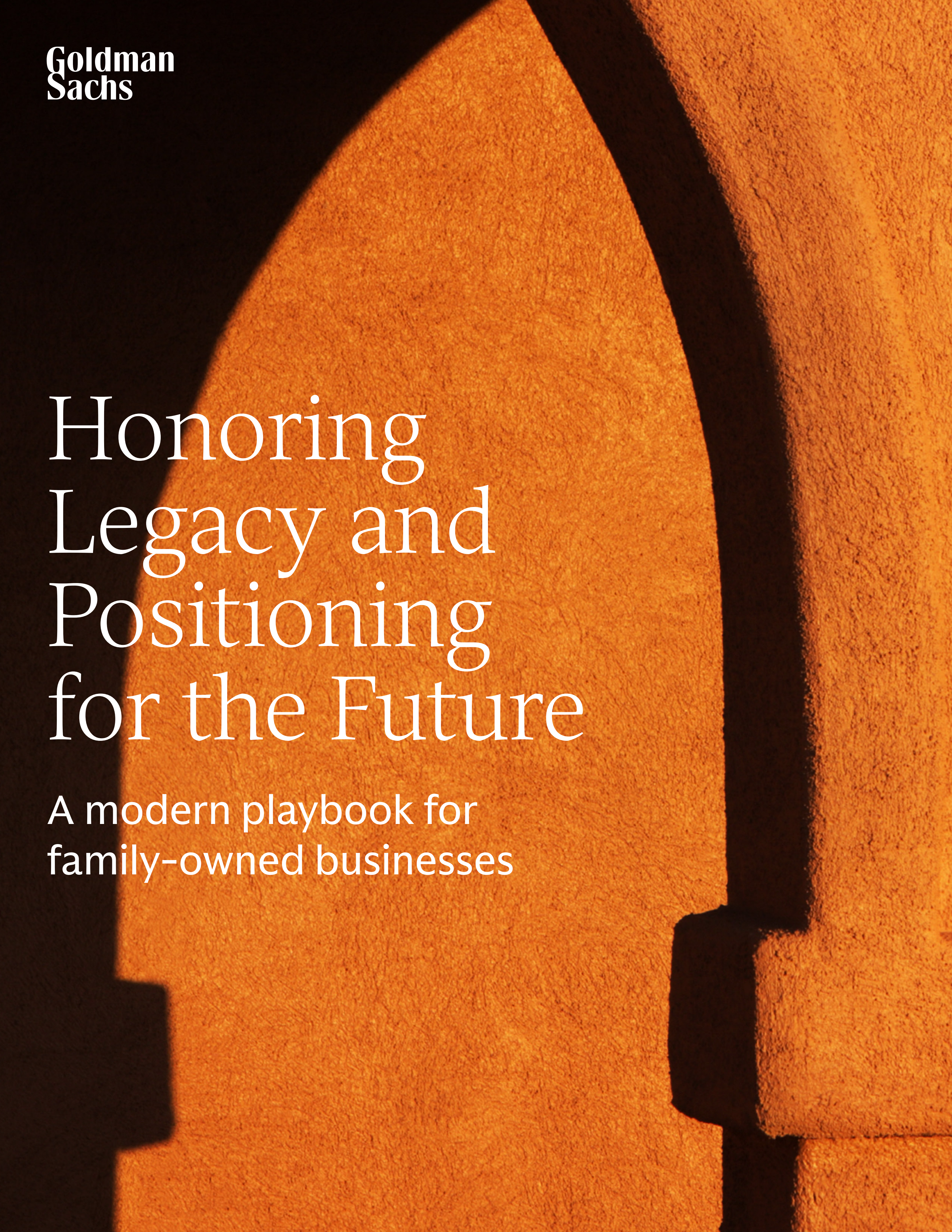


Goldman Sachs

Honoring Legacy and Positioning for the Future

A modern playbook for family-owned businesses

Entrepreneurship is the backbone of the global economy, with many of today's most iconic companies formed from once-modest ideas fueled by vision, ambition, and innovation.

