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Selling the Family Business? Prepare the Family for What Comes Next

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A business sale changes more than ownership. Families must also rethink governance, roles, wealth, identity, and purpose after the company is gone.

A family signs the sale of the company it built over three generations. Behind them are months of work: valuation, negotiation, due diligence and, of course, tax planning. Then, the next morning, a different set of questions begins: what is the capital now for, who decides, what remains shared, and what does each person want to do next?

This is a story about what happens when the business leaves the family altogether. That is what makes a family-business sale different from a purely transactional event. Two processes are moving at the same time. One is the transaction: the buyer, the price, the structure, the negotiations and the closing. The other is the family transition: roles, relationships, decision rights, identity, purpose, and capital. They interact, but they do not necessarily begin or end at the same time.

The Governance Gap Between Transaction and Transition

Selling a family business looks like an ending, but it is only half the journey. The company changes hands on a specific date, while the family takes much longer to work through what the capital is for, who decides, who participates, and what each person or branch may do independently. For example, a family that has spent generations running an industrial business does not become a family managing financial wealth overnight. The other half of the journey is what I call family reinvention. This relates to deciding how roles, relationships, purpose, and capital will be organized once the business is no longer the family's common center of gravity.

The governance gap may be particularly relevant in smaller and mid-sized family businesses, where advisory resources are more likely to be focused on the transaction itself. Larger and more institutionalized family enterprises may already have family offices, governance bodies, or dedicated advisers that help cover the family side of the transition, although size alone does not eliminate the issue.

What should a family consider while a possible sale moves from conversation to decision, transaction, and whatever comes next?

The good news is that this journey can be governed. Governing the possibility of a sale is a legitimate, even necessary, domain of good governance, and it should be clearly distinguished from advocating a sale.

A Model for the Journey: 5R × 5P

The model helps identify which conversation needs attention at each point and which dimension of family life is changing. Drawing on my experience in governance and advising business families, I have organized the journey into a model I call 5R × 5P.

Five moments, the 5Rs, describe what the family experiences. Five dimensions, the 5Ps, organize what changes: Purpose (the family's new why), Person (identity beyond the business), Place (the bond, the freedom to remain together, and who keeps a place at the table), Power (decision rules and the new governance), and Patrimony (managing capital with purpose, not just operating a business). Each stage reshapes all five questions. All five dimensions remain present throughout the journey, although some become more prominent at particular stages.

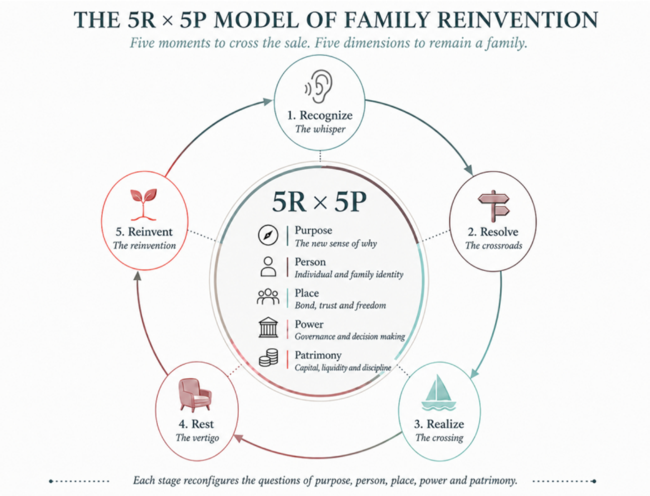

Figure 1. The 5R × 5P model of family reinvention

Recognize, the Whisper

It begins quietly. There may be fatigue, an offer circling, uncertainty about whether there is a successor, and an uncomfortable mix of relief and guilt. The task here is to make it legitimate to talk about a sale without anyone feeling disloyal for raising it.

Making the exit discussable is itself a governance task. In some family businesses, that conversation will sit naturally with a formal board. In others, especially smaller or less institutionalized companies, it may take place among the owners, within a family council or around a much less formal governance structure. The precise mechanism will vary. What matters is creating a regular space in which a possible sale can be discussed before an offer arrives and without turning the conversation itself into a commitment to sell.

One practical way to do that is to revisit three questions periodically: What is the company worth today to a third party? Who are its natural buyers, and do we have a relationship with them? What risk is the family taking by keeping a significant share of its wealth concentrated in the business?

Earlier in my career, in a corporate strategy role reporting to the board, I prepared this type of analysis every year: sector multiples, recent comparable transactions and an updated view of cash flows. It is a useful discipline, but incomplete because it does not capture the strategic value of the company to a specific buyer.

That leads to the second question. Dredge, Madden, Pieper, Smith, and Astrachan (2026) found that the most successful acquirers invested in relationships well before a deal existed. Financial and relational motives reinforced one another. If strong acquirers behave this way, family owners should understand the same landscape from the other side of the table. Understanding the buyer landscape years in advance gives the family more information when the time comes to decide. Relationships can be built long before there is any intention to sell.

