfolio companies or certain business activities within the scope of the family business and use the generated gain to support other investment options which can also be outside the family (DeTienne and Chirico (2013)). Family businesses are scarcely confronted with the sales decision and once the path is chosen a lack in deal knowledge regularly leads to dissatisfaction and conflicts within the family and within the business (Niedermeyer et al. (2010)).

3. Methodology

I followed a qualitative research approach within the scope of this thesis. Qualitative research allows for first-hand accounts of the families and facilitates the questions of when, why, how and to whom family businesses sell. A further argument for why I followed a qualitative research approach is that interviews reveal important insights into the sensitive evidence concerning the issues of external succession and selling the family business which cannot be achieved to that extent by quantitative methods. The qualitative method makes it possible to reveal processes which have not been examined in detail before.

3.1. Interview Gathering

I carried out eight individual face to face interviews. Six of the interviews were conducted in person and two via Skype. Four of the interviews were given by family owners in charge of the business, the remaining four interviews were conducted with the next generation in line for succession. The two different groups of interviewees enable an approach of the sales question from different angles. The interviewees age of the next generation is between 20 and 28 and all four of them have a background in business or engineering. I chose to include the next generation as potential company owners, to collect a different stream of information as the offsprings need to decide whether they take over the family business or sell the business later on in the process.

The interviews lasted between 25 and 80 minutes with an average length of 55 minutes and were audio recorded. Seven of the eight interviews were held in German, the remaining one was held in English. I translated the useful parts of the seven interviews from German to English.

The family businesses were chosen based on different criteria. Firstly, the definition of a family business stated above had to be met in order to fit into the interview. Secondly, I approached firms on a broad scale to find firms in different industries, sizes and stages of maturity to include different perspectives. I addressed approximately 20 firms by first calling the responsible person or an assistant and afterwards sending an e-mail with a detailed description of my research

project. From these 20 firms around 50% had interest in giving an interview. Nevertheless, scheduling an interview with one of the firms in the short list was not possible in the working time. Another firm did not meet the criteria of a family business and had to be excluded. Thus, I gathered a total of eight firms for interviews that I conducted in a timeframe of six weeks. One interview was conducted with the owner of the business, who has succeeded his father recently. Three of the families with whom interviews were held had a sale history. All companies have business operations and headquarters all over Germany and two of the companies are located in Italy (Trucks/Grass). Table 1 shows a description of the interviewed family businesses. The companies were promised an anonymous treatment of the interviews which is why the following table does not state company names, but only the companies' economic sectors and a pseudonym.

3.2. Questionnaire

I used a semi-structured type of interview, with 33 pre-formulated open questions that did not have to be adhered to. Semi-structured interviews enable new questions to emerge during the interview and are a feasible option for guiding the interviews without constraining the course of interaction. Since the family businesses were in different stadiums and had different histories concerning succession and the sale of the business or parts of it, the interviews were all unique and led to different argumentations and perspectives on the interview questions.

Hence, the questionnaire was not applied similarly in each interview and was fitted to the interviewee's situation and the progression of the answers. However, the questions followed a specific pattern. The beginning of the interview was accompanied by questions related to the family business, its history and development up to this point. The reason for integrating this part was to create an atmosphere of trust between the interviewee and me and to gather important information on the company like the generation the business is in, succession thoughts, plans and the nature of its operations as well as information about family values and industry specifics. Secondly, the middle part of the interview dealt with scenarios and questions concerning sales and sales processes. I focused on the questions: Would you consider selling your firm (whole or parts)? Why? And eight different scenarios that pictured the interviewee in a difficult stage where the question was: Under which circumstances would you be willing to sell your business/ hold on to the business? These questions were universally applicable to every family business owner and the next generation and were used in every interview except when the family owner had already stated possible options in which a sale could be feasible or in which a sale was already accomplished in the past. Thirdly, questions about the valuation of the company and trade-off questions were asked to shed light on the decisions by family business owners when a discount on the price would be granted. Furthermore, non-financial reasons for selling the firm and what criteria the buyer needs to fulfil in order to be considered to sell the firm were part of the questionnaire.

Table 1: Description of the Family Businesses Interviewed, Source: Own findings based on interviews

Industry	sports/fitness	publisher/media	botanic/garden	shopping centers	truck parts supplier	facades	seasonings tributor	dis-engineering
Age of firm (years)	23	90	33	150	27	66	97	45
Turnover (€ , million)	<1	>20	<1	n.a.	<20	>4	n.a.	>13
Employees	>20	>200	>30	260	>40	>60	>100	>130
Ownership	100% owner	family-100% across family members	100% owner	family-100% across family members	100% spouses	100% owner	100% split between father and son	20% owner, 80% family-inactive partner
Generation	second	third	second	fifth	first	second	fourth	second
Position of Interviewee	owner-manager	owner-manager	next generation	next generation	next generation	next generation	owner-manager	owner-manager

Lastly, optional questions were asked in case the family had sold its business or parts of it. The focus were on the reasons for selling the business or parts of it and what thoughts and considerations were made by the family during that particular sale. The interview ended with the possibility for interviewees to forward questions they believed might be interesting to ask other family businesses in order to profit from a different perspective. The reasons for including this particular ending was to enable the family members to open up and reveal further thoughts on selling their business that I had not focused on and abstract information from the concerns of the families regarding the topic of selling the business. Figure 1 illustrates some questions used in the eight interviews and their purpose.

3.3. Analysis of Interviews

After I had gathered the data in form of eight interviews, I started to organize the information. Table 2 shows the sales history as well as the succession and sales intention of the interviewees' firms.

I followed the coding approach for qualitative research as introduced in Myers (2013) and Flick (2014). In addition to this, I used NVivo, a qualitative data analysis software, in order to plot the different information received from the interviewed persons. I started to analyze the interviews by open coding and summarizing parts of the text by succinct codes. These codes were used to identify, name and categorize phenomena. I coded aspects that are unusual or striking in the context of the sales question or succession intention as well as buyer criteria and different sale terms. Table 3 lists the codes, their definition and total number of occurrences throughout all eight interviews.

Guided by my questionnaire, I chose these codes as they focus on issues and phenomena of the sale intention and what role the interviewees play in the process as well as how they interact under certain circumstances. The sales scenarios provide explanations and reasons for why sales may take place and the surrounding circumstantial codes add to the aspects of the phenomena addressed. The structure makes it possible to compare similarities and differences between the codes and the perspectives of the interviewees. I aim for analyzing the connection between the different codes and their influences on sale intentions and the sale process.