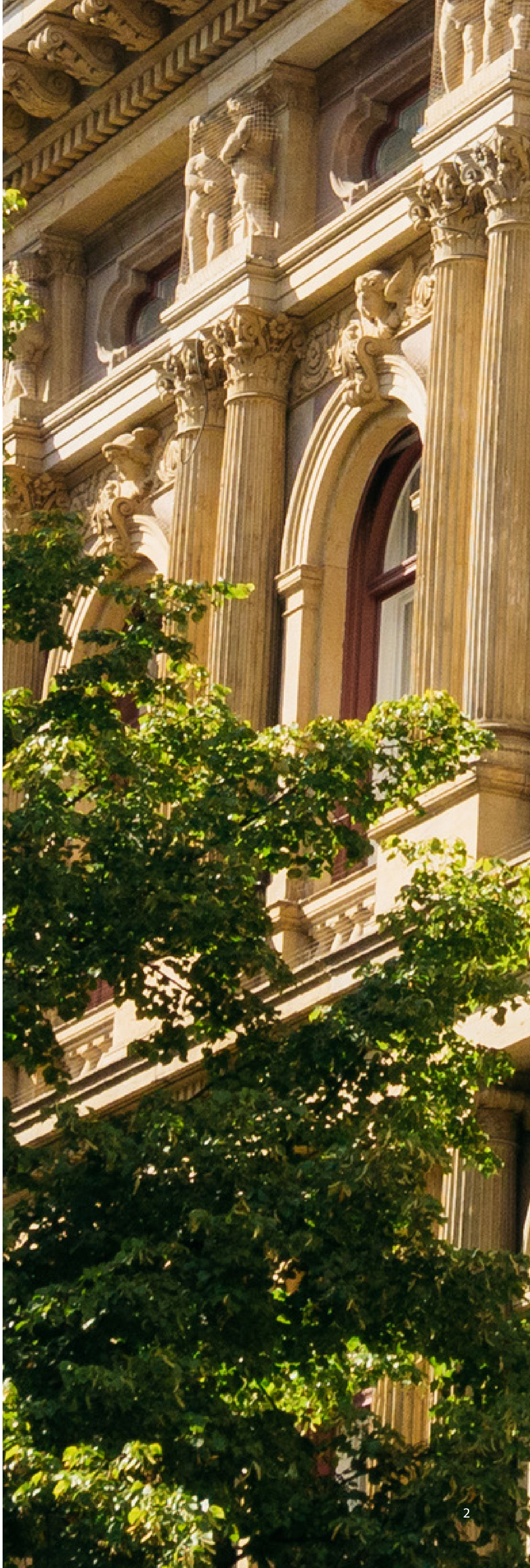
Over time, these entrepreneurial roots have matured into long-standing family-owned businesses across the globe that set standards for excellence and leadership in their respective industries. Today, companies that operate with at least 20% of family-owned capital share or voting rights collectively account for 70% of global GDP and 60% of employment. These enterprises are also uniquely positioned to take a long view—often more risk-averse and financially conservative, yet strategically incented to reposition over time to stay relevant.[1, 2]

According to a McKinsey survey of 1,200 family-owned businesses, the largest among them—with revenues between $5 billion and $100 billion—deliver operating margins 1.5 percentage points higher than non-family-owned businesses.[3] But maintaining both concentrated ownership and enduring commercial success is not an easy road: Historically, only ~30% of family-owned businesses successfully transition to the second generation, and only 12% into the third—driven by deliberate decisions by the family founder or unforeseen business- or family-related circumstances, or both.[4]

As family enterprises embrace new markets, new technologies, and new leadership, they are doing so amid an innovation supercycle and a capital markets environment undergoing unprecedented change—requiring thoughtful planning and realistic decision-making.

