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Carmen Giovanazzi

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What shapes M&A markets?
Corporate and institutional drivers in the US and Germany

Carmen Giovanazzi (carmen.giovanazzi@uni-due.de)*

*Institute for Socio-Economics
University of Duisburg-Essen, Germany

Abstract
We analyze the dynamics of mergers and acquisitions (M&A) in the United States (US) and Germany in the 2000s, drawing on the Varieties of Capitalism (VoC) framework and the concept of internal capitalist diversity. Using SDC Platinum transaction data from 2000 to 2023 and qualitative insights from semi-structured interviews with 28 M&A professionals, we investigate how firm characteristics and institutional frameworks drive M&A activity in both countries. We confirm VoC-based expectations regarding transaction volumes and industry patterns but also highlight the professionalization of M&A functions across large, listed firms, alongside an increasing role of financial acquirers in both markets. While the rise of private equity aligns with the exit-driven strategies of small and medium-sized enterprises (SMEs) in the US, it raises questions regarding family-owned SMEs in Germany, which prioritize continuity and legacy but increasingly face succession challenges. Our findings suggest a continued hybridization of Germany's stakeholder-oriented corporate governance, integrating shareholder-oriented practices beyond large, listed firms.

Keywords: M&A, Varieties of Capitalism, Financialization, Germany, US

JEL Classifications: G34, L2, P52

Word Count: 10,030

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1. Introduction

In 2021, the global mergers and acquisitions (M&A) market experienced a record year, surpassing $4.6 trillion in deal value with more than 43,000 deals closed (Pitchbook, 2022). This surge, driven by pent-up demand following the Covid-19 pandemic, strong capital and stock markets, low interest rates and borrowing costs, and digitization, was particularly pronounced in North America and Europe (Pitchbook, 2022, 2024).

Despite these common macroeconomic drivers, the nature and dynamics of M&A activity vary significantly across countries. Cross-national differences can be attributed to both firm-specific factors and the institutional frameworks in which M&A occur. While ownership structures and strategic motives shape M&A decisions at the firm level, institutional elements such as financial system regulations, labor market conditions, and corporate governance frameworks influence how firms approach corporate transactions.

The United States (US) and Germany represent particularly compelling cases for studying M&A activity in comparative perspective, serving as prime examples of liberal market economies (LMEs) and coordinated market economies (CMEs) as defined by the Varieties of Capitalism (VoC) framework (Hall and Soskice, 2001). While underlying motives differ, M&A are inherently a market practice, involving the exchange of corporate assets in the market for corporate control. Consequently, the US – with its flexible capital and labor markets and emphasis on shareholder primacy – is theoretically inclined toward high levels of M&A activity. In contrast, Germany's CME model, characterized by bank-based financing, strong labor protections, and stakeholder-oriented corporate governance, tends to adopt a more cautious approach to M&A.

However, the late 1990s and early 2000s marked a period of deregulation in Germany's financial markets and corporate governance, increasing the influence of financial actors and motives within the nonfinancial corporate sector. This process, referred to as corporate financialization (Aalbers, 2019; Giovanazzi, 2024; Klinge *et al.*, 2021), likely fostered a political-economic environment more conducive to M&A activity. Nevertheless, the adoption of shareholder-oriented practices in Germany has been uneven, reflecting the internal diversity of firms that respond differently to market imperatives (Deeg, 2009). Particularly family firms may play a distinct role in M&A processes, potentially shaping overall deal-making trends given their high prevalence. In addition, the rise of private financial markets after the 2007-9 financial crisis, especially private equity (PE) firms, has likely influenced M&A activity, particularly among small and medium-sized enterprises (SMEs), in both political economies (Cera *et al.*, 2024; Palladino and Karlewicz, 2024).

This paper aims to deepen our understanding of M&A markets by examining how corporate strategies and political-economic frameworks have shaped M&A activity in both the US and Germany during the 2000s. Drawing on the comparative VoC framework and extending the concept of internal capitalist diversity, we employ a mixed-methods approach. First, using quantitative data from the SDC Platinum database, which covers corporate transactions from 2000 to 2023, we provide an overview of deal characteristics in the US and Germany from an acquirer's perspective. Through a VoC lens, we identify and compare key metrics such as deal volumes, sectoral distribution, and the role of financial acquirers. Second, we derive qualitative insights from semi-structured interviews conducted with 28 M&A professionals in both countries. Analyzing these interviews from the theoretical perspective of internal capitalist diversity, we provide a nuanced understanding of the roles that different stakeholders and firm types play in M&A processes, including their motivations and strategies and how institutional frameworks facilitate or constrain transactions. Taken together, this paper offers a comprehensive analysis of M&A dynamics in the US and Germany.

Our findings reveal significant cross-national differences in M&A dynamics, largely aligning with VoC predictions. M&A volumes in the US are substantially higher, with a higher prevalence of public deals and a focus on technology and healthcare. In contrast, Germany's M&A landscape is more restrained, with an emphasis on private deals and the industrial and materials sectors. However, large, listed firms have adopted shareholder-value-oriented principles and professionalized M&A functions in both countries. Likewise, financial acquirers, especially PE

firms, have assumed a central role in both economies. Yet, their impacts diverge: While PE firms in the US support exit-driven strategies among SMEs, driving M&A activity, their influence in Germany's SME sector is constrained by family ownership, which prioritizes continuity over exit. However, as succession challenges increasingly arise in the German SME sector and PE firms diversify their fund structures, PE-driven M&A activity is likely to increase in the future. Overall, our results underscore Germany's ongoing hybridization, as shareholder-oriented practices increasingly integrate within its stakeholder-oriented corporate governance framework.

This paper is structured as follows. Section 2 applies VoC theory to M&A markets and integrates findings on family ownership and private financial markets to develop an expanded framework of internal capitalist diversity. Section 3 outlines the data and methodology. Section 4 provides a comparative analysis of M&A activity in the US and Germany, using quantitative data to explore key patterns and differences through a VoC lens. Section 5 discusses interview findings from the perspective of internal capitalist diversity, highlighting variations in M&A processes shaped by ownership structures, corporate strategies, and institutional frameworks. Section 6 examines previous findings and discusses the evolving role of PE firms and their impact on SMEs in Germany. Section 7 concludes with implications for future research.

2. Continuity and change in the US and German corporate sectors

The VoC framework offers a comparative approach to understanding how institutional arrangements – such as corporate governance, financing, labor markets, and inter-firms relationships – shape corporate strategies and economic performance across countries (Hall and Soskice, 2001). Differentiating between LMEs like the US and CMEs like Germany, Hall and Soskice (2001, p. 15) argue that "strategy follows structure." Accordingly, firms capitalize on opportunities embedded in their respective political-economic institutions, and M&A strategies are expected to be primarily influenced by the regulatory environment.

In a market-driven environment like the US, M&A activity is likely to be frequent, as firms focus on maximizing shareholder value through transactions, supported by strong shareholder rights (Very *et al.*, 2024). Corporate decision-making rests with management, while boards uphold their fiduciary duty to enforce shareholder interests (Greenfield, 2004). Large financial markets facilitate practices such as leveraged buyouts and promote market-mediated resource allocation to achieve higher returns. The size and openness of public markets contribute to transparency in M&A practices, with a high prevalence of public takeover bids and hostile takeovers. Low employment protections enable the realization of labor synergies, while full mergers are more frequent than partial acquisitions due to competitive pressures. Particularly in LME industries characterized by radical innovation, such as high technology and healthcare, time-to-market considerations foster M&A activity.

By contrast, M&A activity in CMEs like Germany, where non-market institutions play a central role, is anticipated to be more cautious, relational, and aligned with long-term goals. Concentrated ownership can facilitate M&A by simplifying corporate control transfers (Rossi and Volpin, 2004), but deal processes depend on the willingness of owners to sell (Burkhart and Panunzi, 2006). Strong employment protections limit the potential for labor-related synergies and cost reductions, thereby reducing the scope for M&A activity (Dessaint *et al.*, 2017). With smaller financial markets, M&A in Germany is likely to be more entity-focused, relying on long-term banking relationships rather than equity markets. Given the large share of private firms and informal networks, transactions are expected to involve less frequent hostile takeovers and large-scale public deals. Instead, transactions tend to be negotiated privately and involve smaller stakes, reflecting the focus on preserving existing business relationships and supporting incremental innovation, particularly in manufacturing industries typical for CMEs.

Empirical evidence supports some of these VoC-based predictions. Jackson and Hideaki (2007) show that the US exhibits a higher prevalence of full mergers and public takeover bids between 1991 and 2005, though the incidence of hostile takeovers declines over time. In Germany, by

contrast, the majority of acquirers held prior stakes and increased their shares through further partial acquisitions, reflecting inter-firm networks. The rarity of hostile takeovers and the private nature of most deals further illustrate the coordinated nature of the German market.

However, the stability of institutional equilibria resulting from the VoC framework has been contested over the past decades, influencing M&A predictions and activity. One strand of literature examines whether CMEs gradually evolve into LMEs due to forces such as deregulation, financialization, and globalization (Aalbers, 2019; Deeg, 2009; Giovanazzi, 2024; Jackson and Sorge, 2012; Klinge *et al.*, 2021; van der Zwan, 2014).

Proponents of the convergence thesis argue that changes in CMEs are initiated by financial and corporate governance deregulation, driven by the hegemony of liberal systems and dominance of global financial markets (Deeg, 2012). Corporate financialization, as a result, manifests in increasing shareholder orientation of German corporate governance, with dissolving ownership structures and a shift towards market-based financing (Höpner, 2003; Windolf, 2020). More generally, Germany had entered a phase of "disorganization," marked by decreasing trade union membership rates, a dualization of the labor market, increases in management turnover, and the internationalization of domestic banks (Streeck, 2009).

However, other contributions emphasize the resilience of CMEs, arguing that core institutional structures remain robust despite market pressures. Streeck and Thelen (2005) posit that institutional change involves "layering" or "drift," where new practices are integrated without displacing existing ones, or existing functions shift in response to external changes. In the context of German corporate governance, codetermination remains intact despite a growing focus on shareholder value (Faust, 2012), and blockholdings of families continue to play a key role in upholding stakeholder-oriented principles, even as asset managers gain prominence (Giovanazzi, 2024). As a result, "shareholder practices within stakeholder systems of capitalism" (van der Zwan, 2014) or "hybrid" systems (Jackson and Sorge, 2012) evolve.

