DON’T SELL THE FAMILY BUSINESS

By Sune Højgaard Sørensen

“Therefore, when we build, let us think that we build for ever. Let it not be for present delight, nor for present use alone... the greatest glory of a building is not in its stones, or in its gold. Its glory is in its Age.” — John Ruskin

Business, like architecture, reveals its true value only over time. Across cycles and geographies, family-run public companies have quietly outperformed their non-family peers by several hundred basis points a year. They generate stronger cash flows, sustain higher margins, and operate with less leverage. These outcomes are not the result of superior forecasting or bolder risk-taking. They emerge from habits that compound slowly: conservative balance sheets, patient reinvestment, disciplined cost control, and an orientation toward durability rather than quarterly performance.

Family ownership does not guarantee excellence, but it does something more valuable. It embeds a time horizon into decision-making. When ownership is stable, incentives shift. Capital is treated as something to be stewarded rather than optimized for exit, and operating choices are evaluated not only by what they deliver this year, but by what they make possible over the next decade.

That difference becomes decisive when families consider whether to sell. A transaction fixes a price, but it also interrupts a process. What is sold is not just a cash-flow stream, but an operating system built from accumulated know-how, trust, local legitimacy, and culture—assets that tend to deepen when reinvested and thin when monetized. Liquidity creates flexibility, but it does not carry memory, relationships, or an edge that can be redeployed elsewhere at will.

RESILIENCE IS REVEALED UNDER PRESSURE

The character of ownership reveals itself most clearly when conditions deteriorate.

During periods of stress, family firms tend to behave differently. Evidence from the Global Financial Crisis shows that family-controlled companies recovered faster in

both profitability and valuation. The pattern is consistent across regions and sectors. Balance sheets were less stretched. Decisions were made without prolonged internal negotiation. Relationships with employees, suppliers, and lenders proved more durable than contract terms alone would suggest.

What appears as resilience is rarely accidental; it is the outcome of careful, long-term preparation. Research on long-lived firms, including the work of the Hénokiens, shows that endurance follows a consistent set of practices. Companies that last learn to balance tradition and innovation, holding each in productive tension. They professionalize early, clearly separating ownership from management while maintaining accountability. Succession is treated as an ongoing process rather than a ceremonial event. And loyalty is cultivated deliberately, with trust recognized not as a soft asset but as a form of operating leverage when challenges arise.

The result is an organization that can absorb shocks without losing coherence. Identity is preserved even as tactics change, allowing the business to remain flexible without becoming unmoored.

WHY SELLING OFTEN DISAPPOINTS

The disappointment many families experience after selling is less about price than about what changes once the business is gone.

Inside an operating company, wealth compounds through information, relationships, and repeated decision-making within a domain the family understands intimately. After a sale, that process is replaced by allocation. Capital must be redeployed into markets where the family's advantages are thinner and competition is more efficient. Taxes and fees are only the visible costs; the larger loss is the disappearance of context.

What cannot be itemized on a term sheet is often what mattered most. Families do not simply own assets. They steward institutions—networks of people, suppliers, customers, and communities bound together by reputation and shared history. When the enterprise is sold, that system is usually dismantled. Over time, the family's shared purpose weakens, and with it the informal education that comes from building something together. Heirs learn to manage portfolios rather than enterprises, and consumption replaces construction as the primary expression of wealth.

There is also a practical risk that selling concentrates rather than reduces exposure. Exits tend to occur near market peaks, and post-sale capital is often pushed toward financial structures that rely on leverage and timing. In many cases, families find themselves retained in businesses they once controlled, operating under diluted authority and misaligned incentives. Over long horizons, patient compounding inside a defensible operating business has frequently proven more

reliable than becoming a price taker in capital markets designed to extract fees at scale.

REINVENTION AS A DISCIPLINE

The companies that endure rarely treat reinvention as a response to crisis. For them, change is not episodic. It is a habit, embedded in how decisions are made long before they become urgent.

Family businesses are often assumed to be less innovative because they spend less on formal research and development than their publicly traded peers. The data suggests a different story. Across industries and geographies, family-owned firms tend to convert fewer innovation inputs into more usable outputs. They spend less, yet produce more commercially viable products, processes, and intellectual property.

The difference lies less in creativity than in selection. Family ownership alters how ideas move through an organization. With a larger share of family wealth tied directly to the enterprise and less reliance on leverage, experimentation is constrained by consequence. Poor ideas are abandoned earlier. Marginal projects rarely linger. Fewer initiatives survive, but those that do are supported long enough to matter.

Time deepens this advantage. Long tenures create dense, company-specific knowledge, often concentrated at senior levels. Decisions are informed by memory rather than theory. Teams understand not only what failed in the past, but why it failed, and under what conditions similar efforts might succeed now. Relationships measured in decades lower the cost of coordination and increase the speed at which ideas move from concept to execution.

Social capital compounds the effect. Many family enterprises operate within tightly woven networks of suppliers, customers, and partners built over generations. Trust reduces friction. Feedback arrives earlier and with greater candor. New initiatives face fewer renegotiations because the parties involved already understand one another's incentives and limits. This is why R&D spending alone is a blunt measure of innovation. Most initiatives do not fail at ideation; they fail during incubation and scaling. Family firms may generate fewer ideas, but they are often better at identifying which ones deserve patience.

The pattern becomes clearer across generations. Founder-led companies frequently overspend on innovation without the organizational or relational infrastructure required to absorb it. Later-generation leadership tends to be more efficient, not because it is more cautious, but because the enterprise has learned how to change without destabilizing itself.

Reinvention, in this context, is not about spending more. It is about sustaining the

conditions under which learning accumulates: long horizons, stable leadership, trusted networks, and capital that is patient but not permissive.