At Goldman Sachs, we work closely with founder-led and family-owned businesses over long-term periods as they navigate changes in markets and circumstances. Our dedicated team convenes founders and family business owners in private gatherings around the world to foster dialogue and share experiences in running and managing a family-owned business. While each founder's and family's situation is unique, there is a deep well of shared experiences and case studies from which to learn. The expertise of our Investment Banking and Wealth Management franchises can help our clients capture the opportunities that lie ahead, while helping their businesses remain firmly rooted in the values that made them extraordinary in the first place.

This playbook highlights the key considerations that many family-owned and founder-led businesses face, including the challenges of growth, enduring legacy, succession planning, ownership structure, wealth creation, media and privacy—and, perhaps most importantly, balancing business priorities with family dynamics over time.



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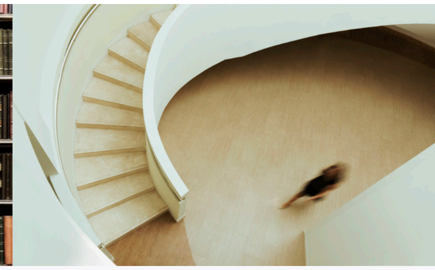


Managing Succession Planning and Family Involvement

As history has illustrated time and again, there is no one-size-fits-all model dictating effective succession planning. The Prada family has famously passed the mantle through generations of family members, keeping leadership firmly in the Prada-Bertelli family. Many other global businesses that still remain founder-led, family-owned, or family-controlled—including Samsung, Ford, Mars, Walmart, and LVMH, to name a few—have successfully integrated non-family management over time and demonstrated the power of long-term family vision and ownership.

While every business is distinct, each ultimately confronts the same defining challenge of succession—and the transition from a founder-led enterprise to an enduring institution is inevitably met with complex layers of stakeholder involvement and potentially competing family vs. business interests.

Planning Succession with Intent

A recent PwC study of US family businesses found that over half maintain informal succession plans, yet only one-third have formalized them.[5] Building a clear, formal plan provides a road map for leadership transition and can help surface potential pressures before they escalate.

In addition to playing the roles of investors and shareholders, many families find great reward in being owners and builders of the business. In many cases, it's part of the family's identity.

During the first generation of leadership, when the founder often also serves as CEO, personal and business objectives are intrinsically aligned. But generally, with each successive leadership cycle, the number of stakeholders expands, networks diversify, and the complexities of interests multiply.

Key considerations during this transition period

Leadership philosophy

Should the business prioritize meritocracy only or allow/require the continued involvement of the founding group, their descendants, or any other family members? How does this change with the passage of time and an increasing number of family-member shareholders?

Principles on founder or family member involvement in management

Is involvement encouraged or optional? What are the criteria to get involved in the business, particularly around age, levels of experience, and diversity?

Balancing expertise and oversight

When specialized skills are required as the business becomes layered and more complex, how will the family leverage external executives to complement the founder's or family's historical involvement and legacy?

Management of potential conflicts

As time goes by, individual interests may differ from those of the enterprise. Has leadership identified areas of overlap vs. differences and how to manage each with the appropriate governance frameworks?

Preparing for the Next Generation of Leadership

For businesses with individuals in the line of succession who are not yet ready to assume leadership responsibilities, deliberate, strategic preparation is essential and can include:

Interim stewardship

An interim CEO can manage the company while mentoring the eventual successor.

Guided oversight

Independent board members and outside directors can provide critical counsel and objective perspectives.

External experience

A potential successor working outside the family or original enterprise—typically for three to five years—can undergo an assessment of capabilities and perspective.

As family-owned businesses move through generations, managing fragmented ownership and leadership transition demands increasingly sophisticated governance. Preparing for this shift requires both strategic and operational alignment, specifically defining the scope of future family involvement.

Thoughtful succession planning aims to balance the imperatives of the business with the aspirations of the founder and their family, creating a bespoke framework where the objectives of both the business and the family are clearly articulated.