The third question is about concentration. A family business may be well diversified across customers, products, and geographies, while the family's wealth remains concentrated in a single illiquid asset. That concentration may be entirely rational, but it is still something the owners should understand alongside liquidity needs and the long-term resilience of family wealth. A sale does not automatically create resilience, but it can create an opportunity for greater financial diversification.

Revisiting those three questions periodically gives the family a stronger basis for any decision that may eventually arise.

Resolve, the Crossroads

This is the point at which a decision must be made, and the risk is mixing three different questions:

- Do we want to sell? This is about desire and it may not be the same for every branch.
- Should we sell? This is about the company's prospects and the family liquidity needs, among other things.
- Who will we be afterward? This is about family.

They need to be addressed separately, and it is worth remembering that the choice is rarely simply sell or do not sell; there are paths in between like selling a minority stake, divestment of one branch, etc.

Also, we need to bear in mind that exits are not always voluntary. Sometimes they are forced by circumstances beyond the owner's control, such as divorce, serious disagreement, or death.

Thinking through the possibility in advance gives the family more time to clarify its objectives, assess alternatives and preserve choice if circumstances

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suddenly make a decision urgent.

Realize, the Crossing

The transaction is now underway and the possibility of turning the operating company into liquid wealth becomes real. At this point, price is only one of the issues the family is dealing with. Relationships, expectations, and future roles are also moving. A dual transition dashboard makes it possible to govern the transaction and the family process in parallel, and to distinguish what must be settled before signing from what can be addressed afterward.

I worked with a first-generation industrial family that I will call Riverton Industrial Group[1]. The entire second generation worked in the business and, with one exception, none had a background in finance or business administration. As the transaction began to take shape, we started working in parallel on the family's strategic plan. That work gave the family a place to address the questions that were beginning to surface around their future, their roles, and what life might look like once the company was no longer at the center.

This is also the stage where ambivalence can become intense. A family may have agreed on the economics of the transaction and still struggle with the meaning of selling something inherited or built over decades. Doubts can sharpen as signing approaches, when the decision suddenly becomes real. M&A colleagues have described deals unraveling even on the eve of signing, even after everything seemed agreed, because unresolved family concerns surfaced at the last moment.

In the Riverton case, the family strategic work gave those concerns a place to surface. Questions around legacy, identity, and the future of the second generation could be discussed alongside the transaction, helping the family work through what was driving the uncertainty. Person, Place, and Power became especially visible during this phase. Family members were working through questions of identity, future roles and how to stay connected while the transaction itself was moving forward.

Rest, the Vertigo

Signing can bring a different kind of uncertainty. Rest means protecting liquidity and options while identity is still in transition. That prudence can be formalized in a Governed Pause Pact, where the family agrees which decisions are urgent, which must wait, who safeguards liquidity, and how exceptions will be handled.

At Riverton, the family created a Transformation Office led by the President, with weekly meetings to follow the transition. One first-generation shareholder chose not to take part and another remained only lightly involved. The work continued with the second generation and the family office team, building the structures they would need to govern a very different form of wealth.

By doing that, the family brought Power and Patrimony to the foreground by building new decision rules around liquid wealth, strengthening governance, and developing capabilities that had not been required while the operating business remained the common asset.

Reinvent, the New Table

The company is gone, but financial and relational capital, capabilities, and values remain and can be deployed in a different way. Reinvention means finding a new reason to sit at the same table without turning unity into obligation.

At Riverton, the process gradually moved into the quality of decisionmaking. Board materials were improved; agendas became more disciplined; and discussions more structured. An Investment Committee was created, and specific learning needs were addressed as they emerged. These included, among others, understanding sunk costs, knowing when to leave a poor investment, and learning how to oversee portfolio companies.

The work was organized as a project rather than an advisory engagement. I set the direction, defined the weekly priorities and kept the work moving, but the family and the family office team did the work themselves. Each week they tested the new arrangements into practice and brought back the difficulties they had encountered. Those Monday meetings became a place to solve problems and disagreements, adjust the model, and build new habits of working together.

That way of working also helped establish an operating model for the family and the family office. They were learning how to relate to one another in very different roles; and how to prepare decisions, challenge them, and follow through. The co-creation therefore became training by doing as well as a way of building the

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governance itself.

Roles emerged gradually over the 24 months in which the family strategic plan was put into practice. As new parts of the plan became operational, people gravitated toward the work that suited them. Some moved toward business development and investment opportunities, while others took responsibility for corporate functions within the family office. The roles were not assigned in advance. They emerged through the work.

In Reinvent, Purpose, Person and Place became more prominent. The family worked on mission, vision and values, clarified what the wealth was for and allowed members of the second generation to find roles that made sense to them as the new structure took shape.