Regarding M&A markets, the hybridization of German corporate governance has brought Germany's M&A activity closer to that of the US (Jackson and Hideaki, 2007). However, institutional changes have not been substantial enough to result in convergence. Instead, distinct trajectories of adaptation and resilience have developed within each variety of capitalism, indicating that the political-economic framework is not deterministic (Lane and Wood, 2012). Instead, a dynamic perspective suggests that economic actors actively influence and shape institutions (Deeg and Jackson, 2007).

A notable contribution in this regard is the concept of "internal capitalist diversity" in CMEs like Germany (Deeg, 2009). While VoC-based predictions draw on a representative firm, this concept acknowledges the significant heterogeneity among firms within each system, implying differences in how firms respond to market imperatives and in whether they embrace or resist the adoption of LME principles in corporate governance and financing. Deeg (2009) identifies three firm models in CMEs: Large, listed firms adhere to the "international model," similar to the dominant US model. They exhibit a high level of financialization, defined as "control financialization" – where maximizing shareholder value becomes the primary management objective – along with practices such as public listing and market-based finance. Mid and large firms that are both listed and unlisted show a medium degree of financialization and follow a "hybrid model." Lastly, SMEs continue to operate under the "traditional model," drawing on bank-based finance, concentrated ownership, and stakeholder orientation.

In analyzing concentrated ownership in Germany, political economists have traditionally focused on corporate cross-holdings, holdings by house banks, and their subsequent dissolution (Höpner and Krempel, 2004; Windolf, 2020). However, despite its significance and potential to impact firm models, the role of family firms[1] has remained somewhat overlooked in VoC-related theories. As

[1] Definitions of family firms vary significantly, based on criteria such as ownership stakes (typically at least 20%), management structure (e.g., a family member serving as CEO or board member), and effective influence (through advisory roles or family-controlled foundations). However, the most critical qualifier is multi-generational continuity, where ownership persists across at least two generations.

Berghoff and Köhler (2020) note, Germany has historically fostered multi-generational family firms, shaped by institutional factors such as less developed capital markets, inheritance law based on family, policies promoting SMEs, and path dependencies rooted in historical stages like feudalism. In contrast, business ownership in the US is often viewed as temporary, with well-developed capital markets enabling both financing and wealth diversification of corporate assets, inheritance laws based on individualism, and the availability of land facilitating spin-offs and new ventures.

The importance of family firms in Germany relative to the US holds true across firm sizes, but data availability is better for larger firms. Among the largest 200 corporations, 21 percent are family firms in Germany, compared to only 6.5 percent in the US (Berghoff and Köhler, 2020, p. 18).[2] Notably, only 14 of the largest 78 German family firms are publicly listed, compared to 48 out of 114 in the US (Center for Family Business, 2023). In 2012, families in Germany held direct blockholdings in 26.2% of listed firms, whereas US families held direct control in 16.2% of listed firms (Aminadav and Papaioannou, 2020). Accounting for pyramid structures, Behringer *et al.* (2024, p. 34) even identify a relatively stable share of 42% of family-controlled listed nonfinancial firms in Germany since the early 1990s.

For a comparable sample of mid-sized manufacturing firms, Bloom and Van Reenen (2007, p. 1381) find that families are the largest shareholder in 32% of German firms, whereas in the US, this figure is only 10%. Conversely, founders hold the largest share in 18% of US firms, compared to just 5% in Germany. These patterns highlight a founding business culture in the US, contrasting with Germany's emphasis on multi-generational ownership. This distinction is also reflected in firm longevity: Among the largest 80 family firms, German firms have existed on average for 107 years, compared to 83 years for their US counterparts (Berghoff and Köhler, 2020, p. 27). Despite limitations in data and methodology, regional case studies indicate similarly distinct patterns among mid-sized firms (Lamsfuß and Wallau, 2012; Ward, 2011).

While small firms in both Germany and the US are generally family-owned, although not necessarily across generations, SMEs, the Mittelstand and family firms are usually equated due to the lack of data on family firm characteristics (Berghoff and Köhler, 2020; Institut für Mittelstandsforschung, 2024). Comparative studies between the two countries are missing; however, large firms in Germany employ, on average, 10% fewer employees than their US counterparts (Berghoff and Köhler, 2020). Additionally, 53% of retiring Mittelstand owners transfer their firms to family members (BVMW, 2024). Taken together, the SME and Mittelstand segment in Germany is relatively larger and respective firms are far more likely to be characterized by multi-generational family ownership than in the US.[3]

Another trend likely to affect firm models warrants attention: the growing prominence of private financial markets over public ones. Public markets have been a defining feature of the US economy in the second half of the 20th century, however, the number of listed domestic companies has significantly declined, from around 7,000 in 2000 to 5,000 in 2019 (World Bank, 2024). A similar delisting trend is observable in Germany, where the number of listed firms dropped from 744 to 470 in the same period (World Bank, 2024). Instead, private financial markets have surged in the aftermath of the 2007-9 financial crisis, particularly in the US (Herren Lee, 2021; Palladino and Karlewicz, 2024). Consequently, corporate financing structures have increasingly relied on private market debt. In 2021, US private markets raised four times more committed funds than public markets, amounting to $1.73 trillion, with major players such as PE, private credit, and real asset funds driving this growth (Palladino and Karlewicz, 2024). Although to a lesser extent, these developments have also been observable in the European context (Cera *et al.*, 2024), and raise questions about the financing structures of SMEs particularly in Germany.

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[2] Family firm criteria according to the Family Business Index, Center for Family Business (2023).

[3] This is particularly noticeable in firms with 50 to 4,999 employees, where many hidden champions belong (Berghoff and Köhler, 2020, p. 60).

Taking into account the significant role of family firms and the rise of private financial markets, we expand Deeg's (2009) framework of internal diversity in *Table 1* and propose ideal firm types for each country. In the US, given the founding business culture and the prominence of private financial markets, we hold that SMEs and founder firms exhibit concentrated ownership, rely on market-oriented private finance and demonstrate a high degree of M&A activity. The US hybrid model includes large, unlisted firms with the same characteristics despite also entailing dispersed ownership. In Germany, the traditional model encompasses the Mittelstand, where multi-generational family ownership exerts significant influence and M&A activity remains low.[4] The hybrid model in Germany, reflecting a medium degree of M&A activity, includes both family ownership in listed firms and the prevalence of large, privately-held family firms. Lastly, the international model comprises large, listed firms in both countries and corresponds to Deeg's (2009) original schema.

Table 1. Internal firm diversity in the US and Germany.

Model	**Firm type**	**Country**	**Ownership and financing**	**M&A activity**	**Key influences**
International	Large, listed firms	US & Germany	Dispersed ownership; market-based finance (public)	High M&A activity; pitch	LME model (US); corporate financialization (Germany)
Hybrid	Large, unlisted firms	US	Concentrated and dispersed ownership; market-based finance (private)	High M&A activity; shareholder-oriented	LME model; rise of private financial markets
Hybrid	Large, listed and unlisted firms	Germany	Family ownership; market- and bank-based finance	Medium M&A activity; shareholder- and stakeholder-oriented	Corporate financialization; family ownership
Traditional	SMEs/ founder firms	US	Concentrated ownership; market-based finance (private)	High M&A activity; shareholder-oriented	Entrepreneurial culture; rise of private financial markets
Traditional	SMEs/ Mittelstand	Germany	Family ownership; bank-based finance	Low M&A activity; stakeholder-oriented	CME model, family ownership

3. Data and methods

We use two sources of data, employing data triangulation to enhance the validity and reliability of our findings. To provide an empirical overview of M&A activity in the US and Germany, we obtained data from the SDC Platinum database, covering transactions from 2000 to 2023. The dataset includes information on the form and type of deal, the acquirers' and targets' names, industries, status, attitude, shares acquired, deal values, and other characteristics.

First, we excluded pending and withdrawn deals, as well as transactions not directly associated with M&A, such as share buybacks. The sample was further limited to observations in which either a US or German entity is the acquirer. We restricted the sample to deals where the percentage of shares acquired is at least 50%, indicating the acquisition of majority control.[5] The final dataset comprises 216,068 observations and is a ready-to-use cross-sectional dataset.

We further collected data conducting semi-structured interviews with 28 M&A professionals, including investment bankers, consultants, fund managers, executives, and board members (see

[4] We use SMEs and Mittelstand interchangeably in the context of Germany.

[5] Nonetheless, applying a 20% threshold – consistent with established definitions of a substantial minority stake, which is widely regarded as the minimum level required to exert significant influence (Aminadav and Papaioannou, 2020) – yields similar trends.

Table A1, Appendix). Interviewees held a range of roles in financial and corporate firms, from associates and consultants to senior positions such as partners, heads of strategy, and managing directors. All participants had significant M&A experience in the US, Germany, or both. They had executed or advised on two to over 500 buy-side and sell-side deals, the majority of which were cross-border. These deals spanned all sizes, with a focus on medium private and large public transactions across various industries, primarily in consumer and retail, industrials and manufacturing, healthcare, and technology.
Interview questions focused on participants' roles and experiences in deal-making, characteristics of the transaction process, and regulatory aspects. The interviews, conducted primarily via video and phone calls between May 6 and July 8, 2024, lasted between 21 and 71 minutes, were recorded, transcribed using automated software, and manually corrected. Using MAXQDA, we applied thematic analysis to code and analyze the transcripts. This theoretically flexible method is suited for building common themes from individual codes, thereby identifying recurring patterns in qualitative data (Braun and Clarke, 2006, 2022). Taking a realist epistemological stance, we interpreted the interviewees' experience, insights and meaning directly (Braun and Clarke, 2006).
We adopted a theoretical but iterative approach, according to which coding relates to an underlying theory but can be expanded spontaneously. As theoretical foundation, we utilized our concept of internal firm diversity outlined in *Table 1*. Accordingly, coding evolved around respective firm and deal characteristics, including size, industry, ownership structure, stakeholders, business rationale, transaction motives, types, and regulation. Interviews continued until thematic saturation was reached, with repeated patterns emerging that allowed us to map findings onto the traditional and international models. However, due to insufficient insights and data points for hybrid models in both the US and Germany, we abstained from an analysis of these firm types.