The value of outside perspective

In practice, the focus on sustaining a healthy, high-performing business is, more often than not, beneficial to the family or ownership group at large. As the business scales and its complexity intensifies, outside professional talent with relevant experience can materially enhance the company's capacity to outperform.

Transfer of Enterprise Ownership Through Generations

As the number of shareholders grows, so too does the focus on family control across generations. Establishing structures that support the business and the broader owner interests is critical for sustained success. Every family is different, and every founder will have their own objectives. Some decide that the family's long-term involvement in the business is critical to success; others believe more firmly that outside leadership should manage and govern the business as it grows. There are successful precedents for both models, but both require active decision-making and strategic planning.

At the time of a generational transition, the division of shares or assets among successors is traditionally one of the most sensitive decisions faced by the outgoing generation. Some founders choose to transfer their economic and voting ownership in the business and split it equally among the second and subsequent generations. Others choose to separate economic and voting rights or, in some cases, split the business or various pools of assets altogether in order to concentrate the number of decision-making shareholders.

With the passage of time and the increase in number of stakeholders, many families find it challenging to continue exercising control. A structured governance process including the consideration of exit rights and conflict resolution mechanisms is valuable in managing potentially differing viewpoints. Outside investors can also play an important role and help ensure long-term discipline.

Establishing Ownership Structure and Governance

Codifying governance through bylaws, articles of incorporation, or shareholder agreements can help protect both the family and the business, as well as facilitate long-term decision-making.

Even the most careful plans will not anticipate every eventuality. Contingency planning ensures continuity of control and alignment with personal objectives. Shareholder agreements can include mechanisms to ensure that family-nominated representatives are elected to the board while preserving family oversight.

These may include:

Transfer of ownership rules

Differentiate economic stakes from voting stakes, navigate family dynamics by branch rather than by individual, and determine whether to maintain a concentrated shareholder base.

Exercise of control rules

Establish formal agreements that define how founders, family members, and other principals exercise control, and set specific voting thresholds for key decisions.

Exit rights

Define how and when owners can sell, transfer, or exit their ownership stakes.

Conflict resolution mechanisms

Implement structured processes to address and resolve disagreements among founders, family members, and other key principals.

Involvement of third parties

Introduce independent board members to ensure objective oversight.

Trust and holding companies

Leverage dedicated vehicles to systematically hold and manage equity for both control and operational flexibility.

Accessing Capital and Scaling for Growth

For founder-led and family-owned businesses, scaling for growth often requires accessing capital while minimizing ownership dilution and, in most cases, seeking to maintain control—a complex balancing act amplified by today's dynamic market backdrop. Businesses are navigating large-scale economic and technological transformation with a volatile geopolitical backdrop and higher-for-longer interest rates.

As enterprises grow, goals shift from simply securing liquidity to creating a resilient capital structure that can support the business and survive the passage of time. A key consideration? The potential use of balanced leverage to optimize capital structure and equity return to founding investors without putting the business at risk. Founders tend to carefully evaluate the structural and personal implications of different potential transaction pathways—including access to private capital, minority recapitalizations, IPOs, and strategic sales—to balance capital needs, operational control, and their impact on the family shareholder group. Traditional commercial banks offer an established playbook, while nonbank alternatives can offer significant flexibility and unique access to private pools of capital.

When introducing external equity capital, families and founders should carefully evaluate the implications for both near-term family ownership and long-term governance. Private equity funds are currently sitting on large amounts of capital, available to deploy for support in scaling operations, expanding into new markets, and adopting new technologies, but the potential dilution in equity ownership should be balanced with the strategic value such a partner could provide. A formalized and thoughtful governance structure is critical to manage the ecosystem of external investors—regardless of capital source—ensuring that any injection of capital serves as a tool for generational transitions, and shareholder liquidity supports the founder's or family's priorities long term.