4. Results

After having analyzed the eight interviews with the family business owners and the next generation, the research question when family businesses sell? can be answered. In the following chapters I will establish different propositions and provide models that can explain in what situations families decide to sell their firms. Figure 2 illustrates the process of the sale of a family business, on which I will elaborate throughout this chapter.

4.1. Succession Decisions as Driver of Sale Intentions

The family business owners, who are in charge of the business, favor an internal succession to keep the business within the family.

Proposition 1: When confronted with the question of succession, family businesses develop sales intentions only when internal succession is not secured. Otherwise, selling the business is not an option.

The business Media has already established concrete succession plans and, therefore, during the interview, the family business owner made it very clear that "this is one of the reasons why I do not think about selling the business". The family business Media is the only firm in the interviewed set of companies that has a clear succession plan, in form of the succession of the nephew, who is already involved in the business. All other seven firms do not have a particular route of succession and either lack a willing successor or the successor has not yet specifically decided on continuing the business. The family business Spices has just realized the succession and the owner is not yet in the situation of thinking about succession. Nevertheless, the current owner states that even when they received a takeover offer, the father actively turned it down. He points out that the prospective buyers "wanted to buy us because they noticed that we are a challenge. My father did not want to sell because he knew that I would join as a successor". In contrast, Fitness, a business without successor, that is currently thinking about selling, states that "[the business] will continue until I say it is empty. . . over". Further, he acknowledges: "If I were given the chance I would sell it; otherwise I need to close down". The same holds true for the opinion of the next generation. A paradigmatic statement by the next generation of Trucks shows the importance of internal succession on sales intentions: "If I would go back to Italy in maximum five years, then yes, we would continue [the business] otherwise we would need to sit together and say ok, maybe it is better to sell the business" (next generation, Trucks). Moreover, the potential successor explains: "my parents are relatively young. . . but they start to lose desire [to continue the business] and they say if we [my brothers and me] carry on together they will continue the business; otherwise, we would sell the firm" (next generation, Trucks). Tubes, a business that has a potential successor in place but without a fixed succession plan, describes the situation as follows: "if he [the successor], after finishing his studies, would say that he wants to do something else for five years or join the firm directly and we would continue five years that could be a feasible option. The name is obtained, and if I exit and an internal successor is available, like with my father and me, it is a potential option. He has to decide. I would not pressure him. He would need to live with the same situation I do. . . He would not be the majority shareholder" (family owner, Tubes). If his son would not like the stated option, the family owner mentions that he would advise him against taking over the family business. If his son

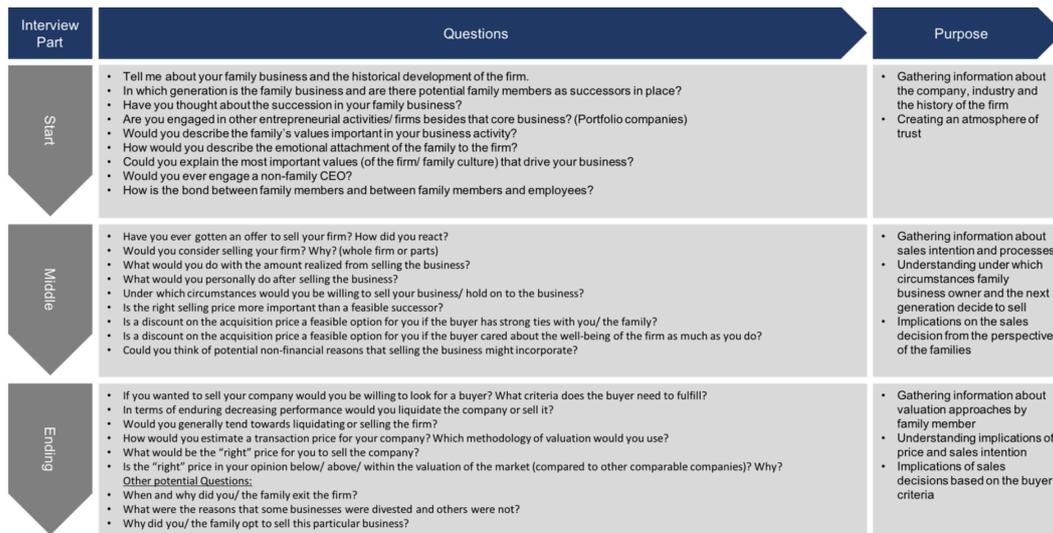


Figure 1: Questions, Purpose and Setup of the Interview; Source: Own illustration based on questionnaire used during the interviews

Table 2: Description of the Sale History, Succession and Sale Intention, Source: Own findings based on interviews

Family Business	Succession Intention	Sale History	Sale Intention
Fitness	No successor in place	Taken over the business from another family	Present
Media	Nephew as successor	Sold some parts of its business externally and bought other businesses	No intention
Grass	No willing successor	No sale history	Prospectively
Fashion	No willing successor	Taken over another family business	No intention
Trucks	No willing successor	No sale history	Prospectively
Windows	Unsure takeover thoughts by potential successor	No sale history	Prospectively
Spices	Succession has just taken place	No sale history	No intention
Tubes	Willing successor	No sale history	Prospectively

should decide against taking over the business, an MBO with current employees or the continuation of the business with an external CEO, without transferring ownership, are feasible options. The owner of Tubes further acknowledges that a “third option would be to sell the business”.

Only the interviewed next generation of Fashion is reserved when it comes to the topic of selling the business even though he will not take over the firm as an actively involved manager and there are no succession or external takeover plans in place. Along these lines, he states: “I would probably not sell it. It is a family business and I am sure that it would not run that well when it is not a family owned business anymore. . . . The alternative would be that [the family] maintains ownership and you have a really feasible external CEO” (next generation, Fashion). Thus, he would take over the ownership in form of an internal succession but without involvement in the operating business. Involving an outside CEO is

also a potential option for Spices to cope with the question of succession when internal succession fails. The next generation of Grass and Windows could potentially continue the ownership and management of the firms. However, both do not have an actual intention to do so at the moment, and they both see selling the business as a potential option should they ultimately decide to turn down their commitment to the firm.

Hence, I come to the conclusion that family businesses facing a succession decision without an internal successor are likely to perceive selling the business as a feasible option. The conclusion supports proposition 1 and the finding also holds when comparing the decisions of the generation in charge of the business and the next generation. Both groups view selling the business as a considerable option when there are no internal succession plans. However, when an internal succession is a realistic option, the sales intention for family owners and the next generation decreases.