4. The anatomy of M&A in the US and Germany

Beginning with an empirical overview of M&A markets, *Figure 1* illustrates the number of deals by acquirer type in the US and Germany, capturing both domestic and foreign targets. Distinct M&A waves are particularly noticeable in the US, which correspond to periods of heightened M&A activity driven by macroeconomic factors, technological advancements, market dynamics, and regulatory shifts (Kolev *et al.*, 2012). The year 2000 marked the peak of the globalization and tech wave in the US, and the peak of the globalization and EU integration wave in Germany, both of which ended with the burst of the dotcom bubble. Following this period, both countries entered the PE and consolidation wave of the early 2000s, which waned in 2007 with the onset of the financial crisis (Kaplan and Stromberg, 2009). In the post-crisis period, the US saw a steep recovery in deal activity, driven by low interest rates and expansive monetary policies that reduced the cost of capital and stimulated acquisitions. In contrast, despite similar monetary policy measures in the Eurozone, Germany's M&A market experienced a more restrained recovery. The most recent pandemic-related and digital transformation wave is reflected in the surge of deals completed in 2021 in the US, driven by accelerated digitization and pent-up demand from 2020 (Pitchbook, 2022, 2024). For German acquirers, this trend was less pronounced, although deal volumes in 2021 surpassed earlier peaks, such as in 2007. Since 2022, both countries have experienced a decline in M&A activity, largely due to rising interest rates and increased energy costs, which have created a more restrictive deal environment.
Over the entire period and consistent with VoC predictions, deal activity is significantly higher in the US than in Germany. US deal volumes are on average 8.8 times larger[6], with an average annual growth rate of 1.06%, compared to a negative rate of -0.72% in Germany. Diverging trends are more pronounced in the latter half of the period, with German deals constituting an average of 11.9% of US deals from 2000 to 2011, and 11.3% from 2012 to 2023.

[6] In comparison, US GDP is on average 4.95 times larger than German GDP from 2000 to 2023 (World Bank, 2024b).

Equally in line with VoC expectations, the share of public deals relative to total deals is consistently higher in the US than in Germany. However, this share has declined significantly in both countries – from 50.7% in the US in 2000 to 16% in 2023, and from 44.1% to 14.9% in Germany during the same period. Corresponding to the rise of private financial markets and delisting trends, private deals have surged instead. In the US, private deals represented on average around 87% of public deals between 2000 and 2011, but from 2012 to 2023, their volumes were twice as high as those of public deals. In Germany, private deals amounted to 193% of public deals during the first period and increased to 346% in the second. In other words, the average public-to-private deal ratio declined from 120.2% to 52.2% in the US and from 61.8% to 29.3% in Germany between these two periods.

We also examine aggregate deal values relative to gross domestic product (GDP) for both the US and Germany (see *Figure A1, Appendix*).[7] From 2000 to 2023, both countries exhibit a similar trajectory in M&A activity, reflecting common macroeconomic factors such as the business cycle and the cost of capital. However, notable differences in levels persist, underscoring variations in capital market structures and the relative scale of M&A markets. In the US, aggregate deal values consistently represent a much larger share of GDP, fluctuating between 3.7% and 10.2%, with a mean (median) value of 5.9% (5.2%). In contrast, Germany's aggregate deal values range from 0.6% to 4.8% of GDP, with both mean and median values at 1.8% over the same period.[8]

Figure 1. Number of completed deals by acquirer type.

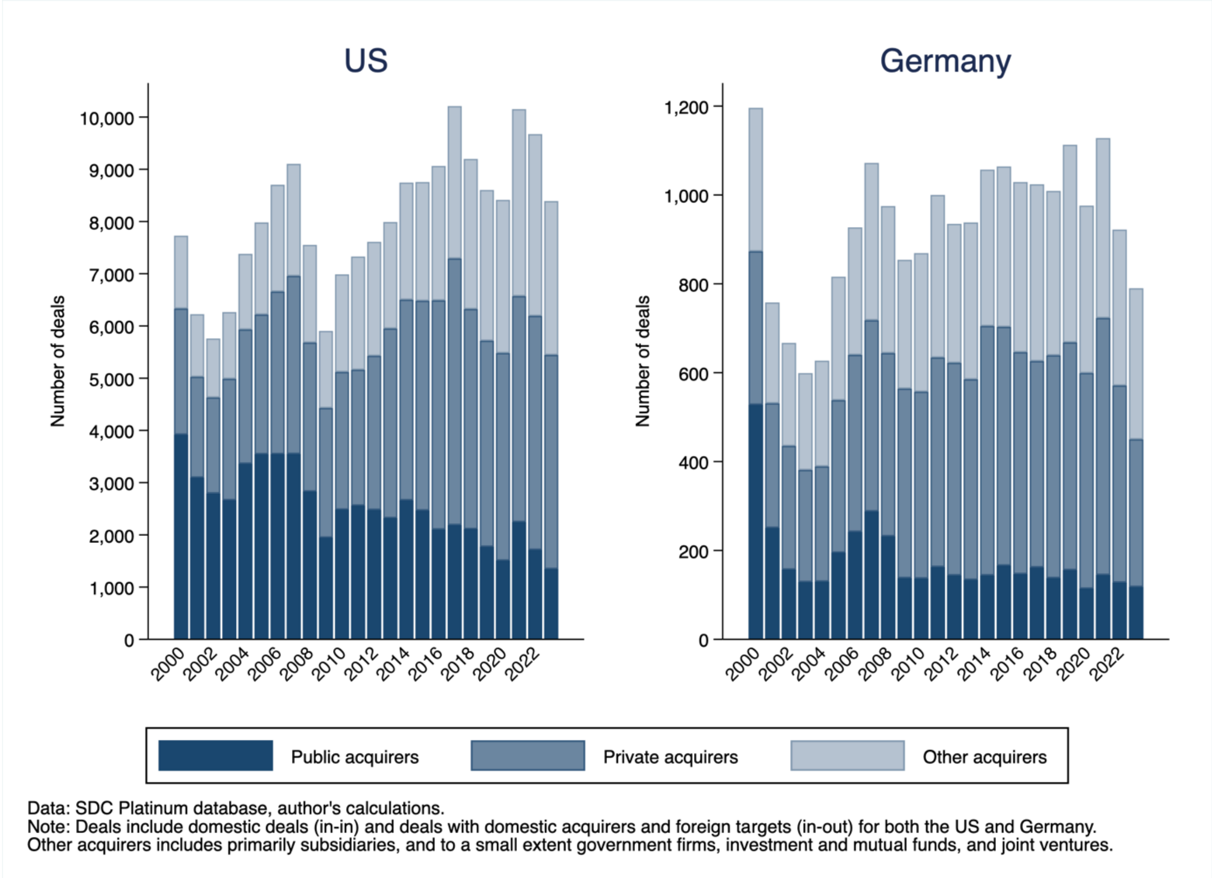


Table 2 presents the industry composition of M&A markets in our sample, categorized by the acquiring industry's share of total acquisitions. Several sectors – such as consumer and retail, media

[7] However, for US deals, only 28.9% of observations in our sample have deal values, and for German deals, only 13.5%, limiting explanatory power.

[8] The linear trend is similarly downwards sloping for both countries, which is consistent with the negative average annual growth rate for German deal volume. For the US, however, this finding suggests declining deal sizes on average.

and telecommunications, real estate, energy and power, and government – exhibit similar proportions of M&A activity in both countries. Notable differences emerge in sectors predicted by VoC. In Germany, the industrials and materials sector accounts for the largest share of total acquisitions at 23.68%, compared to just 14.61% in the US. This higher activity aligns with Germany's significant industrial production, characterized by dense networks of manufacturing firms and incremental innovation processes. Conversely, the high technology and healthcare sectors hold a more prominent position in the US, representing 17.44% and 8.14% of total acquisitions, respectively, compared to only 11.78% and 5.71% in Germany. This disparity reflects the US's emphasis on high-growth industries driven by radical innovation, as well as a substantial private healthcare market that prioritizes research and development of new drugs and medical technologies.

Notably, the financial sector represents the largest share of acquisitions in the US, at 25.3%, whereas in Germany, it accounts for a substantial 23.15%. While VoC theory would predict this in an LME like the US, where finance and insurance contributed 7.9% to GDP in 2021, the high share in Germany is unexpected, given that the sector accounted for only 3.8% of GDP in the same year (Destatis, 2023; U.S. Bureau of Economic Analysis, 2023). These findings underscore the pivotal role of financial firms in driving transactions in both countries, highlighting M&A as a market practice aimed at maximizing investor returns. In Germany, their influence is especially pronounced relative to other sectors, indicating that acquisitions are not a primary strategy for many non-financial firms.

Table 2. Industry composition of acquirers.

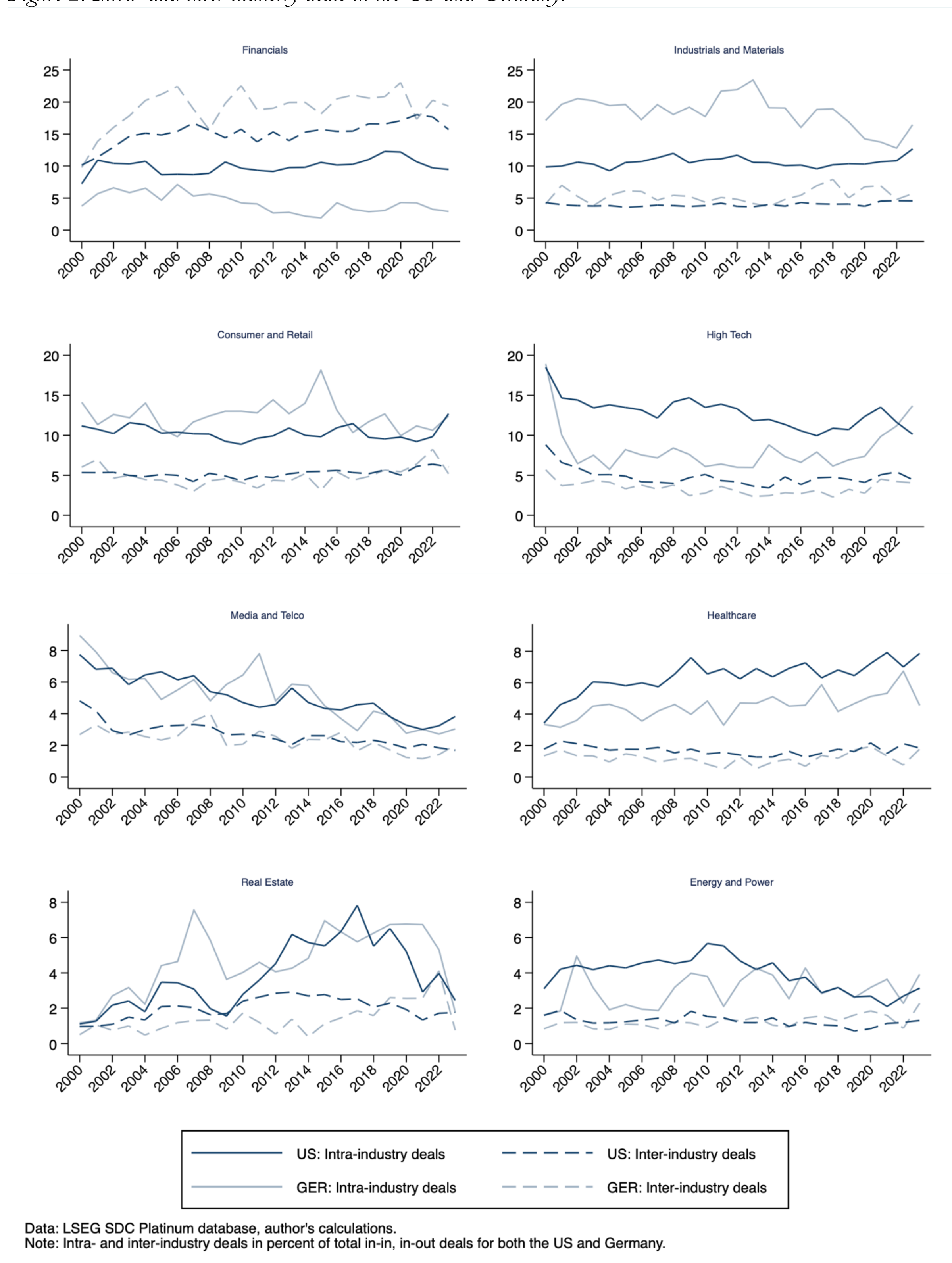
	US		**Germany**	
Acquirer industry	*Frequency*	*Percent*	*Frequency*	*Percent*
Financials	49,004	25.30	5,172	23.15
Industrials and Materials	28,310	14.61	5,291	23.68
Consumer and Retail	30,192	15.59	3,883	17.38
High Technology	33,785	17.44	2,632	11.78
Media and Telco	14,801	7.64	1,671	7.48
Healthcare	15,765	8.14	1,275	5.71
Real Estate	11,638	6.01	1,392	6.23
Energy and Power	9,868	5.09	951	4.26
Government	360	0.19	78	0.35
Total	198,499	100.00	22,345	100.00