Over time, many family- or founder-owned companies will face five foundational questions.

Who will manage the business?	Who has the right to employment?	Who will have access to capital?	Who will have ownership?	Who will have control?

Investing Your Wealth for the Long Term

In modern, multigenerational family enterprises, managing wealth is more than an exercise in asset allocation—it is a holistic endeavor that aligns financial capital with family values, governance, and long-term legacy. True stewardship requires defining a comprehensive wealth mandate, formalizing capital distribution philosophies, establishing clear boundaries for family involvement, and selecting an operational model that matches the family's unique scale and complexity.

Defining the Mandate: From Administration to Strategic Capital Allocation

A family's wealth management mandate must be defined with intention. As the extended family grows, needs typically span four core areas:

Family governance and administration

Coordinating family councils, establishing decision rights, and preparing the next generation for responsible stewardship

Wealth structuring and tax education

Providing estate planning guidance, trust oversight, cross-border considerations, and risk management frameworks

Investment management

Constructing and overseeing diversified portfolios across public and private markets alongside key partners and advisors

Philanthropy and impact initiatives

Aligning capital deployment with family values, business goals, and legacy objectives

Establishing the Investment Mandate

Stewards of family capital are uniquely positioned to take a long-term, multigenerational perspective. When shaping the investment mandate, leaders should consider several strategic questions:

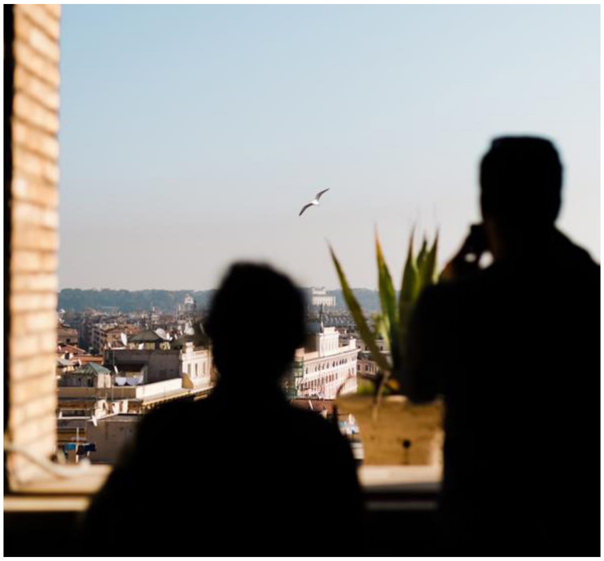
- What strategic asset allocation appropriately balances liquidity, volatility tolerance, and the preservation of capital across generations?
- How should risk and return be calibrated between capital preservation, real growth, and opportunistic deployment?
- Where does direct investing enhance alignment and control—particularly in sectors where the family possesses operating expertise—and where do external managers provide diversification and specialized access?
- Are investment decision rights clearly separated from oversight and risk monitoring?
- How should families approach the transfer of ownership and wealth across generations, and which planning vehicles may best support those objectives?

Capital Distribution Philosophy

In the absence of a defined framework, inconsistent liquidity needs can become a source of tension across generations. Formalizing distribution approaches—whether tied to portfolio income or total return thresholds—helps balance capital allocations. Families should determine whether their capital is intended to grow in perpetuity, fuel entrepreneurial reinvestment, support lifestyle and philanthropic ambitions, or serve a deliberate blend of these objectives.

Increasingly, we have observed families arranging creative financing vehicles—such as structured liquidity or asset-backed lending—to support these distribution goals. This strategic use of leverage allows families to meet ongoing liquidity and distribution needs without disrupting their long-term investment strategies, triggering adverse tax events, or causing the premature sale of illiquid assets.