Table 3: Codes Used for Analyzing Interviews, Source: Own findings based on NVivo coding

Codes	Definitions	References
Attitude	Interviewees' attitude to certain topics	125
Buyer criteria	Different potentially accepted buyers	39
Family values	Values and attachments to the firm	17
Involvement after selling	Interviewees' opinion towards time after leaving the business	9
Liquidation	Under which circumstances a liquidation is possible or not	7
Memorable quotes	Striking and fascinating statements (cross sectional)	53
Non-family CEO	Thoughts about existing or potential external CEOs	12
Offer to sell the firm	Specific offer to sell the firm	12
Price	Price intentions and discounts	18
Sale history	Explanation of past sales	18
Sale intention	General thoughts about selling the business	28
Sales scenario	Under which circumstances interviewees' favors/ refuses selling	64
Succession decision	Plans and thoughts about succession	16
Valuation approach	Valuation techniques and specific company valuations	15

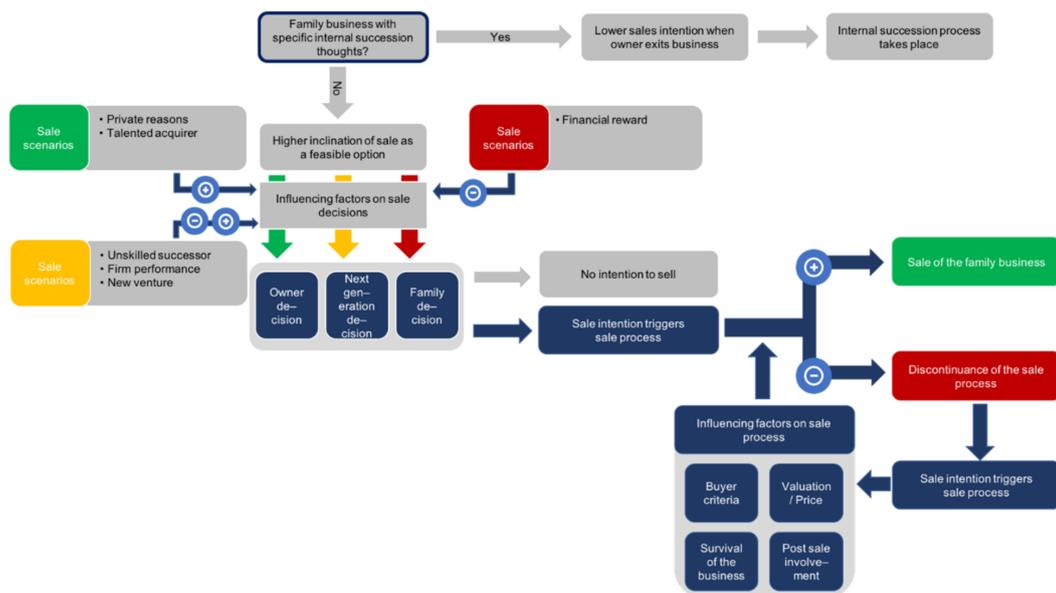


Figure 2: When Family Businesses Sell – A Process Model; Source: Own illustration based on key findings when family businesses sell

4.2. Sales Scenarios as Influencing Factors on Sales Decisions

Different types of sales scenarios lead to contrasting considerations of family owners and the next generation concerning the possibility of a deal. The types of scenarios I discussed with the interviewees and their consideration towards selling the business due to the scenarios are shown in Table 4.

The different sales scenarios and the considerations of

family business owners and the next generation encourage the next proposition towards when family businesses sell.

Proposition 2: The feasibility of a sales option is dependent on the potential sales scenario and the possibility of survival of the business. Family owner and the next generation consider sales scenarios individually and decide whether selling the firm is a potential option.

Table 4: Sales Scenarios and the Sales Possibility Stated by Interviewees, Source: Own illustration based on interviews

	Fashion	Fitness	Grass	Media	Spices	Trucks	Tubes	Windows
Private reasons	Yes	Yes	Yes	N.a.	Yes	Yes	Yes	Yes
Unskilled successor	Yes	Yes	Yes	N.a.	No	N.a.	No	Unsure
Firm performance	No	Yes (depends on age)	No	Yes	Yes	No	Yes (depends on age)	No (if external reasons)
Financial rewards	No	No	No	N.a.	No	Yes	No	No
New venture	No	No	Yes	N.a.	Unsure	No	Yes	Yes (in parts)
Talented Acquirer	Yes	Yes	Yes	N.a.	N.a.	Unsure (depends on price)	Yes	Yes

Figure 3 shows the potential scenarios discussed during the interviews and the attitudes towards selling the business.

The above visualized scenarios and the associated attitudes towards selling a family business are all based on thoughts concerning the survivability of the business. Whether a family business has continuance after selling the firm is seems to be the root of why the attitudes are either favorable or not. Hence, the following subchapters discuss the scenarios in more detail and give explanations for proposition 2.

4.2.1. Private Reasons

All eight interviewees, when asked the question whether private reasons influence their decision to sell, answered that a potential sale of the firm is a preferred option when private reasons like severe sickness of the owner, a divorce or other family internal reasons occur. The positive attitude of all interviewed persons seems to stem from the option of stepping down and profiting from a sale with the possibility that the firm survives. The next generation of Fashion states: "If I would not sell it [the company], it would probably fail by itself, but if I sell it, it would at least have a chance of surviving" (next generation, Fashion). Additionally, private reasons seem to be so unpredictable that there is not much time for making concrete plans of succession so that even the family owners would favor a sale to avoid pushing the potential family successor into the firm. The family owner of Tubes mentions that: "I would definitely say it needs a cut. I would also not wait for potential successors from the internal family. Then I would only pressure my offspring... I would rather say cut" (family owner, Tubes).

Securing the survival of the firm seems to be the internal drive of this decision-making process as these scenarios are uncalculatable for the families and their businesses and an uncontrolled succession could jeopardize the firm's future. Thus, family businesses favor selling the company when private reasons threaten the family business to secure its survival.

4.2.2. Talented Acquirer

In line with the thoughts of the family businesses' survival is the positive attitude towards a talented acquirer when faced with the question of selling the business to someone. A talented acquirer, defined as someone who has the managerial skills to take care of the business and the perspective that the acquirer will continue the business without threatening the survival of the firm, creates a positive attitude towards selling the business.

