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External Succession in Family-Owned Mittelstand Manufacturing Firms in Germany

Christian Neusser

Summary

More than 40 percent of German family firms find no successor within their own family. One viable path is external managerial succession while family ownership continues. Yet such a transfer is not a one-off event; it is a recursive process of legitimation. The MSTM framework derived from this study (Mechanisms, Structure, Trust, Mandate) distinguishes four succession pathways and provides owners, boards and external successors with a concrete diagnostic and steering logic.

Succession is widely regarded as the most critical moment in the lifecycle of a family firm. In the industrial Mittelstand, this transition increasingly meets a gap: children and grandchildren of the owner families are unwilling or unable to continue running the business. More than 40 percent of family firms therefore seek a solution beyond the family (Schwartz, 2024); external managerial succession is set to become the norm over the coming decade.

In this study, we examined external succession in family firms with regard to information asymmetries in the matching phase and the demographic waves of business transfers. We extended this perspective to include the phase after the handover, in which external managers build legitimacy, trust and mandate. The empirical basis comprised 42 medium-sized industrial firms, 102 semi-structured interviews with owners, managing directors, advisory board members and family shareholders, and 8 in-depth case studies. Analysis followed the Gioia methodology; the MSTM framework was developed abductively from recurring case patterns.

External Succession Is a Process, Not an Event

The most common misconception is that external succession requires only a solid contract, a clear starting date and a formal handover meeting. The cases show otherwise. External managing directors move through symbolic turning points such as staff meetings, crisis decisions, investment approvals or the absence of the senior during a board meeting. At every one of these points, the mandate is renegotiated. Whoever, whether the predecessor, the owner, the advisory board or the external manager, fails to actively shape these turning points loses their legitimacy, even when the formal chain of authority remains in place. This is because mandate and legitimacy are closely linked but not identical: legitimacy is the acceptance by the relevant stakeholder groups, while mandate is the derived authority to act. As Figure 1 shows, it draws on the interplay of mechanisms, structure and trust, and continues to evolve fluidly.

An employee in the Beta case illustrates how fluid this is: "He was gone, but everyone kept asking him." (Interview B5)

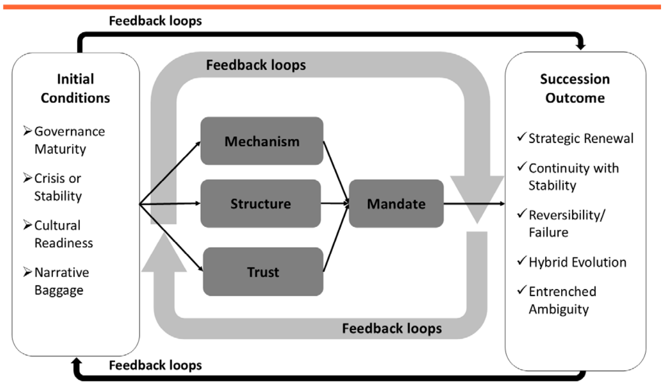

Figure 1: The MSTM framework of external succession. Source: Own illustration based on Neusser (2026).

Four Pathways of External Succession

The cross-case comparison identifies four configurations of external succession that differ with respect to trigger, governance maturity and mandate clarity (Figure 2).

Legacy Stewards (carefully prepared, multi-year handover): The external manager is staged as the continuation of the company's story. Mechanisms, structure, trust and mandate are closely aligned. Strategic change is possible, but only in incremental steps.

Crisis Intervenors: External succession is a reaction to a crisis (e.g. pressure from banks, liquidity shortfalls, exhaustion of the owners). Onboarding and legitimation routines are missing, and the predecessor remains informally present. The mandate stays contested, and the external manager's tenure is short.

Strategic Revitalisers: The family deliberately brings in external managers for digitalisation, internationalisation or exit preparation. Mechanisms are formalised (structured selection with advisors, strategy workshops, advisory board). The mandate is clear but tied to measurable innovation targets. Change is the expectation, not the exception.

Hybrid Navigators: the most common and most demanding configuration. External managers balance modernisation and tradition, often across several family branches. Mechanisms are applied situationally, and the mandate remains fluid. Success depends disproportionately on symbolic work and stakeholder management.

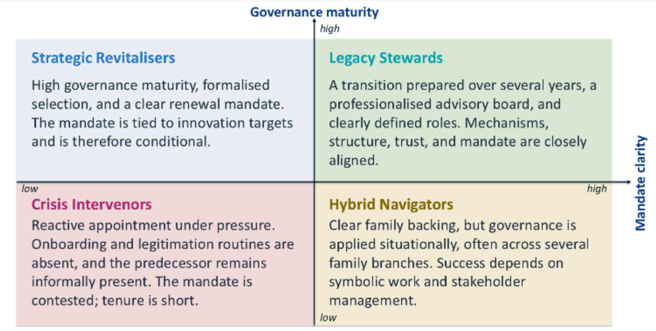

Figure 2: The four succession clusters in the space of governance maturity and mandate clarity. Source: Own illustration.

Across these four pathways, 16 recurring actor archetypes emerge, four per role (predecessor, external manager, family shareholder, advisor). Their interplay modifies the formal governance: a "Ghost" predecessor lingering in the background can tip even a Legacy Steward pathway into a Crisis Intervenor pathway; conversely, a "Symbolic Endorser" on the advisory board can lend additional mandate to a crisis-driven succession.

How External Succession in the Mittelstand Can Succeed

The federal and state governments should extend their support of the transfer process. To date, KfW and the guarantee banks finance only the purchase price and start-up capital, not the first 12 to 24 months during which an external manager most needs support. A dedicated onboarding and mentoring programme, co-financed by chambers and associations, would cover this phase.

Second, incentives for professional external advisory work are needed. In our case studies, advisory boards are the most effective lever for a successful external succession, because they provide networks, independent perspectives and channels for conflict resolution. Since formalised advisory boards remain rare in everyday SME practice, low-threshold formats such as informal advisory boards, interim mandates or peer boards should also be supported. Any benefit should attach to the actual externality of the advice, not to the legal form of the body providing it.

The matching infrastructure for external managerial succession in family firms needs to be strengthened. Platforms such as nexxt-change cover only sale cases, not external successions in which the family retains ownership. The federal government, the states and the chambers should build a nationwide, quality-assured matching and coaching offer that specifically addresses women, career changers as well as experienced female and male managers.

Fourth, a better database is needed, including an ex-ante estimate of the annual number of external managerial successions in family firms and an ex-post register of the actual cases. This is the only way to ensure evidence-based, targeted policy-making.

The Author

Dr. Christian Neusser (DBA, MBA, MSc) is a researcher at the University of Siegen and founder and managing director of Phalanx GmbH. His research focuses on external succession, governance and legitimacy in German Mittelstand firms.

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