Family Member Involvement: Key Questions to Consider



1. What formal roles, if any, will family members hold in wealth management vs. business governance?

2. What qualifications or experience thresholds should apply to family members wishing to participate?

3. How will performance be evaluated and potential conflicts mitigated?

4. How can an enterprise best educate the next generation to prepare them for responsible stewardship?

5. Where should independent advisors or directors be introduced to strengthen objective decision-making?

Addressing these questions proactively allows families to transition from informal agreements to a structured, transparent governance framework—ensuring that family involvement remains a source of strength and unity rather than a point of friction as the enterprise scales across generations.

A Spectrum of Solutions for Wealth and Governance

As families navigate generational transitions and liquidity events, they may consider a range of models that balance operational control, complexity, and cost. To minimize administrative overhead, families typically evaluate these options based on their specific scale and governance needs:

Model	Description	Cost	Complexity
Advisor-Led Wealth Management	Leverages traditional private wealth management to manage personal investments, trusts, lending, and estate planning	Low	Low
Outsourced Family Office Solutions	Provide access to specialized services (wealth planning, reporting, lending, lifestyle management) on an à la carte or modular basis	Moderate	Moderate
Multifamily Office	Shares professional infrastructure and expert resources with other families to achieve economies of scale	Moderate to High	Moderate to High
Single-Family Office	Serves as a dedicated, stand-alone entity providing complete autonomy, privacy, and highly customized services	High	High

Ultimately, by aligning a clear investment mandate with robust governance and a shared family vision, multigenerational enterprises can transform their wealth from a complex administrative challenge into a powerful, enduring engine for legacy and impact.

Positioning for Long-Term Success

Business Considerations

Asset and economic distribution

How will the split of assets and economics be managed during succession, and how does this differ from the current structure?

Control and voting stake

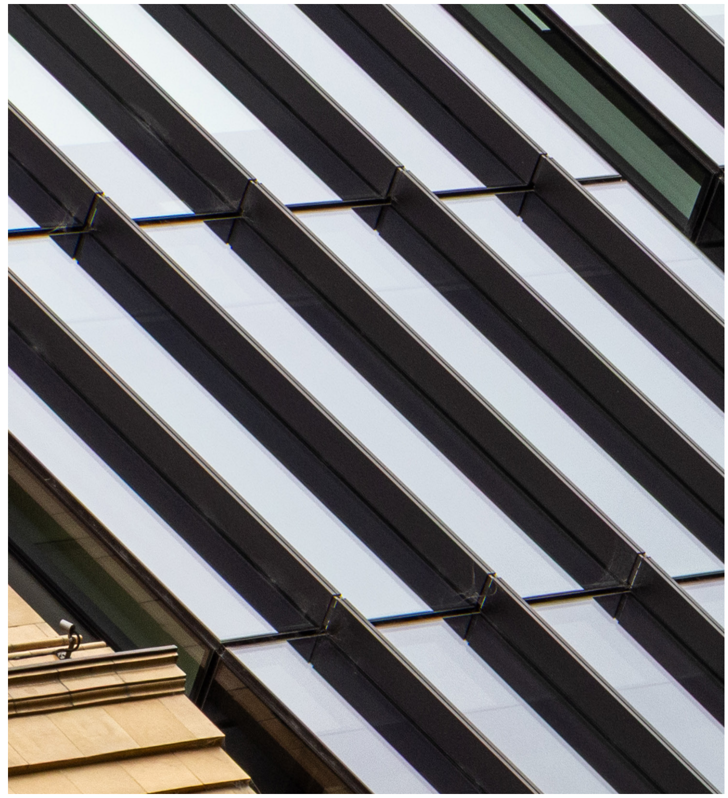
Who will control the company after succession, and how will voting stakes be distributed among family members?