A visible European example is LVMH. The group describes itself as family-run and frames growth around the long-term development of its maisons, each anchored in a distinct identity and craft tradition. Control is maintained through a stable holding structure, with the Arnault family holding roughly 48 percent of the capital and a larger share of voting rights. Succession is treated as an operating reality rather than a symbolic exercise, with multiple next-generation family members holding senior responsibilities across divisions. The lesson is structural: long-horizon ownership can preserve identity, fund renewal, and professionalize continuity without relinquishing control.

WHERE THE FAMILY OFFICE BECOMES MATERIAL

For families that choose to hold, the family office is no longer peripheral.

At its best, it acts as a buffer between ownership and extraction. It protects the operating company from being hollowed out by dividend pressure while ensuring capital is available for bounded experimentation. It aligns owners around acceptable forms of risk and clarifies which risks threaten the enterprise itself.

More subtly, it prevents a recurring mistake. Families sell the business in order to buy innovation elsewhere, only to discover that innovation does not travel well. It depends on context, relationships, and accumulated understanding. Once the operating company is gone, the conditions that made reinvention possible tend to disappear with it.

When holding is the strategy, the family office becomes the system that makes that strategy durable. It keeps ownership coherent as the business evolves and prepares the next generation to assume responsibility rather than inherit abstraction.

It also holds the story. Wealth without a shared narrative tends to fragment over time. Families that endure are explicit about what they are building, who it is for, and how they behave under pressure. They repeat the same core story across different eras, allowing tactics to change without eroding identity. That narrative attracts talent, reinforces value creation, and provides orientation when trade-offs become unavoidable. When values are left undefined, capital fills the vacuum.

WHEN SELLING IS THE RIGHT CHOICE

There are moments when stewardship points toward exit rather than continuity.

Sometimes family values diverge beyond repair. Sometimes industries evolve in ways that exceed the family’s capital, culture, or patience. Sometimes divesting a

non-core asset creates the conditions for a more coherent future elsewhere.

Even then, the decision is rarely absolute. Minority partnerships, partial sales, and carve-outs often address structural constraints without forfeiting learning, control, or optionality. The relevant question is not whether selling is possible, but whether it leaves the family better positioned than continued ownership would.

At some point, a younger family member may ask why the business was kept. A credible answer does not rely on nostalgia or fear of change. It sounds more like this:

This allowed us to do useful work in the world, responsibly and profitably. We kept it because we believed we could continue earning the right to own it. Our responsibility was not to preserve legacy or chase shiny trends, but to take the next turn of the flywheel—to hold on to what mattered, let go of what did not, and ensure that the people who depended on us were better off because we stayed.

A PRACTICAL PATH FOR HOLDING AND EVOLVING

Choosing to hold requires more than conviction—it requires artful design.

Start with an owner strategy reset.
Two focused offsites are often sufficient to restate purpose, define boundaries, and agree on a five-year agenda the family can live with. The outcome is an owner strategy charter that can be returned to when external pressure or internal disagreement rises.

Governance deserves equal seriousness.
Roles must be explicit. Decision rights must be clear. The operating rhythm should protect the family's mission while allowing the enterprise to adapt. This is where blind spots surface, including the need for independent directors, stronger committees, or capabilities that do not yet exist around the table.

Adopt a clear dividend policy.
Compensation and incentives are most effective when aligned with long-term value creation, measured through returns on invested capital, defined innovation milestones, and a small number of indicators tied to the next phase of the business.

Integrate reinvention into your strategy.
A venture or adjacency council with defined funding and pre-agreed termination criteria allows experimentation without destabilization. A limited number of bounded initiatives, ideally involving the next generation, ensures that learning and stewardship develop together.

Succession should be treated as a designed process.
Skills maps for family and non-family leadership clarify expectations. Apprentice roles and a shadow board allow capability to be tested before authority is transferred. Emergency succession plans reduce the risk of improvisation under stress.

Formalize the loyalty systems that make resilience real.
Long-tenure recognition, gain-sharing where appropriate, and structured partnerships across employees, suppliers, and communities are not symbolic gestures; they are operational safeguards when conditions tighten.

Finally, pressure test the enterprise.
Concentration risks deserve attention. Downside scenarios should be rehearsed. A simple playbook outlining decision rights and levers during a significant revenue decline forces clarity before it is needed. Risks are easier to manage when they are identified early rather than explained after the fact.

A BESPOKE FAMILY OFFICE FOR BUILDERS

When a family office is designed well, you have clarity and sovereignty over what you have built. Capital and the enterprise become living extensions of who you are and what you care about, rather than sources of fragmentation.

That coherence has become harder to maintain. Complexity has (unnecessarily) increased in our industry, and generational transitions demand more than precedent. The old division—where the business governed itself and the family office managed life around it—no longer holds. Families must operate as owners, not merely beneficiaries.

In response, we structure the family office not as an administrative function, but as a disciplined ownership platform. It resembles a general partner overseeing a concentrated holding, with the operating business treated as the central asset and coherence as the objective. Durable outcomes emerge from thoughtful design and coordinated expertise—putting the right people around the table, working from a shared picture, in service of a common intent.

This is how we engage.

We begin with ideas, tracking the forces reshaping markets, policy, and capital before they become unavoidable. Blind spots create leakage.

We enable sovereignty, building strategy around the family’s vision so that control and freedom of action are preserved.

And we act as a village. You may be in the arena, but enduring outcomes depend on

coordinated expertise, trusted advisors, and long-standing relationships that allow the enterprise to function as a true extension of your values.

If there is a starting point, it is a conversation that pressure-tests the path ahead. Because, as Ruskin reminds us, the work that endures is built not for the moment, but for those who come after.

It is always time to build.

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