As admitted by the next generation of Grass: "I would like to sell to him [talented acquirer] because I am quite sure the company won't die, you know". Further the family owner of Tubes acknowledges that "the social responsibility that I see as an entrepreneur would have, in this case, the highest priority" meaning that the acquirer would not threaten the survival of the business and refrain from cutting jobs in the firm.

In consonance with the above-stated quotes are the statements by the offsprings of Windows and Trucks. However, they point out that the sales price is an important factor that influences the decision. Confronted with the question whether a talented acquirer is granted a discount on the price, therefore, being favored over another acquirer who would pay a higher price but might threaten the company, the two offsprings give important insights into the survivability of the firms. Following the direction of the previous answers, the next generation of Windows states that "I think it is ethically reprehensible... Of course, you have built the company but you had the success over the years because of your employees. If you say, you are taking your payout... I think it is wrong to overlook that the company will be shattered". However, he further mentions that "a real hygiene criterion needs to be that at least the value propositions are roughly the same... If the offer is substantially lower it could be rejected". The interplay between the sales price and survivability of the firm are also the focus of the next generation of Trucks who mentions that "on the one hand if the offer is really good we would probably say screw it! And sell it. Re-



Figure 3: Attitudes Towards Selling the Business of Interviewees; Source: Own illustration based on attitudes experienced during interviews

ardless of the managerial fit. But I know my parents, they would probably want a guaranty and so on for the employees and that the one who carries on the business cares”.

Family businesses tend to sell their firms when they see a potential for the firm to continue in the future with an external successor. Thus, they favor a talented acquirer and would even grant a discount on the sales price if the firm transitions to a feasible successor. The next generation of Fashion indicates that “the important thing when you give away your family business is that there must be a personal fit. When I give away my lifework, I wish that the person taking it over carries on the work in a way that fits my imagination or even creates something better”.

However, the price cannot be neglected as it has a subordinate influence on the decision to sell the business. An argument of the owner of Spices illustrates this as follows: “I could imagine if you get a really great offer that you take the really great offer. Maybe because I think about myself or the family... Maybe in combination with a guaranty for secured jobs. Preferred is an offer with a really good price and to know that you sell it to a company with a strategic fit. But maybe this option is not always available”.

4.2.3. Financial Reward

Even if the financial reward a family could gain from selling the business is a major factor in the mind game that fam-

ilies go through when considering to sell their business, the interviewees are almost all of the opinion that that the financial reward, in its isolation, is not a sufficient reason for selling the business: “I think it is less crucial if it is a million more or less. Of course, you want to get the best possible out of it but the best possible is not only about the price” (next generation, Fashion). As this mindset is consistent among the interviewees, the financial reward in its isolation is not a significant reason for a family business to sell. A statement by the family owner of Fitness emphasizes this by claiming “of course the price has to be somewhat right, but money is not everything. When you built such company, and managed it for so many years, you want it to be continued right”.

The financial reward for selling a family business is, in its isolation, not sufficient to trigger a sales process. Nevertheless, the financial reward does play an integral part in the sales process, and its importance can be best described by the statement “you know we can say everything about money but you know... Money is important. It depends on the difference [monetary difference of two offers], you know” (next generation, Grass).

4.2.4. Inferior Firm Performance

When family businesses face periods of inferior performance, a decision to sell the business depends on whether you look at the next generation or the current family business

owner. A mixed attitude towards selling the family business is evident. The family business owners would see an inferior firm performance as a reason for selling their business, especially when they are close to facing the retirement stage. In contrast to the current owners, the offsprings clearly favor to hold on to the business to get the company on track, especially if external, market driven reasons are the cause of the inferior performance.

The family owner of Media explains two past sales of business parts, which belonged, at the time of the sales, to the portfolio business activities. However, the market was experiencing structural changes and the family business decided to sell. He states that "It was hard for my father but he was entrepreneur enough to accept that it was economically beyond good and evil and that it does not make sense to continue the business. . . Today the firm does not exist anymore". Thus, the family decided to sell the businesses as part of a management buyout, because they did not see the chance of survival for these particular business activities in the future. He states that "the business was the lifeblood of my father but economically a clearance. Also [selling] the other business was at the end economically a clearance. But it was always a side business. It was always clear the big business runs elsewhere". The family business Media later on also sold its core business which accounted for more than 80% of the revenues, as they saw the market changing in a way that threatened the survivability of the company. He mentions: "My brother has worked his whole life in that business. Still, we came to the decision to sell the business. Why? Also here the market has changed in a way that made the old business models difficult. . . The businesses were not free in their decision making" and further "at some point, we saw that the business runs into a deadlock. It was not the case 10 years ago, but it was foreseeable that it would happen. . . We saw that".

Family owners who actively manage the business and know the market, tend to favor selling the business when they see the survivability of the firm fundamentally threatened. Therefore, when experiencing this kind of difficult situation, profiting from the sales is more important than holding on to a business without future perspective.

On the other hand, the position of the next generation is quite different. The offsprings seem to have a preference for holding on to the business. The statements by Trucks and Grass are similar in nature and show a reluctance to sell an inferior performing company: "I think we would rather sell now, and not wait until the firm is performing worse. . . to sell the firm, that would not make sense for us" (next generation, Trucks). The offspring of Grass mentions that "in that case, I would try to change again to something different. Because I don't like to sell a company that is going very, very bad". Both offsprings are open towards selling the family business. However, selling the family business when it does not operate well might lower the transaction price. Thus, they advocate to sell the firm when it operates profitably.

The next generation of Fashion, who wants to avoid selling the family firm, indicates "when the market goes down. . .

you have to bring innovation and so on to force through. If you can't do it yourself, you can get a consultant. I would not say that I would sell the business. You are either too bad or do something wrong. . . Maybe the circumstances of the year are bad, that is sometimes the case, but then you have to go on". The lack of actual managerial involvement and the connection of the offsprings to the operational business might lead them into underestimating the challenges they would face in such circumstances. They either prefer so to sell during a time when the company performs well to increase the price or underestimate the threat a business might face when running into structural problems, hence neglecting the possibility that the survivability of the firm is threatened. Family business owners account for this threat and tend to sell the business when they see no possible future for the business.

4.2.5. Unskilled Successor

When family businesses face the decision of succession, a low skill level of the potential successor steers the decision in the direction of choosing a sales option over an internal succession. The decision to hand over the business to a successor without the sufficient skills to manage the business creates contrasting views among the interviewees across both groups of family owners and the next generation.