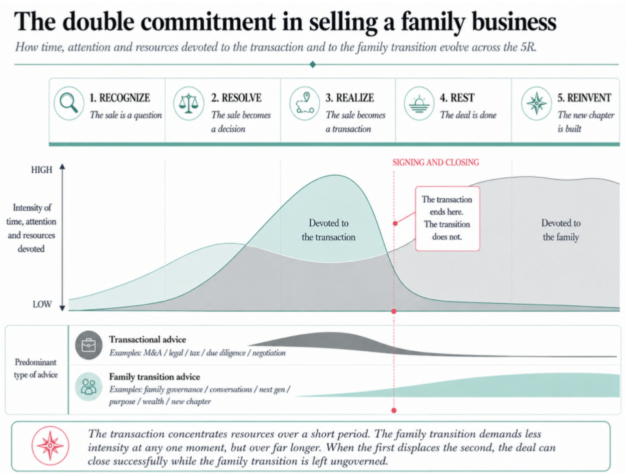

Figure 2. The dual dedication in the sale of the family business

The Overlooked Intersection: Rest × Power

The value of the model lies in the intersections, and one deserves a direct look. While the business existed, power had a form. There might have been a board, an agenda, voting majorities, and a hierarchy that made decisions, however imperfectly. Whether the structure survives depends on what sits underneath it. On paper nothing may change, but the same trustees now face a question the deed was never written for, and the operating company's governance may not be valid for the post-transaction scenario.

In practice, a vacuum may open -- and the problem is that the first major decision arrives sooner than the family expects. Within weeks, someone proposes an investment; one branch asks for liquidity for its own project; a brother-in-law brings an excellent opportunity. And those decisions are made using old habits without the old structure: over a meal, with no minutes, no defined majority, and no one able to say no without breaking something.

That vacuum will probably not stay empty. It may be filled by whoever has the strongest personality, the most time, or the greatest need to feel useful, which rarely coincides with whoever has the most legitimacy. That is why the pause after signing is the moment to write down who decides what, over how much money, by what majority, and under what procedure for exceptions. Agreeing the rules early is usually easier than trying to define them in the middle of the first disagreement.

From Reinvention to a Roadmap

Reinvention does not mean replacing a business with a family office, an investment portfolio or a new venture. That is like buying furniture before you know where to put it.

A Family Reinvention Roadmap can help turn the questions emerging at this stage into concrete decisions: What do we want to do together; what do we not need to share; what freedom does each person or branch retain; how does the next generation participate; what principles will guide the use of capital; and when will we revisit whether the shared project still makes sense? The result is a Strategic Agenda that prepares and structures the eventual development of a full family strategic plan without replacing it.

The Day After Starts Before Signing

The day after needs to be prepared long before the transaction is signed. While negotiations are underway, the family still has the ability to put in order what really matters: what happens to employees and the brand; what role each family member will have; how the wealth will be governed provisionally; what should be decided now and what can wait. What is not addressed while the family still owns the business is usually harder to recover afterward.

A family that anticipates the day after not only safeguards its wealth; it also preserves its ability to choose how it wants to remain a family once the lights go out.

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Five Questions for the Family, One for Each Stage

Recognize: Are we opening the conversation before we need to sell, and listening to what is still being left unsaid?

Resolve: Have we separated desire, need and the future project before comparing offers?

Realize: Who governs the family conversation while the advisers govern the transaction?

Rest: Which decisions are we committing not to make, who safeguards liquidity, and for how long?

Reinvent: What would we do together if no one were required to do it?

One Size Does Not Fit All

Families travel this journey differently. Some sell with little formal preparation and move on without major difficulty. In others, the process brings tensions that had remained below the surface into the open during years.

So why does it make sense to go through this journey with professional support, using a method and a process?

As a non-executive director, I believe irreversible processes and decisions that cannot be undone require not only a good outcome, which sometimes depends on luck or timing, but also quality in the process that led to that outcome. That is how the work of any board is judged, and I see no reason why it should be different for a family business facing the most consequential decision it may ever make.

Conflicts may also surface. What the method does is decide when, where, and with which tools we address them, reducing the emotional burden they carry into the room.

Finally, the family should not be both judge and party in its own process. An objective, professional facilitator does not replace the family in the decision but helps create a discussion in which every voice is heard, not only the loudest one.

Two Questions to Conclude

What the business is worth is a question the market can help answer. Who the family will be without it is not. That question belongs to family governance, and it is better asked before a buyer is waiting for an answer.

A family that sells is managing a farewell and, if it gets it right, a beginning. What it cannot afford is to wake up the morning after signing and discover that it prepared the price rigorously but not the life that comes next.

[1] The name is fictitious and identifying details have been altered to preserve confidentiality.

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