Data: SDC Platinum Database, author's groupings and calculations. Note: Industry shares of total deals with domestic acquirers and targets (in-in) and deals with domestic acquirers and foreign targets (in-out) for both countries across the entire sample, from 2000 to 2023. Industries are aggregated over SDC Platinum sub-industries.

Figure 2 shows both intra- and inter-industry deals in respective industries over time as percentages of total deals in the US and Germany. Across all sectors, except financials, intra-industry deals account for a larger share than inter-industry deals, indicating that non-financial firms prioritize strategic acquisitions to strengthen core competencies rather than pursuing cross-industry diversification. Consistent with *Table 2*, time trends for both deal types and countries are largely similar across the consumer and retail, media and telecommunications, real estate, and energy and power sectors. Corresponding to VoC, Germany shows consistently larger intra- and inter-industry M&A activity in industrials and materials than the US. Conversely, intra- and inter-industry deals in both the high technology and healthcare sectors are more pronounced in the US.

The most significant trends involve financial acquirers. Aligned with VoC expectations, the larger US financial sector corresponds to a higher average share of intra-industry deals at 10% of total deals, compared to 4.3% in Germany over the observed period. Additionally, inter-industry deals consistently exceed intra-industry deals in both countries, reflecting financial firms' strategic focus on diversifying assets across industries, their role as capital facilitators to other sectors, and their inherently market-driven orientation.

Figure 2. Intra- and inter-industry deals in the US and Germany.



An examination of target industries reveals that financial acquirers operate across all sectors (see *Table A2, Appendix*). In the US, they primarily target the consumer and retail sector (27.27% of total financial inter-industry deals), followed by industrials and materials (22.81%) and high technology (15.77%). In contrast, financial inter-industry deals in Germany are predominantly concentrated in the industrials and materials sector, accounting for 32.9% of total financial inter-industry deals, followed by the consumer and retail (23.65%) and high technology (12.45%) sectors.

Who are the financials shaping the M&A landscape in the US and Germany? *Table 3* highlights the similarities and differences among financial acquirer subgroups in both countries, measured by their involvement in financial inter-industry deals. Banks and insurers show a comparable involvement in the US and Germany, although their share in inter-industry acquisitions has decreased over time (see *Table A4, Appendix*). Asset managers, individual investors and holdings are relatively more important financial acquirers in Germany, with the share of asset managers in inter-industry deals increasing over time (see *Table A4, Appendix*).
The key distinction arises in alternative financial investments, which encompass a range of investment funds but primarily consist of PE funds. In the US, these acquirers dominate the market, accounting for nearly 47.7% of all financial inter-industry deals, while in Germany, their share is significantly lower at 27.4%. Nevertheless, their share of inter-industry acquisitions has grown considerably in both countries over time (see *Table A4, Appendix*). Although the role of undisclosed investors remains unclear, their larger share in Germany does not diminish the evidence that alternative financial investments – particularly PE – are significantly more influential in the US M&A market.

Table 3. Financial acquirer types in inter-industry deals.

	US		**Germany**	
Financial acquirer	*Frequency*	*Percent*	*Frequency*	*Percent*
Banks and Insurance	2,005	6.75	198	4.66
Asset Management	1,525	5.14	356	8.38
Alternative Financial Investments	14,148	47.66	1,164	27.39
Limited Liability Entities	3,066	10.33	551	12.97
Holdings	1,338	4.51	334	7.86
Individual Investors	800	2.69	291	6.85
Undisclosed Investors	5,782	19.48	1,231	28.97
Others	1,024	3.45	124	2.92
Total	29,688	100.00	4,249	100.00

Data: SDC Platinum Database, author's groupings and calculations. Note: Shares of total inter-industry deals with domestic financial acquirers and domestic (in-in) and foreign non-financial targets (in-out) for both countries across the entire sample, from 2000 to 2023. For investor groupings, see Table A3, Appendix.

Taken together, these findings reveal distinct M&A dynamics between the US and Germany, with no general convergence. In line with VoC, deal volumes are consistently higher in the US, characterized by a larger share of public deals and a strong emphasis on high technology and healthcare sectors. In contrast, Germany demonstrates generally lower M&A activity, a higher proportion of private deals and a greater focus on industrials and materials. The rise of private financial markets is evident in both countries, with private deals gaining significance and financial acquirers playing a pivotal role in driving overall M&A activity. In Germany, financial acquirers exert outsized influence relative to other sectors and show a stronger presence in inter-industry deals compared to their US counterparts, reflecting the hybrid nature of Germany's corporate governance and financing structures. However, alternative financial investments remain considerably more prominent in the US, emphasizing the stronger presence and strategic role of PE within a shareholder-oriented environment.

5. Diversity of firms, diversity of M&A processes

To explore M&A processes in the US and Germany, we draw on interview data and internal capitalist diversity as outlined in *Table 1*. By examining key similarities and differences in firm-specific strategies and political-economic institutions, we identified overarching themes that correspond to the titles of the following subsections: 5.1 Global standards versus institutional variation, which outlines the M&A process in both countries; 5.2 Large and listed firms: an

international M&A playbook, focusing on the international model; 5.3 SMEs in the US: build, grow, exit, encompassing the US traditional model; and 5.4 SMEs in Germany: build, stabilize, continue, which examines the traditional model in Germany.

5.1 Global standards versus institutional variation

On the one hand, an acquisition process is "fairly standardized internationally" (Interviews 8, 14, 22). On the other, depending on firm characteristics and political economy, it involves different strategic goals, stakeholders, and regulatory requirements.

An M&A process begins with the identification of resource gaps based on *corporate strategy*. This involves evaluating the difference between current and targeted capabilities and assessing how competitive advantage can be maintained or expanded (Interviews 1, 9, 10, 14, 26, 27). To align internal resources and external market opportunities, firms must choose between growing internally (build) through capital expenditures and research and development (R&D), forming alliances (borrow) through contracting or joint ventures, or pursuing acquisitions (buy) (Capron and Mitchell, 2012). At the firm-level, strategy is a result of firm characteristics, such as size, industry, ownership structure, and corporate governance, and is driven by management. However, stakeholders such as external consultants and the board may be involved in both identifying strategic direction and measurable goals (Interviews 1, 8, 13, 21, 24, 26, 27, 28).

Once acquisitions are identified as the tool for executing strategy (Interviews 14, 28), the second stage in an M&A process is *preparation*, where potential targets are identified based on financial and strategic criteria and first discussions with targets take place. A common argument for acquisitions is speed, as it allows entering new markets and geographies or acquiring new skills and product lines faster than through means of organic growth (Interviews 1, 11, 14, 19, 22, 24, 27, 28). In this phase, further information regarding synergy potential, strategic and financial fit are gathered, often including the formulation of a letter of intent and a preliminary valuation of the target. Investment bankers come into play both for deal sourcing and advising on the deal (Interviews 6, 17, 18, 20, 25).

Third, the *execution* phase involves comprehensive due diligence streams based on in-depth data access to the target, which includes commercial, legal, financial, and environmental, social, and governance assessments by external consultants (Interviews 1, 2, 7, 8, 13, 19, 21, 26, 27). At the same time, deal financing structure and valuation are usually advised on by investment bankers (Interviews 6, 17, 18). Valuation practices include the use of discounted cash flow models and multiples, and draw on a sector consensus regarding how certain assets are valued (Interviews 10, 12, 14, 17, 22). During this phase, all aspects of the target are scrutinized to validate its value, identify risks, and ensure alignment with strategic and financial objectives. Upon completion, negotiations take place, terms are finalized and both parties proceed to sign the purchase agreement, which formalizes the transaction. Up until this point, the acquisition process remains confidential, with labor representatives usually being informed just before or after signing (Interviews 14, 24, 27). However, depending on company statutes and the degree of codetermination, they may be included earlier in the process in Germany (Interviews 14, 24).

