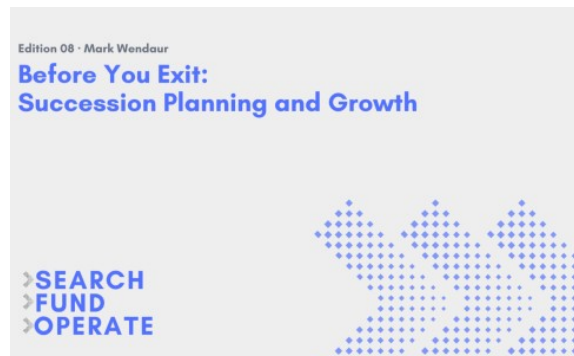


Before You Exit: Navigating Succession Planning and Growth in Privately Held Companies

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The Third Annual Private Business Owner Survey by Brown Brothers Harriman (BBH) is out, and it provides a revealing and timely look into the mindset, priorities, and risks facing today's private business owners. We're all aware of it by now - the largest cohort of founders and business owners are reaching retirement age. The survey from BBH and findings in the report shed light on the intersection of personal planning and corporate continuity.

For business owners, investors, advisors, and those preparing to take the reins, this report offers not just data, but direction. Succession and sustainable growth are clearly interconnected based on the information collected.

The BBH report also underscores the importance of understanding the broader exit landscape. In addition to estate planning, it should be considered how search funds, independent sponsors, and family office buyers fit in. As deal volume rises and ownership transitions accelerate, sellers must weigh the nature of their successors just as carefully as the valuation terms.

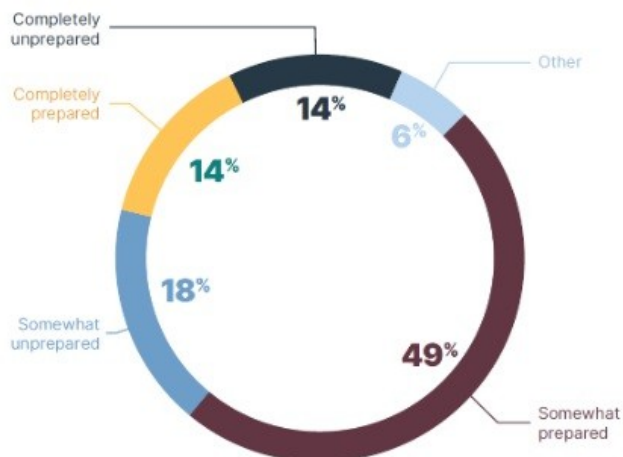
Succession: More Talked About, Still Under-Planned

Although 62% of business owners express a desire to pass their business to the next generation, only 23% have taken concrete steps to implement a formal succession plan with key executives. An alarming 30% have no succession plan at all, despite the majority having been in business for decades. The balance (~46%) have some form of succession plan in progress.

Key barriers to succession planning were reported to include:

- Emotional reluctance to step away (28%)
- Uncertainty over the right successor (41%)
- Complex family dynamics (46%)

The business owner's perception of the successor's preparedness is also likely an issue, where the overwhelming majority reported that the successor is not yet fully prepared.



Source: Brown Brothers Harriman, Third Annual Private Business Owner Survey (2025)

Business owners hope that informal conversations will serve as a roadmap, but the reality is far less forgiving. Without clear documentation and defined leadership roles, businesses face confusion, instability, and risk of value erosion during a transition. Succession isn't a one-time event - it's a process requiring candid conversations, objective planning, and consistent follow-through.

This is where search funds and independent sponsors can play a unique role. These buyers, often backed by seasoned investors or family offices, are well-positioned to acquire and operate businesses where no natural successor exists. Their appeal lies in their hands-on involvement, long-term view, and ability to step into the role of owner-operator while respecting the legacy of the founder.



Source: Brown Brothers Harriman, Third Annual Private Business Owner Survey (2025)

This also ties into the critical question of estate planning. The BBH report found that of the 70% of business owners with an estate plan, 76% will be using a trust.