The interviewee of Fashion mentions: "I would definitely say that the one has to be qualified for this job. Even if it would be my son, I would tell him to do something else". This is in line with the perspective of the family owner of Fitness states, who states: "I would definitely sell externally. It cannot be that someone makes himself unhappy because he thinks he can handle it. When he is not able, then he is not able". Family businesses favor internal succession, however, when the successor is too unskilled so that the family business' existence is threatened, they prefer to sell externally. Spices could imagine holding the shares in the family and engage an external manager as a transition phase or also selling the business.

Nevertheless, the firms who have family owners from different backgrounds would want a transition or preparation phase for the offspring to be able to manage the firm in the future. The family owner of Media reports: "I have deliberately looked for someone in the family whom I can hand over this heritage. . . So it can be continued so that the promise of my father can be continued". His nephew is currently in a dual study program, studying at a University and simultaneously working in the family business, in order to be prepared for the company takeover. The next generation of Grass has a similar standpoint and would involve the offspring "to understand what he can do and what he cannot do but, anyway, if I decided to sell it I would involve him because I think a big part of the money would go to him". Intentions of Tubes, Spices and Windows incorporate a transition phase of the current owner and successor or the involvement of an outside manager to support the successor in management questions. Table 5 shows whether the interviewees are from non-specialist backgrounds and whether they favor selling the firm when faced with an unskilled successor.

Table 5: Background of Interviewees and Their Succession Intention with an Unskilled Successor, Source: Own findings based on interviews

	Fashion	Fitness	Grass	Media	Spices	Trucks	Tubes	Windows
Background	Specialist	Non-specialist	Specialist	Non-specialist	Non-specialist	Specialist	Non-specialist	Specialist
Succession Intention	Not Intended	Not Intended	Not Intended	Intended	Intended	Not intended	Intended	Intended

An internal succession is still the preferred option for the family businesses. Nevertheless, this option is not realized at all costs. Families still have the priority to see the businesses' future secured. If the family businesses see their future in danger due to a lack of skill of the successor, they either decide to sell the business or create a transition solution that equips the internal successor with the needed skills to secure the ongoing operations of the firm.

4.2.6. New Venture Creation by the Next Generation

Individual factors influence the decision to sell the business so that the offspring can start a new venture and concerning the decision-making process there is no specific difference between the current generation in charge of the business and the next generation. Emotional attachment of the current family business owner to the family business can be seen as a reason against this sales decision. A statement of the family owner of Fitness exemplifies this: "I think I am of two minds. First, I would like to help my daughter start her company. But I don't think that I would sacrifice my business for it. I would not do it". This shows the difficulty of this sales scenario. Additionally, the next generation is reserved to sell the business only to fund a startup. The possibility to start a new venture is a highly individual event that cannot be fathomed within the scope of this thesis. Industry, firm performance, attachment to the firm and a hypothetical new venture and the likelihood of its success are only a couple of influencing factors that need to be considered.

4.3. Terms of Sale as Influence Factors on Sales Decisions

Once the family owner, the next generation or the family as a collective decide that selling the family business is a feasible option, the terms comprising the sale influence the sale process. Important sales terms are constituted by the potential acquirer and the intentions of the acquirer to keep the firm intact. A potential involvement of the family owner or the next generation is seen as a possibility to consult the acquirer. However, this is not necessarily a term demanded by families. The valuation process of the business only plays a subordinate role, as most family businesses do not have a valuation process in mind. Nevertheless, most of them would give a discount to the acquirer if they perceive him as the right choice compared to another offer from an unfavorable competitor. The terms of sale can lead to a successful sale outcome or to the discontinuance of the sales process. Thus,

the terms have a sufficient impact on when family businesses sell.

Proposition 3: Terms of sale have a significant influence on the sales outcome. When the terms of sale threaten the survival of the firm or unsatisfy the families, the sales process will presumably be discontinued.

4.3.1. Anticipated Survival of the Firm After the Exit

The sales process is influenced by the same motivations that lead family businesses to the decision to sell in the first place. Hence, the expected survival of the firm affects the outcome of the sale and is pivotal to the success and the continuance of the sales process.

The family owner of Media was going through two different sales processes which were both influenced by the durability of the firm after the sale was accomplished. He explains that while they were in the negotiation process with two consortia in order to sell their core business, events influenced their decision to whom they would sell the business:

"Then the plans got revealed where the working counsel of the seller and acquirer have negotiated. That were 3-4 [companies] who already came together and have internally decided how to split our company, who gets which parts. That would have meant the elimination of the site. Hence, we marched to the lead manager of the second consortium. . . We told them that they have a fair chance if they reenter the bidding process with no drawbacks to fear. I have urged to do that because this consortium has explicitly told us in advance that they would keep the site as a whole and that there will be no divestitures. And I believe that is the reason, even if it is hard to explain with hard facts. . . But I believe that is the reason why this consortium is the one that got the offer. . . The basic framework of the company still exists today. That was also the strategy". Threats to the business have changed the outcome of the negotiations and the story by the family owner of Media suggests that it is the strategy of a family business to increase its endurance.

In the sales process of one of their portfolio firms, the business Media had also canceled the negotiation process of an acquisition with another company as it got public that the acquirer wanted to exploit parts of the business. The family owner makes clear: "There was once an offer by another firm who wanted to take over the one part of the business. . . The supervisory board was highly enthusiastic and said that it is

a possible option. In the course of own research, we afterwards found out that this business had already bought many similar companies, exploited and utilized them. The discussions were directly over. Over. And as earlier mentioned an MBO emerged on a later stage”.

Even when the family had plans of exiting the business, the anticipated continuance of the firm, jobs and the site were taken into account. Hence, if families see those aspects in harm's way the probability increases to cancel or change negotiations in the sales process of the family business.

4.3.2. Buyer Types as an Influence Factor on the Sales Decision

As I already mentioned, family businesses are looking for talented acquirers who can manage the business and will keep the business running. Therefore, the potential buyers have an impact on whether family businesses decide to sell. The different buyer types vary in their management style and in the way they meet the expectations of the family owner and the next generation and influence the sales process. The potential buyer can increase or decrease the likelihood that a family business sells.