Post-signing to closing represents the next phase in which the parties work to satisfy regulatory approvals. In both the US and Germany, antitrust regulation plays a vital role in large deals. In the US, a premerger notification program requires filing of deals above a certain threshold with the Federal Trade Commission and Department of Justice based on the Hart-Scott-Rodino Antitrust Improvements Act. Likewise, the Act Against Restraints on Competition (Gesetz gegen Wettbewerbsbeschränkungen) requires filing with the Federal Cartel Office in Germany, and with the European Commission if certain thresholds and cross-border activities are met according to EU Merger Regulation. Review processes in both countries may include a second stage, in which authorities require more information to continue the clearing process. Interviewees report that the length of this process in the US largely hinges on administration, while being less politically driven in Germany (Interviews 16, 17, 22, 23). A main difference between both countries is how approvals are granted: While in both countries, authorities may clear a transaction directly or require certain

conditions or remedies to approve it, such as specific divestitures to impede market concentration, US authorities challenge a transaction in court if it does not comply with antitrust regulation. Conversely, authorities in Germany prohibit a transaction, which can be legally challenged by the firms involved.
A second regulatory area that differs strongly between both countries is labor rights and how labor synergies can be achieved in corporate transactions (Interviews 9, 10, 17, 22, 14, 28). In the US, employment contracts are usually at will, notification periods are between weeks and months, and severance payments are minimal, allowing for a consolidation of administrative tasks or closing facilities relatively swiftly (Interviews 9, 10, 14). In contrast, German labor law requires special reasons for dismissals and notice periods between month and years, with high formal requirements (Interview 22). These regulations make M&A processes in Germany more complex, lengthy and costly when compared to the US. Respective considerations are usually priced into the deal as soon as targets are identified, however, discussions and settlements on concrete concessions with work councils often take place after signing and before closing (Interviews 14, 16, 17, 22, 24).
Finally, in *post-merger integration*, expected synergies should be realized by ensuring that the acquired firm's resources and capabilities are successfully merged with those of the acquirer. This stage focuses on harmonizing regulatory, technical and cultural differences, often involving a 100-day integration plan and external consultants (Interviews 4, 9, 10, 14).
Overall, M&A processes work fairly similarly in the US and Germany, however, institutional differences in line with VoC, such as labor rights, change cost calculations and the duration of corporate transactions, and therewith affect overall M&A activity.

5.2 Large, listed firms: an international M&A playbook

The international model is defined by several key features (Deeg, 2009): large, listed firms employ market-based financing, adhere to transparent and global accounting standards, prioritize shareholder value, and their strategies are increasingly shaped by financial market participants such as investment bankers, fostering corporate transactions.
In line with the latter aspect, interviewees in both the US and Germany describe the identification of targets and deal sourcing as a bi-directional relationship between large, listed firms and advisors. On the one hand, these firms have corporate development functions, often operating under a head of corporate strategy, whose primary goals is to screen markets for potential acquisitions and divestments (Interviews 1, 5, 8, 9, 10, 27). As a general rule, smaller deals can be closed through that function, and the larger the deal becomes, the higher the involvement of management, board and shareholders (Interviews 1, 26, 27). The quality of the corporate development department depends on corporate strategy: several firms in both countries have become serial acquirers over time and have built large conglomerates through acquisitions, requiring deep industry intelligence and a high level of professionalism in managing M&A activities (Interview 3, 8, 28). Best-in-class acquirers thereby do not only consider firms on the market, but "they're looking for the company they want to acquire in three years, five years, ten years" (Interview 10).
An important cross-country difference in this regard is time: While the US saw a strategic shift toward M&A over in-house production, with the development of a mature M&A function in the 1980s and 1990s (Interviews 3, 14), it is only more recently that large, listed firms in Germany have established "professionalized M&A teams that have clout," often recruited from investment banks or consultancies (Interview 8).
On the other hand, investment bankers and consultants in both countries analyze markets, gather industry intelligence and proactively source and pitch deals to (potential) clients (Interviews 6, 8, 18, 25). Investment banks have industry representatives that cover large, listed firms, and their goal is to understand respective firms "as well as anybody ever could" (Interview 6). Likewise, consultants come in "as experts who see nothing but deals in the field" (Interview 8). Both, reputation and relationships between firms and advisors are highly important in this regard: The more deals an investment bank has previously closed and the higher its reputation and experience in a specific industry, the more likely it is hired for a new deal (Interview 6, 17, 18, 25). Likewise,

the more involved a consultancy has been with a firm in the past, the more likely it will be hired to perform due diligence streams (Interviews 1, 13).
In both the US and Germany, M&A processes are led by mid-management and executive leadership, while approval of deals rests with the board. In Germany, codetermination plays a notable role in this process, as employee representatives on the board actively review M&A proposals, paying particular attention to their impact on the workforce (Interview 24). However, the nature of codetermination can vary significantly across firms and sectors: In industries with a strong tradition of unionization, such as manufacturing, codetermination is deeply embedded in corporate governance, such that union-backed works councils work in tandem with board representatives. Accordingly, employee interests are integrated into broader strategic decision-making, including M&A activities. Conversely, in sectors such as high technology, codetermination is often less influential and firms may meet only the minimum legal requirements (Interview 24).[9]
Large, listed firms are typically strategic acquirers, such that the success of M&A in both countries depends on achieving defined objectives measured by key performance indicators (Interviews 1, 18). These include but are not limited to product diversification, geographic expansion, and the acquisition of specialized skills or intellectual property (Interviews 1, 3, 7, 8, 9, 19). However, under close shareholder scrutiny and the imperative to deliver quarterly results, large, listed firms ultimately pursue these objectives with the primary goal of maximizing shareholder value (Interviews 4, 6, 9, 10, 12, 13, 14, 17, 27, 28). This orientation is most strongly emphasized by investment bankers, whose "role is to consummate the transaction. So, they're by definition transaction-driven" (Interview 9). However, interviewees also state that unlocking shareholder value through transactions does not necessarily coincide with their clients' stakeholders' interests or society as a whole (Interviews 6, 17). Naturally, consultants and executives are more likely to employ an entity-view, according to which the realization of synergies through successful integration and the long-term thriving of companies after the deal characterize its success (Interviews 8, 9, 14).
Overall, the international firm model draws on a portfolio view of a firm, reflecting the process of corporate financialization (Giovanazzi, 2024; Klinge *et al.*, 2021). In this perspective, the firm is seen as a bundle of assets that can be bought, sold, and restructured through M&A in alignment with market preferences and aimed at maximizing shareholder value. This view is shared by interviewees involved in large transactions in both countries (Interview 3, 4, 6, 17, 28).

5.3 SMEs in the US: build, grow, exit

A significant portion of corporate deals in the US is driven by private financial markets, with PE firms playing a prominent role in shaping the corporate landscape (see *Figure 2* and *Table 2*). Interviewees highlight the impact of PE firms and their established funds on SMEs, emphasizing their role in consolidating and transforming this segment (Interviews 1, 2, 8, 9, 11, 14, 15, 18, 21). Since SMEs are typically privately held, their valuations may not fully reflect their potential, enabling PE firms to acquire them at relatively low prices. Moreover, SME owners generally possess deep expertise in their business areas but may lack financial or operational acumen, leaving room for PE firms to introduce financial restructuring and operational improvements. Additionally, as SMEs frequently operate in fragmented markets, PE firms can pursue sector consolidation and growth through the "buy-and-build" approach, as emphasized by interviewees (Interviews 1, 2, 5, 8, 9, 11, 13, 15, 16, 20, 21, 22). This strategy involves acquiring a majority stake in a primary SME with platform potential and then making additional bolt-on acquisitions within the same industry, thereby achieving economies of scale and strengthening competitive positioning. Taken together, PE firms build their business model around these core characteristics, which consist of acquiring an SME, holding it for three to six years, and ultimately selling it at a profit

[9] As the chairman of the board is appointed by the employer side and has double voting rights, the board can eventually approve a transaction without seeking consent of the employee side.

(Interviews 2, 11, 14, 15, 21). In this way, PE firms are "always doing deals" and are seen as a "goldmine" from an investment banker's perspective (Interview 18).

PE firms rely on various sourcing techniques to identify potential targets, including cold calling, referral networks, and personal relationships (Interview 5). While they have in-depth knowledge about how to choose and evaluate targets according to financial models, external consultants are often engaged to provide industry-specific intelligence (Interviews 1, 2). During the holding period, PE firms focus on "value creation," i.e., growing the business, enhancing operational efficiencies, optimizing cost structures, and streamlining administrative functions (Interviews 2, 11, 15, 18). Thereby, PE firms adopt either an active role, replacing management and closely monitoring performance, or a more passive approach, retaining existing management, especially in principal investments directly from founders (Interview 9, 11, 14, 15).[10]

While strategic acquirers generally value synergies with existing operations and are willing to pay a premium, PE firms usually rely on a standalone valuation, leading to a lower willingness to pay (Interviews 8, 18, 21). Another defining feature of PE investments is the extensive use of leverage. In a typical leveraged buyout, about 20% of the acquisition cost is financed through equity from institutional investors or high-net-worth individuals, with the remaining 80% financed through debt, which is paid off by the acquired firm (Interview 2). This financing structure contrasts with that of strategic acquirers, who tend to use more cash for acquisitions (Interviews 4, 6). Due to the leveraged nature of these deals, PE firms closely monitor financial metrics, focusing on cost structures, cash flow, and profitability to achieve financial goals (Interview 14).

Interviewees note that PE funds generally expect annual returns of 20 percent, or, alternatively, at least three times the initial investment upon exit (Interviews 2, 11, 15, 18). This return is the result of value creation strategies and effectively translates to value creation for private shareholders. Accordingly, the primary goal of the deal is a successful exit by the end of the investment horizon that delivers or exceeds the anticipated financial return through the convincing delivery of the "equity story" (Interview 21).[11]

Consequently, one of the key factors contributing to the high M&A volumes in the US are short holding periods of PE-backed companies. Interviewees highlight that this exit-oriented culture is deeply engrained in the US business environment and generally corresponds to the business rationale of SMEs (Interviews 9, 13). SMEs are easy to establish from a legal standpoint and often respond swiftly to market demands, focusing on developing specific assets or capabilities tailored for acquisition by larger firms or investors within the value chain (Interviews 3, 6, 9). Thereby, labor representation usually plays no role at all (Interview 11, 15, 20). Even small businesses, so-called mom-and-pop stores, are likely to be targets of PE firms (Interview 14). As one interviewee succinctly put it, relationships in the US business landscape are primarily transactional (Interview 14):

> „In the US, people are not really looking to build a 20-year relationship with you. You know, listen, if you're going to pay me, you know, $150 million, you're going to pay me $20 million more than the next offer. That's a pretty good relationship. I like you very much."

The alignment between the operational strategies of SMEs and the exit-focused approach of PE firms creates a seamless business environment in which M&A are not only common but expected. In fact, the transactional rationale of SMEs naturally includes M&A as a key strategic consideration. Thereby, "private equity serves a critical role for those small and medium-sized businesses to have a monetization plan" (Interview 15), particularly as going public has become more challenging in the US over the recent decades in terms of regulatory requirements (Interviews 14, 15).

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[10] In secondary buyouts from other PE firms, management changes are more common (Interview 21).