Source: Brown Brothers Harriman, Third Annual Private Business Owner Survey (2025)

Growing and Sustaining: A Top Priority with Diverging Paths

A strong growth mindset persists among private business owners. 78% of respondents prefer reinvestment and long-term growth over extracting profits or maintaining full ownership. However, this growth focus can lead to diverging opinions within ownership groups, especially when generational views or risk tolerances differ.

The survey revealed that while 59% of owners believe their leadership teams are very well aligned on business strategy, 32% admitted to only moderate alignment. That misalignment can be costly—it often leads to stalled initiatives, delayed decision-making, and increased friction over strategic direction.

To support growth, owners are considering various funding strategies:

- 69% plan to use traditional bank financing
- 30% are open to family office partnerships
- 20% are exploring private equity as a source of growth capital

Still, the most commonly cited barrier to external capital is loss of control. Many owners fear that selling equity or bringing in new stakeholders may compromise their values, culture, or influence. However, those who thoughtfully structure outside capital arrangements may find they unlock opportunities that far exceed the costs.

31%

cite control concerns as the single biggest barrier to accessing growth capital – indicating they are not willing to give up the equity required to access capital

24%

see market conditions as the biggest barrier

It's worth noting that the search fund (ETA) and independent sponsor space is seeing a sharp uptick in activity, with many of these buyers receiving funding from family offices and specialty investors. Many of these groups offer capital and continuity without the pressures of a traditional private equity exit cycle. Some family offices are combining direct investment strategies with multi-generational wealth management, leading them to become increasingly active in small and mid-market acquisitions.

The Legacy Lens: Transcending the Exit

Succession is not simply about exiting the business or passing on shares. It's about defining and preserving a legacy that goes beyond spreadsheets and valuations. Owners in the BBH survey expressed deep commitments to continuity. They desire to see family harmony, company culture, employee loyalty, and community impact. These “soft” values often matter just as much as legal or tax considerations.

To preserve legacy and sustain the business beyond the current generation, owners must:

- Foster regular dialogue with heirs and management teams
- Evaluate successor readiness across leadership roles
- Introduce outside advisors who offer perspective and neutrality
- Reassess governance frameworks to support long-term strategy
- Document as much as possible

Moreover, it's vital to build structures that allow next-generation leaders to grow into their roles while being mentored by the outgoing generation. Done well, this approach creates both continuity and momentum.

Preparing the Business, Not Just the Owner: Legal Review

Succession planning is as much about preparing the business as it is about preparing the people. Even the most well-intentioned plan will falter if the company's infrastructure, processes, or governance can't support new leadership.

Important readiness steps include:

- Reviewing key contracts for assignability or change-of-control clauses
- Establishing clear reporting systems and operational playbooks
- Addressing concentration risks (customer, supplier, key employee)
- Implementing equity compensation or retention plans for critical staff

Transition planning should include a full enterprise audit of both legal and operational functions of the business to ensure the next owner or leader inherits a stable foundation.

This level of diligence is especially critical in independent sponsor or search fund transactions. Buyers in these transactions often inherit businesses with informal structures or legacy systems that require immediate modernization. Business owners planning an exit should prepare for this scrutiny and invest in proactive documentation and governance to avoid valuation discounts or deal delays. This will also help the business command a higher valuation.

Final Thoughts

Whether your long-term vision includes a family transition, a management buyout, or a strategic sale to a search funder or family office, the path forward must be deliberate. Integrating succession with growth planning is key to protecting enterprise value and maintaining continuity. Planning early provides more flexibility, more stakeholder buy-in, and ultimately, a smoother transfer of both ownership and leadership.

The BBH survey reveals a growing awareness of these issues, but this awareness must also be followed by action. Fortunately, a wide range of advisors, tools, and capital partners are now supporting business owners through these pivotal moments.

Read the full BBH report here: [BBH Thid Annual Business Owner Survey](#)