The next generation of Fashion captures the apprehension on private equity investors quite clearly: “If you think of selling a business, I think only a minority of persons would sell it to an investor because the family business is too important for them. It is their lifework”. He further mentions that “as soon as you have investors on board you have that performance pressure. You do not have that in family businesses, and that creates the opportunity of thinking much, much more long-term oriented. I would say that this is one of the success factors of our family business”. The performance pressure that is created by investors, as well as the lack of attachment between the firm, the employees and an investor can best be described by a statement of the family owner of Tubes, who is a minority shareholder with a financial investor as the majority shareholder: “It is a pure investment for him [silent partner] there is no lifeblood in any form. In my case, there is lifeblood in the company. For me, I act as if it is my company. For him, it is purely a financial investment”. The family owner of Media indicates that selling to an investor is also not an option for him since “the danger that the company will be shattered and not survive as a company is quite high with a financial investor”. The offspring of Windows acknowledges that “a high acquisition price is not so attractive if it were clear that the company will be shattered. . . I think it must be ensured that there are certain securities for the employees and that it does not look like you are making a big haul and then the devil-may-care”. I believe that the attachment between the firm and the family is extremely valuable for the families. Thus, they are reluctant to place the firm in the hands of a performance-oriented investor who would also initiate job cuts and who might divest the company. An investor is often viewed negatively by the families and the probability that a sale would proceed seems to be quite low. Nevertheless, two of the family businesses' offsprings and the owner of Spices would consider a finan-

cial investor. Still, they mention the impact the company has on the environment of the city and that they care about the businesses which provide jobs.

I come to the conclusion that for most family businesses a financial investor is not a desirable option, especially when high emotional attachment between the company and the firm is in place, as the families care more about the survival of the firm and the jobs of the employees. It is apparent that this combination of attachment to the firm and thought on durability influence the preference of the buyer type. The offspring from the firm Grass believes that a financial investor is a feasible option, but he acknowledges: “I am not really attached to the company because I have never been so involved. But I know that it means a lot to my father. That is the only attachment I have to the company”. Hence, a weak attachment to the company might decrease the importance of the buyer type. Table 6 shows the preferred buyer types by the interviewed family businesses.

A popular buyer type for most families is a competitor (acquirer) or an employee (MBO). The business Media has already chosen an MBO as a sales option for two of their portfolio firms. Furthermore, Fitness, Windows and Tubes have thought about a potential MBO as a sales option. An acquisition through a buyer with a clear strategic fit with the own company is also seen as a possible option for selling the business: “I would look a bit on what makes the most sense for the company. Where I say that is the perfect fit” (next generation, Windows). This statement by the offspring shows that a preferred option comprises a good fit between buyer and seller. The personal fit was also mentioned by the next generation of Fashion, as he believes that a good fit will help both companies to “carr[y] on the work in a way that fits my imagination or even creates something better”. Hence, acquiring companies with a clear fit, including supplier and competitor as well as employees or an external management in the form of an MBO/I are popular options for family businesses. The strategic fit decreases the intention of the acquirer to cut jobs or discontinue the acquired business, therefore, influencing the sale process positively.

4.3.3. Involvement of the Family Members After Exiting the Business

The family business owners and the next generation state that they would prefer a clear cut from the operating business when they leave the firm, however, they opt for giving advice, if asked. Thus, the option of having a say in the business after leaving the firm is a less influential sales term. The interviewees would like to support the acquirer with advice to help the business but they do not urge to influence the business. Also, a potential transition time after the sale could be an option to help the acquirer to get on board. A statement of the owner of Spices shows the problem of staying operationally involved with the business: “I can imagine that it does not work [to stay on board]. One is used to make the decisions. . . Suddenly you are in the same company, in the same environment of employees and you have to comply to a different management style”.

Table 6: Preferred Buyer Type by the Interviewees, Source: Own findings based on interviews

	Fashion	Fitness	Grass	Media	Spices	Trucks	Tubes	Windows
Buyer	Competitor or employees	Employees	No preference	Competitor or employees	No preference	No preference	Competitor or employees	Competitor or employees

A statement by the owner of Fitness summarizes the above stated: “I would not want to have a say. I would support with help and advice when I am asked to do so. I would backtrack”. The owner of Tubes even mentions the importance of a cut for him, when an external party takes over the business. He states: “When there is no family successor I favor to make a clear cut and would not be involved anymore... The cut would be important for me if I say I am out and my son does not want to join the company”.

Regardless of their intentions, most of the family business owners admit that it is hard to backdown from the business. Both firms, Tubes and Media, had worked together with their fathers in a transition phase and mention the problems arising from someone who cannot let go of the business. The owner of Media explains: “I have intended to leave the operating business because I know what can happen if you do not do it. My older brother and my father were quarreled at the end of the life of my father... My father still tampered with the operating business and my brother did not find that funny... I do not intend to make the same mistake. That is an emotional process that needs to be accomplished... I cannot tell you how I will withstand this at the end. You only know that when you are in that situation. As I saw what kind of damage this creates and I hope I am steeled to do that reasonably”.

The interviews disconfirmed the expectation that having a say in the business after its external transfer is an important sales term. They rather proved the opposite. Even if most of the interviewed firms would give advice to the acquirer, their preferred choice is to withdraw from the business completely. A possible rationale behind that could be that selling the firm is a form of emotional farewell and involvement in the operating business would disturb this process. However, advising the acquirers or being a member of the supervisory board, as the family owner of Media in one of his former portfolio companies, is a chance to monitor the business and its course of interaction to advance the durability of the business. Table 7 shows the intended involvement after an external transition.

4.3.4. Valuation of the Family Business as an Influence Factor on the Sale Decision

Finding the right price for the business is a crucial part of any sales process and needs to be considered when looking at sales decisions of families. As I found out, the price is important for family businesses. However, it is not the most important factor and constitutes only an issue when it is insufficient. More important than the price itself is the valuation procedure and whether the family business owner or

the next generation value their companies above, below or within the market valuation. Valuation as a sales term does not threaten the survival of a firm but an underestimated valuation will likely lead to the discontinuance of a sales process.

An example for the discontinuance of a sales process is the failed attempt of the minority shareholder of Tubes to buy out the majority shareholder in an MBO process. He explains: “We wanted to start a Management Buyout, including employees but that was not so successful because the offer we made to the majority shareholder was viewed as an endowment. Quite derogatory. Means nothing else as double the price and we can talk about it”.

The interviewee of Tubes mentions the difficulty arising from the different valuation approaches as he acknowledges: “Sadly the investor values the company different than me. He looks at the true enterprise value on the basis of a net present value method. He certainly will choose the method which leads to the highest selling price and will say that it is the negotiation ground. I would do it differently and look at the market and risks... We would have a big delta. Therefore, there is no negotiation”.