[11] Exits occur through sales to other PE firms, known as secondary buyouts, through strategic acquisitions by industry players seeking to expand their market reach, or through initial public offerings (Interviews 6, 10).

Overall, the combination of transactional firm characteristics with a market-oriented political-economic framework, including large and growing private financial markets, lead to frequent transactions in the US SME sector. The cycle of acquisition, growth, and divestiture becomes self-reinforcing, as each successful deal paves the way for future transactions. As one interviewee noted: "acquisition begets acquisition" (Interview 28).

5.4 SMEs in Germany: build, stabilize, continue

As outlined in section 2 and *Table 1*, SMEs in Germany operate under the traditional CME model and are in large parts characterized by multi-generational family ownership. Regarding M&A, interviewees emphasize the distinct role of particularly family firms when compared to firms with other ownership structures and the influence that family members in leadership positions have on transactions.

To begin with, family firms are likely to be more skeptical of M&A, both regarding the buy-side and the sell-side (Interviews 9, 10, 11, 12, 14). On the buy-side, family-run businesses tend to "have a strong preference to try a lot of things themselves first, that is, to set up a factory themselves, to expand production themselves, to develop topics organically" (Interview 26). Rather than adopting modern managerial approaches such as the buy, borrow or build framework (Capron and Mitchell, 2012), family-run management is shaped by the influence of previous generations and the longstanding traditions of the family firm – they "have never done anything else" (Interview 18). This deep-rooted identification with the firm and preference for maintaining established practices may also lead to skepticism toward sellers. As one interviewee noted, the elderly family patriarch at his company questioned why anyone would consider selling a successful business at all (Interview 10). Nonetheless, family firms may leverage their reputation to present themselves as buyers with a serious interest in the continuation of the business acquired (Interview 10).

Due to their long-standing existence and multi-generational nature, family firms are often less experienced in M&A processes, particularly when it comes to the sell-side (Interviews 10, 18, 20). Selling typically becomes a consideration only when a family successor can no longer be identified, which is more likely to occur in later generations.

When entering an M&A process, interviewees emphasize that family firms have "heightened idiosyncrasies" (Interview 18), meaning that expectations have to be managed differently and in line with the owner's perception of their firm as "their baby" (Interview 10, 18). Family firms generally take longer to establish a relationship with the business partner and place significant emphasis on whom they sell their business to (Interviews 9, 10, 14, 26). Interviewees note that relationship-building can take months or even years before it eventually leads to a deal (Interviews 14, 25). As owners are selling their "life's work" or "a family business that has been in the family for five generations," mutual trust and understanding – including trust in deal advisors – become critically important in M&A processes. At the core of this attitude lies the very business rationale of family firms: Having existed for generations, they prioritize continuity over exit strategies, emphasize long-term sustainability over short-term profit maximization, and position themselves in relational rather than transactional terms within their environment.

Furthermore, family firms encompass multiple stakeholders with a diverse range of interests, including senior family members in advisory roles, long-standing relationships with suppliers and customers, and employees who are frequently retained for life (Interviews 9, 14). Thus, the stakeholder orientation does not necessarily coincide with employee representation but rather draws on the longevity and social embeddedness of the business.

In the context of corporate transactions, these characteristics lead family firms to pursue "other agendas than just the price" (Interview 9) when selling. Interviewees suggest that "non-financial motives play a role" (Interview 26) and that the perception of the firm is "charged with meaning" (Interview 18), often involving an "emotional component" (Interview 14). These considerations may include questions on the management of legacy and inheritance, succession in corporate governance, maintenance of stakeholder relationships and employment, as well as tax and estate planning. Taken together, as organically grown entities, family firms put a stronger emphasis on

maintaining a balance of different and partially conflicting interests, which tends to delay the decision to initiate or proceed with an M&A process (Interview 26). This extends to the decision to divest assets in corporate transformations (Interviews 26). Furthermore, these aspects lead to value expectations that may not be aligned with actual business performance, bearing the potential to derail a deal (Interview 11).[12]

Consequently, transactions involving family firms generally require significantly more time and occur less frequently compared to those involving non-family firms (Interview 9, 14, 20, 26, 27). The combination of long-term oriented strategies within family firms, the high prevalence of such firms in the German SME sector, and a political-economic environment that makes transactions more costly – due in part to strong employment protections – reduces overall M&A activity in a CME like Germany. Together, these factors contribute to an M&A market in Germany that is less dynamic and more entity-driven than market-driven, with firms operating in a "slower pace, in a safer pace, [in a] more stable pace" (Interview 27).

6. Discussion

Our comparative analysis of M&A activity in the US and Germany reveals notable differences across both M&A markets. In line with VoC theory, the US exhibits higher M&A volumes, a larger share of public deals, and a focus on high-tech and healthcare sectors. Germany, by contrast, has lower M&A activity, with a higher proportion of private deals and a concentration on industrials and materials. Institutional differences, especially in labor rights, enhance M&A activity in the US while constraining it in Germany.

Nonetheless, with regard to internal capitalist diversity, interview data confirmed the prevalence of the international model among large, listed firms in both countries, indicating a hybridization of Germany's CME system. This shift toward shareholder value orientation – including transactional ties with financial intermediaries, an understanding of the firm as a bundle of assets, and professionalized M&A functions – has been facilitated by regulatory reforms especially in the early 2000s. Key reforms included the liberalization of stock options, changes to voting rights, the adoption of a new takeover code and international accounting standards, disclosure requirements regarding board memberships and shareholder structures, and equity-based managerial remuneration (Giovanazzi, 2024; Höpner, 2003; Jackson and Sorge, 2012). The rising M&A orientation in particular is further supported by recent analyses indicating that listed German firms are increasingly allocating funds to acquisitions rather than traditional investments in physical capital (Giovanazzi *et al.*, 2024).

Moreover, the rise of private financial markets compared to public ones is evident in both the US and Germany, yet traditional firm models and M&A activities differ. In the US, we found alternative financial investments to drive overall M&A activity significantly. The rise of exit-focused PE firms aligns seamlessly with the market-driven SME environment, reinforcing the traditional US model, which is shaped by a founder firm culture. In Germany, we found that financial acquirers exert a comparatively stronger influence in inter-industry deals, suggesting that M&A are an inherently market-oriented practice propelled by actors focused on maximizing financial returns. The traditional German model, however, is defined by multi-generational, family-owned SMEs, where the focus on stability and continuity over market-driven practices results in lower and less frequent M&A activity.

These traditional models, of course, represent ideal types – family firms exist in the US, just as founder-led firms operate in Germany. Unfortunately, the precise composition of Germany's SME sector, especially regarding the prevalence of multi-generational family ownership, remains ambiguous due to limited comparative data, as discussed in section 2. Given that family firm characteristics often act as barriers to acquisitions, however, it is likely that PE acquisitions in

[12] However, regardless of country and firm type, valuation is fairly often mentioned as a dealbreaker (Interview 2, 4, 5, 6, 8, 9, 11, 14, 17, 18, 21).

Germany primarily target start-ups, founder-led firms, and firms without family ownership. Still, these contradicting findings raise questions regarding the extent to which PE investors and related M&A activity "may also be seen as a mechanism for spreading financialization in CMEs beyond large, listed firms," in particular regarding family firms (Deeg, 2009, p. 573).

We explore this against the backdrop of shifts in Germany's traditionally bank-based financial system, following regulatory changes in the early 2000s. In 2005, the German Council of Economic Experts (2005, p. 492) noted that "the German financial system was undergoing a fundamental shift toward greater market orientation." This included the deregulation of equity markets to align Germany with liberal financial standards, the implementation of EU transparency directives, expanded market-mediated financing options, consolidation and internationalization of the banking sector, and the increasing prevalence of international financial investors (Jackson and Sorge, 2012). However, core features of Germany's bank-based system, such as the three-pillar banking structure and a preference for internal financing, have remained intact (Detzer *et al.*, 2017; Giovanazzi *et al.*, 2024). Much like in corporate governance, Germany's financial system hybridized, combining traditional bank-based elements with market-based features.

Particularly the rise of financial investors sparked significant controversy (German Council of Economic Experts, 2005, p. 492). Then-Vice Chancellor Franz Müntefering alleged that PE firms "remain anonymous, faceless, descending on companies like swarms of locusts, stripping them bare and moving on" (Bild am Sonntag, 2005). The "locust debate" struck a chord with the German public, reflecting concerns over the perceived threat that global financial capitalism posed to traditional German industry and employment (Bayaz, 2014; Smith, 2017).

The 2007-9 financial crisis and its aftermath further intensified negative sentiments toward global finance, as the collapse of markets validated fears of speculative and short-termist behavior. In the years following the crisis, further financialization was temporarily halted; instead, a comprehensive re-regulation of the global financial system took place, aimed at mitigating the risks of uncontrolled financial integration and preventing future contagion effects (Guttmann, 2014). Reforms focused on enhancing transparency, increasing capital requirements, and improving risk management and macroprudential practices, particularly in the banking sector.

This bank-centered post-crisis re-regulation fostered the growth of the shadow banking sector, with financial activities shifting into less-regulated non-bank institutions. In addition, the 2010s saw unprecedented monetary policies, including low and sometimes negative real interest rates, along with quantitative easing programs initiated by central banks in the US and Europe. These measures injected substantial liquidity into financial markets, prompting investors to seek higher returns in alternative asset classes.

As a result, private capital markets expanded especially in the US but also across Europe (Cera *et al.*, 2024; Palladino and Karlewicz, 2024). By 2023, the amount of global private capital in dry powder surged to a record high of about $3.9 trillion, marking an 11% compound annual growth rate over the previous ten years (PwC, 2024, p. 26). Despite this growth, PE penetration remains relatively low in Germany compared to other European countries. PE investment in Germany accounted for 0.12% of GDP in 2005, compared to 0.85% in the UK (German Council of Economic Experts, 2005, p. 464), rising to 0.27% of GDP by 2023, versus 1.79% in the UK (PwC, 2024, p. 63). As one interviewee explained, business leaders in Germany's SME sector remain cautious toward financial investors (Interview 21):

> "And in the end, the owner decided: Let me do it myself before I pass it on to PE, because the structure was just too daunting for him. Yes, and yes, he's still considering whether to sell it again. But in general, these perceptions of private equity as an investor are still negative in Germany. That is simply the de facto situation."

