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Private Wealth Management

Managing Family Dynamics Within Business Ownership



For family-owned businesses, preparing for the future means balancing the needs of the company with the expectations, interests, and goals of the family members behind them. Thoughtful planning can help prepare owners for what comes next.

Managing Family Dynamics Within Business Ownership

For family-owned businesses, planning for the future requires looking beyond operations and balance sheets to the family members who own, lead, depend on, or may one day inherit the company.

As ownership expands across generations, the path forward can become more complex. Family members may have distinct priorities, expectations, and levels of involvement in the business, all of which can shape how choices are made and what the family ultimately wants for the company. Preparing the family can be just as important as preparing the business.

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There is no single model for how a family business should operate. The right approach depends on the company, family, ownership structure, and long-term goals.

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Estimated annual revenue generated by family businesses globally, representing approximately 19% of global business revenue.[1]

What distinguishes a family business is the connection between the family and the company. Business decisions can have personal implications, while relationships among family members can influence how those decisions are made.

Those dynamics often become more complex as additional generations become involved. A business once led by a founder or small group of relatives may eventually include a much broader group of family members with varying degrees of involvement and relationships to the company.

Being part of the same family does not mean everyone occupies the same role. There may be active and passive owners, family employees and family shareholders, board members, spouses, and in-laws. Each may have a different perspective on the business, even if they share the same responsibilities or authority.

Priorities can differ, too. Founders may be focused on continued growth and maintaining control, while rising generations may place greater emphasis on diversification, liquidity, or new strategic directions. Recognizing those differences can help families understand where interests align—and where more discussion may be needed.

Decisions That Shape the Future

Every family business eventually faces questions about its future. Some center on succession: Who should lead the business? Should ownership and management remain together? Is the next generation interested in taking on a leadership role?

Succession remains a particular challenge—63% of family business leaders identify it as a high or very high organizational risk. While 85% of survey respondents recognize succession planning as essential to long-term success, 57% have established a plan, and only 23% are actively implementing one.[2]

But succession planning involves more than identifying the next leader. Families may also need to consider what would happen if an owner or key decision-maker were suddenly unable to continue in their role. Do the appropriate family members understand how the business is owned and structured? Do they know where important documents are located, and which attorneys, accountants, wealth advisors, or other professionals to contact? And are roles and decision-making responsibilities clear enough for the business to continue operating through a transition?

Without that preparation, family members may find themselves making consequential decisions while simultaneously trying to understand the business, its finances, and their own responsibilities. That uncertainty can compound an already difficult transition, contribute to family disagreements, and potentially disrupt the continuity of the business.

1 Deloitte. *The family business insight series.*
2 Deloitte. *Deloitte Private: Survey Reveals Family Businesses are Facing a 'Succession Paradox.'*

The implications can also extend beyond the company. A change in ownership or a major transaction can affect liquidity, taxes, estate planning, and long-term wealth management. Considering those implications alongside the business' needs can give families a fuller picture of the choices before them.

Other questions may concern the family's broader relationship with the business. When is outside capital the right choice? How should family members who are not active in the company be treated? Is keeping the business always the right outcome? And if the family considers a sale, what would a successful exit look like?

Governance Creates Continuity

As a family business grows and ownership expands, informal decision-making may no longer be sufficient. Family governance can provide a framework for establishing expectations before difficult questions arise, but formal governance practices are far from universal. Among family businesses surveyed, only 50% had a shareholders' agreement and 30% had a family constitution, which is a document that outlines a family's shared mission, core values, and rules for managing money and business.[3]

The appropriate structure will look different for every family. It may involve clarifying roles, responsibilities, and decision-making authority; establishing regular family meetings; or adopting more formal structures, such as shareholder agreements or family councils.

The goal is not to eliminate disagreement. Rather, governance can create a consistent process for communication and reaching important decisions, particularly as leadership and ownership move from one generation to the next.

Wealth advisors can also play a role in these conversations, helping families consider how governance and ownership intersect with individual financial goals, estate plans, and the family's broader wealth strategy.

Preparing the Next Generation

Preparing heirs to own a family business differs from preparing them to lead one.

Future owners may benefit from financial education, an understanding of the family's ownership structure, and exposure to estate and wealth planning. Those who may eventually lead the company will likely need additional experience, including operating experience and leadership development.

Interest in leadership does not necessarily mean readiness. Sixty-one percent of family businesses report that at least one family member is interested in the CEO role. At the same time, only 23% believe the identified family successor is ready for the role today.[4]

For some families, the next generation may participate as owners rather than executives. Early conversations about individual interests, capabilities, and expectations can help families determine the roles family members are best positioned to play and whether leadership should remain within the family.

Over time, exposure to the business can help future owners and leaders better understand its history, finances, and strategic priorities. Just as important are conversations about the family's values and vision for the company.

Starting well before a transition is underway gives family members time to develop the knowledge and experience their future roles may require, while giving the family greater clarity about what future ownership and leadership could look like.

3 PwC. *Navigating slower growth amid opportunity and change: US Family Business Survey 2025.*
4 Deloitte. *Preparing the table: Laying the groundwork for a smooth succession process.*

Managing Family Dynamics Within Business Ownership (continued)

Major Business Transitions Require Family Alignment

A major business transition can bring many of these issues to the surface at once.

Whether a family is considering a leadership change, ownership transfer, outside investment, or sale, individual family members may have different goals for both the business and their wealth. Identifying those priorities can help the family evaluate not only what makes sense for the company, but what various outcomes could mean for the people behind it.

Major transitions can also require coordination across legal, tax, investment, and estate planning. Bringing those perspectives together can help families understand the broader implications before moving forward.

For families navigating a significant change, a wealth advisor can help connect these considerations and keep individual financial goals in view alongside business decisions.

CASE STUDY

A family-owned business is preparing for a potential sale. The founder may be ready to step away, while some members of the next generation want to remain involved, and others prefer liquidity.

Before moving forward, the family works with its advisors to clarify individual priorities and consider how transaction structures could best support each family member's goals and future involvement. This planning " 1 0 1 5 " 0 " 0 1 1 " -) + 0 + !) , + $ 1 " / * Addressing those questions early can help the family approach the transaction with a clearer understanding of what a successful outcome means for everyone involved.

Looking Beyond the Business

The success of a family business depends on more than operational planning or financial strategy. Families should also consider how they work together, what they expect from one another, and how future generations will participate.

Families that invest in communication, clearly define expectations, and thoughtfully prepare future owners and leaders may be better positioned to navigate change while preserving both business value and family relationships.



November 2026

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