Having a different valuation approach with conflicting results can jeopardize the sale process and cancel the negotiations. The fronting parties in a negotiation process both have to be satisfied with the price to continue the deal process. As stated in the example by Tubes, family businesses seem to value the company differently than a buyer who wants to take over the business. Table 8 shows the valuation approaches by the family businesses. Some of the interviewees also indicated whether they value the company above the market value.

The valuation and the resulting price for the family business can influence the sales process and lead to discontinuance if one party in the negotiation is unsatisfied with the results of the valuation. Most of the companies state that they would value their family business above the market value. In my opinion, these statements are quite biased as the personal property is often valued higher than the actual market price. The so-called endowment effect might also be active when considering family business owners and their valuation of their companies. As the offspring of Grass already mentioned: “To be honest I have something in mind but I am not sure if it is real... I don't think it's really accurate”. This statement show that he overvalues the firm. Furthermore, the owner of Spices also talks about this phenomenon: “It is your own feeling. It is always like that... It is subjective and I think so too... I also think my father would have sold the business if he had gotten a price that would be reasonable for

Table 7: Involvement after Exiting the Business, Source: Own findings based on interviews

	Fashion	Fitness	Grass	Media	Spices	Trucks	Tubes	Windows
Involvement	Active	Advisor	No involvement	Advisor	Unsure rather advisor than active	No involvement	No involvement	Advisor

Table 8: Valuation of the Family Businesses, Source: Own findings based on interviews

	Fashion	Fitness	Grass	Media	Spices	Trucks	Tubes	Windows
Valuation Approach	Different methods (externally)	Member valuation times mileages and fix costs adaption	Multiples	Net present value methods (externally)	Net present value methods (externally)	Discounted cashflow method	Net present value methods (externally)	Net present value methods (externally)

him. That price would have been way above the fair value of the company”.

Valuation is often more of a hygiene criterion that is met externally by an auditor and most family businesses are not involved in the actual valuation. When it comes to choosing a buyer, most firms would to some degree tolerate a lower price when they can be sure that the company is with the preferred buyer. However, the gap in the valuation of the buyer and seller can decrease the satisfaction on both sides and influence the sales process. The findings therefore support Proposition 3.

4.4. Continuance of the Sales Process

When family businesses have come to the decision to sell their business, potential influence factors might lead the sale process to stop with the particular buyer or under the certain price and valuation terms. Nevertheless, the intention to sell still exists and the family business will reenter the loop of the sales process. Reentering implies that as a next step another business might come into play and buy the company or an MBO with current employees emerges. Thus, the sales process stops when the family business is successfully sold or after the discontinuance of the sales process when the business reenters the sales process until it is sold or the intention to sell changes.

An example for this process is the family business Media, and its' decision to sell a part of the business. The sales terms did not satisfy the family and they stopped the negotiations with the buyer, however, their sales intention continued to exist and at a later stage an MBO emerged, leading to a successful closing of the exit process.

5. Discussion

5.1. Summary and Comparison of Findings and Literature

5.1.1. Summary

An understanding of the reasons of family businesses for selling their firms has been scarcely researched but it is crucial for understanding why family business ownership transfers.

The analysis of the interviews and the interviewees' decisions in different sales scenarios substantiated propositions 1, 2 and 3. Family businesses consider selling when internal succession is not possible (Proposition 1). Additionally, the feasibility of a sales option depends on certain circumstances. Family businesses prefer to externally exit their firms when confronted with private reasons or when a talented acquirer who has the capabilities of running the business comes along, provided that no internal successor is available for a foreseeable period of time. A financial reward is not a sufficient sales reason and the scenarios of a new venture creation by an offspring, an unskilled successor, and an inferior firm performance are seen differently across firms and generations. Nevertheless, families tend to favor selling the business when they see the survivability of the firm in danger and can thus increase its durability (Proposition 2).

Once the family has decided to sell their business, the terms of the sale have a significant influence on the sales outcome. When the terms of sale threaten the survival of the firm or do not satisfy the families, the sales process will presumably be discontinued by the families. The most important influence factors are the anticipated survival of the firm after the exit and the buyer type. Hence, the intentions of the buyer need to be similar to the intention of the firm to secure a durability for the firm. Nevertheless, a sufficient price to let go of the business is seen as a hygiene criterion and needs to be met to satisfy the families and in order to sell the firm (Proposition 3). Valuation of the business and potential involvement after the exit can be considered as subordinate sales terms, as they do not heavily influence the continuance of the sales negotiation. Valuation can be a sales term that leads to difficulties along the way of the negotiation process, as specific gaps between buyer and seller can aggravate an agreement.

5.1.2. Comparing the Findings to the Literature

In line with the findings of DeTienne and Chirico (2013), I have shown that family businesses favor internal successions. However, in many cases, internal succession fails be-

cause either the potential successor decides against a career in the family business or the family owners do not see the offsprings as a feasible successor (De Massis et al. (2008)). The failed internal succession increases the likelihood of families selling their businesses. As Lee et al. (2003) discovered, potential successors are turned down when their low skill level could threaten the business' durability. My findings support this line of argument. However, they also reveal that family businesses think about engaging external managers in situations with an unqualified successor. They would support the transition and learning process of the successor and enable an ownership within the family without an active management function from the family when there is no skilled successor. Nevertheless, the tendency to sell increases for family businesses, if internal succession fails. The findings by Howorth et al. (2004) are congruent with the intention of family businesses to sell when the successor is not perceived as feasible to inherit the business and trigger an MBO/I process. Nonetheless, I do not find evidence in my sample of interviews that would turn down transgenerational succession completely even if the successor would be skilled enough which is a stated possibility by Howorth et al. (2004).

The interviews revealed that not only internal reasons can lead to a sales decision but also external factors as found by Salvato et al. (2010). An extension to Salvato's research is that there are often differences between the family owners and the next generation. Family owners tend to know the market and their management capabilities better and external factors that lead to inferior firm performance will increase the intentions to exit and sell the firm. Nonetheless, when looking at the next generation, the sale intention due to external factors tends to decrease as they would rather hold on to the business and try to achieve a turnaround. The lack of management experience and the underestimation of their capabilities can be an explanation for this tendency.

Akhter et al. (2016); DeTienne (2010); Meier and Schier (2014) named other reasons that induce families to exit their business. Expanding their stream of research, I can add that private reasons like sickness, divorce or internal disputes increase the possibility of an exit and the pursuance of a sales option.