However, given substantial dry powder, PE firms have further diversified their strategies and fund structures. In line with interview statements, studies among PE fund managers show that PE firms nowadays focus primarily on growth opportunities and buy-and-build strategies (PwC, 2024),

contrasting with the perception of PE firms as locusts in the early 2000s. As one interviewee noted (Interview 21): "I buy an asset, sell everything they have and throw out as much staff as possible in order to generate value somehow – no PE does that anymore." Likely driven by more conservative lending practices, PE funds tend to use less leverage in Europe compared to the US, with almost half of PE deals involving debt-to-equity ratios of 40-49%, and no deals involving more than 60% in 2023 (PwC, 2024). In addition, PE firms have significantly diversified their activities, offering specialized funds tailored to all industries, and targeting small-cap, mid-cap, and large-cap firms (Interviews 2, 8, 21). As one interviewee stated (Interview 8):

> "There have been many issues over the years between private equity and SMEs, where many SMEs have said no, we won't take private equity into our company. And many players have now also focused on this and said that we want to act as a partner in the market specifically for this group of companies and have then developed accordingly."

As PwC (2024, p. 63) notes, Germany "outperforms all other markets globally as the most attractive destination for PE investment over the next five years," in particular due to its "top-quality medium-sized businesses that cannot be found elsewhere" (PwC, 2024, p. 63-4).
These findings resonate with the adoption of PE strategies to position themselves as partners to Mittelstand firms. Although family firms show resistance to M&A, in particular regarding the sell-side, demographic factors are likely to increase PE involvement in Germany's SME sector. As the current generation of family business owners approaches retirement, the need for succession planning grows. While in 2023, 43% of family firms plan succession within the next three years, 42% of those had not yet secured a family successor for their executive roles (Garnitz *et al.*, 2023). With aging leadership and younger generations increasingly pursuing more individualized career paths apart from the family business (Schwartz, 2023), this creates opportunities for PE firms to expand their footprint in Germany.

7. Conclusion

This paper examined the dynamics of M&A in the US and Germany through the VoC framework and internal capitalist diversity, analyzing the interplay between corporate strategies and political-economic institutions. Our findings illuminate both the anticipated contrasts between the LME of the US and the CME of Germany, as well as growing hybridization of Germany's stakeholder-oriented corporate governance.
Most notably, the German SME landscape is predominantly composed of multi-generational family firms that prioritize continuity over exit and have traditionally been resistant to M&A. However, the growing influence of PE firms, deploying diverse strategies and fund structures, coupled with succession challenges in family-owned firms, is likely to reshape the traditional SME model in Germany, resulting in increased M&A activity driven by PE investors.
Future research could explore several key areas. First, the hybrid firm model in Germany, which includes family-owned listed firms and large, privately-held family firms, was not examined due to limited interview data. Given the prevalence and significant contribution of this firm type to Germany's GDP, this segment warrants further investigation. In particular, research could explore the tensions between investor-driven M&A activities and the traditional priorities of family ownership. Interviews with representatives from this segment, or case studies of specific firms, could shed light on whether family governance frameworks prevail or if market-driven, shareholder-oriented pressures increasingly take precedence.
Second, the shift toward private rather than public financing in the US could have substantial implications for governance and accountability at the firm level. Further research could examine how private finance might be reshaping shareholder priorities and agency conflicts in less transparent corporate settings. A more detailed classification of private capital providers in both

countries would offer valuable insights, particularly concerning undisclosed investors whose motives and strategies remain largely unknown.
Finally, longitudinal studies could assess the impact of various value creation strategies on the SME sector, particularly in Germany's CME. Beyond immediate effects on ownership structures, broader implications for Germany's labor relations and corporate governance practices are likely to arise. In any case, the ongoing tension between short-term financial goals and long-term labor protections will remain a central issue as Germany's stakeholder-oriented corporate governance model continues to hybridize within its CME framework.

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Appendix

Table A1. Overview of interview partners.

Interview Number	Country	Entity	Position	Date	Minutes	Format
1	Germany	Consulting Firm	Partner	2024-05-06	37	Phone call
2	Germany	Consulting Firm	Director	2024-05-08	44	Video call
3	US	Investment Firm	Managing Member	2024-05-08	55	Phone call
4	US	Consulting Firm	Consultant	2024-05-10	47	Video call
5	US	Consulting Firm/Firm	Advisor/Vice President, Corporate Development	2024-05-10	31	Video call
6	US	Investment Bank	Vice President	2024-05-15	47	Video call
7	Germany	Consulting Firm	Director	2024-05-17	38	Phone call
8	Germany	Consulting Firm	Senior Partner	2024-05-17	35	Video call
9a	US	Consulting Firm / Firm	Principal/Vice President	2024-05-21	41	Video call
9b				2024-06-11	59	Video call
10	US	Firm	Head of Strategy	2024-05-21	76	Video call
11	US	Firm	CEO	2024-05-22	34	Video call
12	US	Investment Bank	Managing Director	2024-05-23	69	Video call
13	US	Consulting Firm	Consultant	2024-05-24	55	Video call
14	US	Firm	CEO	2024-05-28	68	In person
15	US	Investment Firm	Partner	2024-05-29	28	Video call
16	US	Law Firm	Partner	2024-06-11	47	Video call
17	US	Investment Bank	Managing Director	2024-06-18	71	Video call
18	Germany	Investment Bank	Associate	2024-06-19	42	Phone call
19	US	Consulting Firm	Managing Director	2024-06-19	38	Video call
20	US	Investment Bank	Vice President	2024-06-24	53	Video call
21	Germany	Consulting Firm	Director	2024-06-25	36	Video call
22	Germany	Law Firm	Counsel	2024-06-25	45	Phone call
23	Germany	Consulting Firm	Director	2024-07-02	45	Video call
24	Germany	Firm	Board Member	2024-07-03	67	Video call
25	Germany	Investment Bank	Associate	2024-07-04	35	Video call
26	Germany	Consulting Firm	Senior Manager	2024-07-05	26	Video call
27	US	Consulting Firm	Manager	2024-07-08	40	Video call
28	US	Consulting Firm	Partner	2024-07-08	21	Phone call

Figure A1. Aggregate deal values relative to GDP.

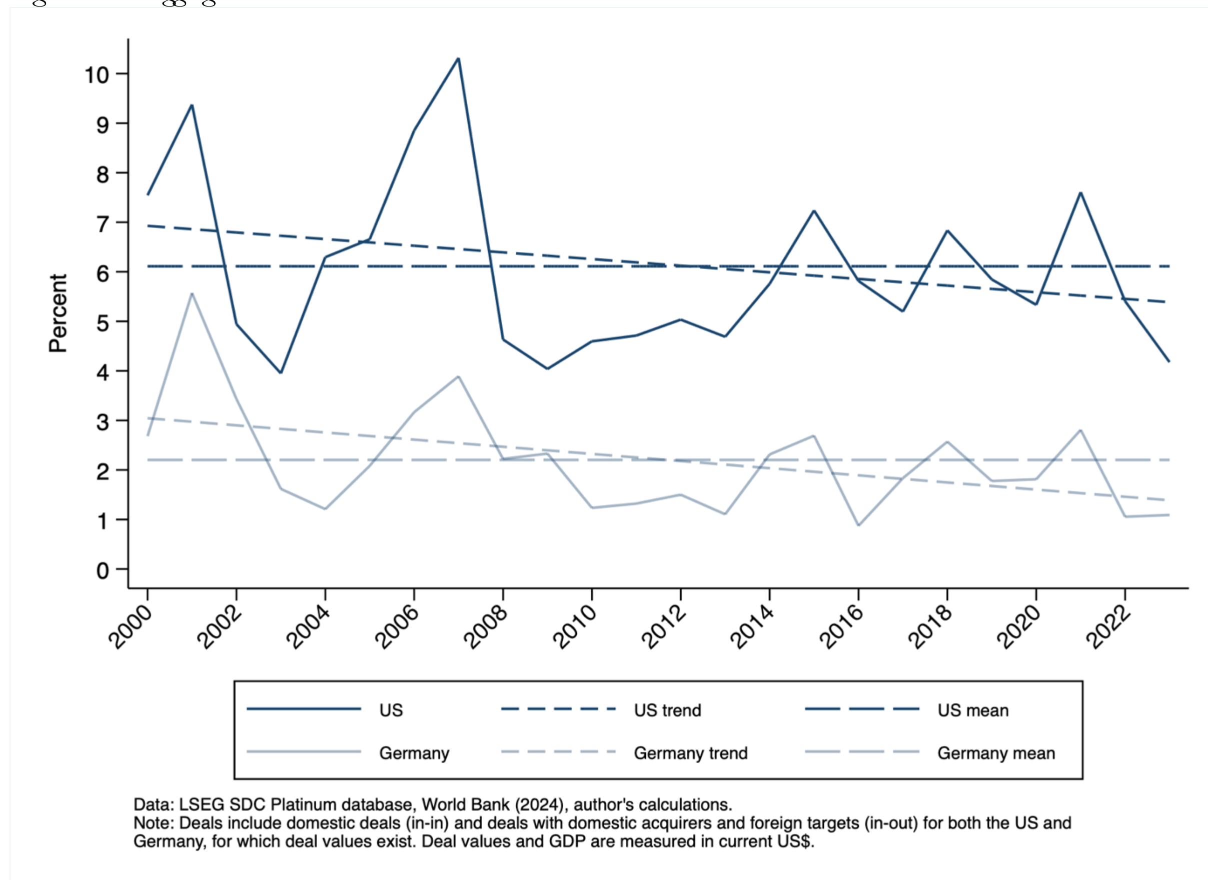

Table A2. Target industry distribution of financial acquirers in inter-industry deals.

