

Things to Consider When Transferring Family Business Ownership

Susan Lanz (Aston University)

Gary Burke (University of Bristol Business School)

Kajsa Haag (Jönköping International Business School, Jönköping University)

Omid Omidvar (Warwick Business School)

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Family business succession involves transferring ownership as well as management. Family circumstances and past events lead to three types of ownership transfers.

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Family is what separates family businesses from all other businesses. This inevitably includes both positive and negative spillovers. The family impacts the family business culture, operations, and strategic direction, and sometimes hampers it with family conflicts and unforeseen family dynamics. Life course events such as marriage, divorce, birth of a child, and retirement are likely to influence the course of a family business when they happen to the owning family. In other words, family life changes can give rise to family business succession. Understanding family effects on business is paramount to understanding family business.

Succession is very important for family business owners since it is the way a business can continue over generations. It involves both ownership and management transfer, which are two separate processes. We found it surprising that research has devoted much less effort to understanding ownership transfers compared to management transfers. The

ownership aspects are sometimes completely neglected or, especially in small firms, assumed to be tied up with the CEO succession. A demographic of aging business owners is making the understanding of wealth transfer extra pressing. Prior studies have estimated that, in the UK alone, £5.5 trillion will be transferred to the next generation by 2047 while an equivalent estimation for the US is \$72.6 trillion transferred by 2045.

To advance knowledge on the processes of ownership transitions within the family, we set out to study its relation to life course changes of family business members.

What We Studied

To connect family life courses, such as coming of age, marriage, divorce, birth of a child, retirement, death, to business ownership transfer processes, we carried out in-depth interviews with 27 family business owners about their life stories, highlighting their lived experience. From that, we investigate how shifts in family life led to different types of intrafamily ownership transfers. To focus on the transfer processes, we selected cases within the same country, the UK, so that they are subject to similar external circumstances and legal framework. To explore and identify variations of the process, we selected family businesses in different sizes, industries and number of generations. The life story interviews were loosely structured and generated 1,223 pages of text for analysis where we interpreted their meaning and identified patterns within and across stories to finally offer our typology of intrafamily ownership transition processes.

What We Found

Drawing on life course theory[1], we found that changing family lives and events lead to three types of ownership transfers: symbolic, protectionist, and rebalancing.

Symbolic ownership transfers seek to build symbolic commitment by transferring minority stakes early as a gesture that signals the next generation's potential future role in the business, even though the ownership stake carries little formal power at the time of transfer, the main objective is to bring family members in. Typical life events associated with symbolic ownership transfer are the birth of children and the entry of children into the business. An example of the symbolic type of transfer is given by Edward, one of our interviewees, who became a shareholder in his family business as a child:

"We have been shareholders for years; we all own 10 per cent. We were given it in the mid-90s, but it was held in Trust, and then when we turned 25, it became our own personal shares, but they are B shares, so they don't give the owner the same rights as A shares."

Protectionist ownership transfers seek to protect ownership rights in connection to when family circumstances change. This is typically a reaction to a more imminent change that aims to lock certain family members into preferred ownership configurations while locking other family members out. Typical life events associated to protectionist ownership transfers include divorce and illness. Our interviewee, Fredrick, gives an example of how they control ownership transfer to protect against unwanted new owners:

"We've a policy that the Board must approve or not approve new shareholders. So, in the event of someone becoming deceased, the Board can say, "No, we're not prepared for those shares to be transferred through inheritance to their descendants." And the company will end up buying them back."

Rebalancing ownership transfers are triggered by a perception of financial or emotional imbalance from the past and provide a way to (re)negotiate the allocation of ownership rights in light of historical roles, contributions and activities. This type of ownership change is commonly used to remedy decisions made by the previous generation that no longer feel justified. Typical life events associated to rebalancing ownership transfers include role changes such as marriage, becoming a parent or the education of next generation. For example, rebalancing ownership transfers can be

used when later generations change beliefs. This happened in one of our cases where women in general had been deemed unfit owners until the fourth-generation brothers decided to transfer shared to their sisters. This transfer type is also commonly used to rebalance distribution of shares in relation to effort and interests. For interviewee Perry, it was a natural development to rebalance ownership among siblings:

"So, then my eldest sister got married, and she decided that she was leaving and didn't participate in the business, so along the way (brother) and I bought my sister's shares out."

Takeaways

From putting ownership transfer processes in focus and acknowledging changing life courses of family members, here are four things for family business owners to consider:

1. **Plan ownership transfers separately from management succession.** Avoid assuming that ownership and leadership must always transfer together. Treat ownership transfer as its own process, shaped by family circumstances, only sometimes coinciding with management transitions.
2. **Let family life events inform ownership planning, and be adaptive.** Life changes, such as retirement, illness, marriage, or children coming of age, often prompt ownership decisions. Recognizing and planning around these shifts helps avoid rushed or reactive transfers, while remaining adaptive to unexpected events.
3. **Use symbolic and protectionist ownership transfers strategically.** Gifting small shareholdings can signal trust and build connections with the next generation, while protective structures (like trusts or share classes) can preserve control and avoid future disputes.
4. **Use rebalancing ownership transfers to adjust ownership distribution to current circumstances.** Taking action to correct past wrongdoings, unintentional developments or changed aspirations can be key to enable both family harmony and family business longevity.
5. **Reflect on family histories and future life plans.** When appropriate, sharing life stories and reflecting on how past experiences and

future aspirations shape ownership expectations can help clarify intentions, surface assumptions, and support more thoughtful ownership decisions.

Conclusion

Transferring ownership successfully within the family is critical for family business longevity. Our study unpacks the ownership transfer process in family firms. We show how changing family life courses lead to three types of ownership transfers within the family: symbolic, protectionist, and rebalancing. We illustrate differences in motives behind the types and provide a more nuanced understanding of intra-family ownership transfer dynamics.

Explore the Research

[Family Lives in Motion: Toward a Life Course Process Theory of Ownership Transfer in Business-Owning Families](https://journals.sagepub.com/doi/10.1177/08944865251361198)
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(<https://journals.sagepub.com/doi/10.1177/08944865251361198>) , Family Business Review, August 2025.

^[1]The pioneering work of sociologist Glen Elder provides a framework for understanding how individuals go through changing family relations, life events, and social, economic and cultural circumstances during the course of their life that, in turn, create opportunities and constraints influencing their life trajectory (learn more in “Handbook of the Life Course” by Mortimer and Shanahan, 2003).