I discovered contradicting results to the findings of Graebner and Eisenhardt (2004) because my results did not reveal any form of sales intention due to the fear of failing as a manager or the plan to sell in order to capitalize on the financial gains. The research of the two scholars is not based on family businesses and my finding that the real financial reward does not, in its isolation, trigger a sales process indicates that family businesses behave differently from non-family businesses in this regard. Furthermore, the pressure of being a good manager does not occur as much in family businesses, as the families are the owners and often also the managers. Their long-term orientation, as well as their survival and existence over the years, seem to decrease the performance pressure. There are often no external entities that demand accountability for the actions of the family owners. Thus, I believe that the findings of Graebner and Eisenhardt (2004) are not

entirely transmittable to family businesses.

Results by Mickelson and Worley (2003) suggest that the interplay between the top management of buyer and seller have to work well in order to make the deal successful. Reactions by Spices, Media and Fashion strengthen their argumentation, as the personal fit of the buyer was one of the major concerns of the businesses. Media discontinued the sales process with a firm because the fit and the intentions of the acquirer were not in line with the ones of Media.

When it comes to the valuation methods, the conventional methodologies like net present value methods and multiple methods are applied by the interviewed companies, which is in line with the findings of Granata and Chirico (2010). The results of Kammerlander (2016) who showed that family businesses give a discount on the acquisition price when a preferred buyer is found, is also reflected in my findings. Most family businesses favor a right buyer over a better price from someone who they perceive as not being the right fit for the company. Nevertheless, an important influencing factor and the outcome of the sales negotiations depends on the gap between the two different variables. I did not find evidence that family business owners or the next generation are more likely to sell their businesses the more generations are between them and the founder (Salvato et al. (2010)). My findings rather showed the contrary. The firms with the most distance to the founder, in the third, fourth or fifth generation, were the ones least likely to sell their businesses. The emotional attachment to the firm and the history of the firm and the family is much more advanced in those firms and the interviewees quarreled more with letting go of the business than the ones in younger generations.

5.2. Contribution

5.2.1. Contribution for Research

The process of the sell of family businesses is influenced by multiple factors. Despite own intentions to sell or hold on to a business certain patterns of the scenarios and a general process can be emphasized. Reasons for sales decisions of family businesses can be analyzed by researchers using the process outlined in this thesis. Most sales intentions occur due to a lack of a feasible internal succession option. However, most of the scenarios discussed in the interviews were ones that trigger or prevent a sales process. An insight into the generations of the family businesses, considering the ones in charge and the potential next generation of family business owners, reveals certain differences between these two groups. The decision-making to sell a business is often different in the face of a successor who is not interested in managing the family business actively in the future or prefers to follow other entrepreneurial activities. Furthermore, the thesis has shown that once the inclination and intention to sell are available and the sales process is triggered, the terms have additional influence on the outcome of the sale. The differentiation between when family businesses decide to sell and when the process is restrained or continued until a sale takes place is a different approach to looking at the topic of selling

a family business. Researchers should incorporate the next generation and split their future research between the process that leads to the decisions to sell and the sales terms which lead to the sale.

5.2.2. Contribution for Family Businesses

The thesis also offered insights into how family businesses make decisions in sales processes. It shed light on how the offsprings see their family business. The different scenarios when family businesses consider a sale as a possible option are often guided by individual influences and the specifics of the situation and the setting of the family business, the industry, the family and future arrangements. Owners and offsprings need to take all the latter closely into account when deciding to sell their business. Once they are willing to sell, the different terms will influence their decision on whether the potential buyer and the offer are the right fit to sell the firm. Families need to make sure how they want to see the business in the future upfront and should plan along with the sales terms to satisfy their outcome. The involvement of the family after the exit and the involvement of the family owner should also be considered before selling the business. Even if the involvement after the exit is not a major term, it can increase the satisfaction of the owner with the sale when the terms of involvement are fitted to the circumstances. Some might favor staying in the business while others might want to have a clear cut.

Regarding valuation, the consultation of an external party or auditor seems to be a standard option. Family businesses should consider the fair value of their firm and when they are negotiating from an angle of strength, decide whether a slightly lower offer might be a more favorable option for the business. The right fit between the acquirer, regardless of whether it is a strategic buyer or financial investor, and the family business is important to include early in the negotiations as it can profoundly influence a sales outcome.

5.3. Limitations

While my sample of interviews considers firms of different size, age, industry and ownership structure, there are still certain limitations of this study. Although I often found differences between the generation in charge and the next generation, a more in-depth study needs to be undertaken to thoroughly understand the differences between the decision-making processes between the two groups. Furthermore, as selling the family business is often guided by many individual influence factors, many more selling scenarios could be discussed with family businesses.

Even though I discovered that a financial reward and the gain for selling a firm is not a trigger for selling a family business, I often experienced that the interviewees would, later on, consider getting the most out of the sale in terms of price and other guiding factors. Thus, I am limited in saying how important the price is compared to a range of other factors because I looked at the financial reward in isolation.

Utilizing a larger interview pool yields the possibility of encountering further propositions as every interview is

unique, as the circumstances are always different from family business to family business.

Including families in the interviews who already exited the business, by selling, would broaden the horizon of this study since implications of the sales process and the family's involvement in the business after the exit could be explained more in-depth. Furthermore, I was not able to gather sufficient information regarding the liquidation of family businesses and the implications behind it. Therefore, understanding which of the sales scenarios and sales terms lead to a liquidation rather than a sale in the form of an acquisition or MBO/I need further research.

5.4. Future Avenues of Research

The thesis gives indications for future research as some relationships between sales intentions and circumstances can be discovered more intensively. For example, understanding what exactly leads to a breakup of the negotiations between buyer and seller and how that breakup affects the future search for potential acquirers by the family business can be discovered in more detail. Furthermore, a quantitative analysis that looks at paid acquisition prices and compares changes in the business, like the cutting of jobs or an increase in divestitures could be of interest for family businesses and scholars. Such an analysis could explain whether family businesses turn down or accept a higher price when knowing that the business will be changing, given the premise that it is part of the sales terms.

While my research focused on scenarios that lead to an inclination to sell, further research could focus on the situations of family businesses after a sale has been actually pursued. Further scenarios and understanding their impact on the sales decision by ranking them in their influence and looking at an accomplished sales process might reveal interesting insights into the actual frequency of those scenarios.

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