Year	**Target industries in inter-industry deals of US financial acquirers**								
	Consumer and Retail	Energy and Power	Government	Healthcare	High Technology	Industrials and Materials	Media and Telco	Real Estate	Total
2000	30.87	2.42	0.38	5.36	18.49	22.83	12.88	6.76	100.00
2001	30.00	3.52	0.14	7.18	19.86	19.58	13.80	5.92	100.00
2002	28.92	3.48	0.13	5.22	19.14	27.71	11.24	4.15	100.00
2003	31.37	5.66	0.00	4.79	15.14	24.84	13.07	5.12	100.00
2004	31.24	5.37	0.09	5.73	14.68	22.11	15.13	5.64	100.00
2005	28.16	4.97	0.08	6.32	13.58	24.28	14.76	7.84	100.00
2006	30.90	5.66	0.15	6.11	14.22	23.53	13.92	5.51	100.00
2007	29.65	5.46	0.00	6.71	13.28	26.10	12.75	6.05	100.00
2008	30.70	5.09	0.00	7.38	16.79	25.53	10.43	4.07	100.00
2009	25.15	7.87	0.24	7.64	16.57	24.68	13.04	4.82	100.00
2010	26.70	7.54	0.09	8.81	17.08	21.62	12.81	5.36	100.00
2011	25.64	6.93	0.10	10.89	15.45	23.27	9.90	7.82	100.00
2012	24.74	6.93	0.00	9.50	14.04	26.28	10.87	7.62	100.00
2013	27.51	6.18	0.09	7.89	11.65	23.21	11.65	11.83	100.00
2014	27.23	6.66	0.07	6.73	15.71	21.09	11.44	11.07	100.00
2015	26.16	6.83	0.15	7.34	13.15	22.97	9.81	13.59	100.00
2016	27.47	6.65	0.00	7.94	13.30	20.17	8.87	15.59	100.00
2017	27.30	6.40	0.32	8.30	14.06	19.32	10.01	14.31	100.00
2018	24.82	6.16	0.07	9.50	16.44	19.71	10.15	13.16	100.00
2019	24.33	5.82	0.21	8.13	17.81	20.83	8.91	13.96	100.00
2020	25.26	6.61	0.28	8.63	17.68	20.88	8.07	12.60	100.00

2021	24.22	4.98	0.55	9.84	18.75	24.28	9.46	7.93	100.00
2022	27.38	5.03	0.47	9.07	16.68	21.06	10.53	9.77	100.00
2023	24.49	6.44	0.38	10.54	17.66	25.40	7.66	7.43	100.00
Total	27.27	5.86	0.18	7.91	15.77	22.81	11.05	9.14	100.00

Year	**Target industries in inter-industry deals of German financial acquirers**								
	Consu-mer and Retail	Energy and Power	Govern-ment	Health-care	High Techno-logy	Indus-trials and Mater-ials	Media and Telco	Real Estate	Total
2000	23.93	0.85	0.00	5.13	27.35	27.35	6.84	8.55	100.00
2001	26.67	2.86	0.00	3.81	16.19	35.24	10.48	4.76	100.00
2002	19.63	3.74	0.00	2.80	17.76	33.64	14.95	7.48	100.00
2003	27.10	1.87	0.00	3.74	17.76	28.04	14.95	6.54	100.00
2004	22.05	2.36	0.00	5.51	13.39	37.01	12.60	7.09	100.00
2005	21.97	8.09	0.00	2.89	9.83	41.04	5.20	10.98	100.00
2006	26.44	1.44	0.00	5.77	9.62	38.46	7.21	11.06	100.00
2007	25.12	2.96	0.00	4.43	11.33	39.90	8.87	7.39	100.00
2008	28.76	5.88	0.00	3.27	9.15	37.25	11.11	4.58	100.00
2009	28.40	5.33	0.00	6.51	10.65	31.36	7.69	10.06	100.00
2010	23.98	9.18	0.00	3.06	8.16	32.65	15.31	7.65	100.00
2011	31.38	9.57	0.00	4.26	8.51	30.85	10.11	5.32	100.00
2012	23.60	7.30	0.00	4.49	11.80	32.58	11.24	8.99	100.00
2013	19.79	16.04	0.00	3.74	7.49	32.09	11.76	9.09	100.00
2014	22.27	10.90	0.00	4.27	9.95	31.28	10.90	10.43	100.00
2015	31.09	8.29	0.52	5.18	15.54	23.83	9.33	6.22	100.00
2016	22.27	8.06	0.47	3.79	14.22	30.81	8.53	11.85	100.00
2017	25.00	8.33	0.00	4.17	12.50	30.09	4.17	15.74	100.00
2018	23.56	10.58	0.48	4.33	11.54	34.13	5.29	10.10	100.00
2019	22.84	8.62	0.00	5.17	12.07	30.60	7.33	13.36	100.00
2020	19.11	8.44	0.00	7.56	10.67	32.44	8.44	13.33	100.00
2021	17.44	7.69	0.00	7.18	9.74	36.92	5.13	15.90	100.00
2022	17.65	9.09	0.00	4.81	17.65	27.81	4.28	18.72	100.00
2023	19.61	12.42	0.65	3.92	19.61	34.64	3.92	5.23	100.00
Total	23.65	7.51	0.09	4.66	12.45	32.90	8.68	10.05	100.00

Table A3. Financial acquirer groupings.

Financial Investor Type	**SDC Platinum: TR Acquirer Industry Description**	**SDC Platinum Acquirer Name contains**
Banks and Insurance	Banks + Credit Institutions + Insurance + Brokerage	–
Asset Management	Asset Management	–
Alternative Financial Investments	Alternative Financial Investments	"capital", "fund", "partners", "private", "equity", "lp", "spv", "venture", "invest", "investments"
Limited Liability Entities	–	"llc", "inc", "corp", "gmbh", "ag", "se", "ltd"
Holdings	–	"group", "holding", "holdings", "hldgs", "beteiligung", "gesellschaft"
Individual Investors	–	Individual names
Undisclosed Investors	–	"investor group", "shareholders", "creditors", "bondholders"
Others	Government Sponsored Enterprises, residual	–

Table A4. Relative financial acquirer activity in total financial inter-industry-deals, per year.

year	US Financial Acquirer Types in Inter-Industry Deals								
	Banks and Insurance	Asset Management	Alternative Financial Investments	Limited Liability Entities	Holdings	Individual Investors	Undisclosed Investors	Others	Total
2000	10.71	3.57	28.19	14.80	5.48	4.08	29.21	3.95	100.00
2001	11.69	2.82	21.69	18.73	5.49	4.08	30.70	4.79	100.00
2002	7.23	3.48	27.31	16.60	7.50	4.82	29.59	3.48	100.00
2003	6.97	3.49	30.94	14.71	5.66	3.70	32.24	2.29	100.00
2004	8.50	5.01	36.26	11.55	6.89	2.24	27.22	2.33	100.00
2005	7.42	6.75	38.45	11.72	5.65	1.18	27.15	1.69	100.00
2006	8.04	4.24	42.67	12.43	4.77	2.61	22.93	2.31	100.00
2007	6.77	4.67	49.97	10.06	4.47	2.30	19.46	2.30	100.00
2008	6.45	5.60	48.43	9.50	5.77	3.05	17.98	3.22	100.00
2009	6.11	4.82	39.01	12.81	5.17	7.17	21.62	3.29	100.00
2010	6.72	4.00	44.32	12.62	4.45	4.63	20.44	2.82	100.00
2011	6.04	4.46	46.53	11.78	5.74	1.68	20.50	3.27	100.00
2012	5.39	3.51	54.45	7.11	4.71	2.05	20.80	1.97	100.00
2013	4.75	4.39	49.46	7.44	4.21	4.03	24.46	1.25	100.00
2014	5.83	4.34	47.64	8.83	4.11	2.17	23.56	3.52	100.00
2015	6.18	5.23	48.98	8.36	4.00	2.69	21.22	3.34	100.00
2016	6.72	5.36	51.57	7.58	3.65	2.93	17.53	4.65	100.00
2017	6.27	5.64	52.31	8.04	2.98	4.37	15.96	4.43	100.00
2018	5.70	4.78	55.27	9.69	4.32	2.16	13.23	4.85	100.00
2019	6.73	7.15	55.47	8.77	2.45	0.98	14.03	4.42	100.00
2020	7.52	6.75	54.35	8.28	3.69	1.67	13.29	4.45	100.00
2021	6.40	4.92	61.02	8.15	2.95	1.04	11.26	4.26	100.00
2022	6.26	7.49	56.70	9.01	3.86	1.29	11.53	3.86	100.00
2023	5.76	6.44	51.78	12.43	5.23	2.88	10.92	4.55	100.00
Total	6.75	5.14	47.66	10.33	4.51	2.69	19.48	3.45	100.00

year	German Financial Acquirer Types in Inter-Industry Deals								
	Banks and Insurance	Asset Manage-ment	Alternative Financial Investments	Limited Liability Entities	Holdings	Individual Investors	Undisclosed Investors	Others	Total
2000	14.53	3.42	17.95	13.68	10.26	0.00	37.61	2.56	100.00
2001	8.57	2.86	11.43	3.81	7.62	1.90	60.00	3.81	100.00
2002	6.54	5.61	14.95	5.61	6.54	11.21	43.93	5.61	100.00
2003	6.54	3.74	10.28	14.95	9.35	7.48	46.73	0.93	100.00
2004	8.66	5.51	12.60	9.45	8.66	7.09	44.88	3.15	100.00
2005	5.78	5.78	18.50	16.76	7.51	5.78	39.31	0.58	100.00
2006	6.73	9.62	24.52	15.38	4.81	4.81	31.73	2.40	100.00
2007	4.43	8.87	29.06	12.32	3.94	7.39	32.51	1.48	100.00
2008	4.58	10.46	24.84	15.69	7.19	8.50	26.80	1.96	100.00
2009	4.14	7.69	15.98	14.79	8.28	11.24	36.69	1.18	100.00
2010	2.04	6.63	17.86	14.80	8.16	13.27	33.16	4.08	100.00
2011	3.19	3.19	20.21	11.17	14.36	12.23	32.45	3.19	100.00
2012	2.81	4.49	24.16	15.17	10.67	7.30	32.58	2.81	100.00
2013	1.60	6.95	20.86	16.04	9.09	7.49	34.22	3.74	100.00
2014	1.42	8.06	31.75	13.27	9.00	5.69	28.44	2.37	100.00
2015	4.66	7.25	36.79	7.77	6.74	6.74	27.46	2.59	100.00
2016	2.37	10.90	30.33	13.27	7.58	8.53	24.64	2.37	100.00
2017	3.24	12.50	32.87	14.81	11.11	7.41	15.74	2.31	100.00
2018	4.81	7.21	38.94	14.42	7.21	6.25	17.79	3.37	100.00
2019	3.02	13.36	29.74	13.36	9.91	5.60	18.97	6.03	100.00

2020	6.67	9.33	37.33	8.89	8.00	4.44	21.33	4.00	100.00
2021	5.13	12.31	43.08	8.21	3.59	4.62	21.54	1.54	100.00
2022	4.28	14.44	38.50	12.30	5.88	3.74	16.58	4.28	100.00
2023	5.23	10.46	41.18	20.92	3.27	3.92	11.76	3.27	100.00
Total	4.66	8.38	27.39	12.97	7.86	6.85	28.97	2.92	100.00

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UNIVERSITÄT DUISBURG ESSEN

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Institute for Socio-Economics
University of Duisburg-Essen

Lotharstr. 65
47057 Duisburg
Germany

uni-due.de/soziooekonomie
wp.ifso@uni-due.de

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