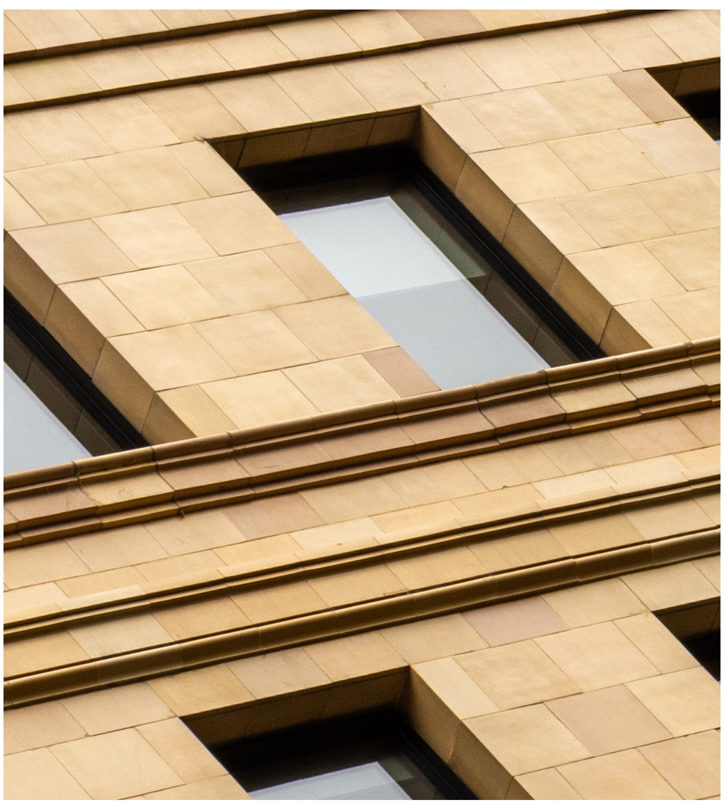
Management succession

Who will run the business in the next generation, and what is the plan for management succession?

Liquidity for family members

What mechanisms are in place for family members to achieve liquidity and potentially sell their stakes over time?





Family Considerations

Family leadership

Who in the family will lead the business, and how will that be determined?

Family and advisor governance

How will decisions be governed among family members and nonfamily advisors?

Conflict resolution

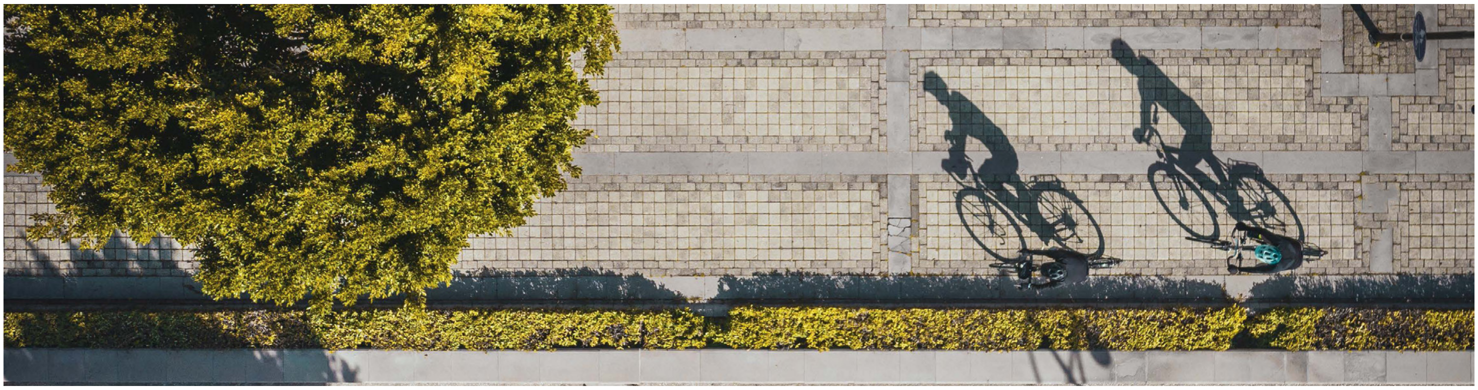
What conflict resolution mechanisms are in place, including the potential appointment of a "referee" to mediate disagreements?

Next-generation guidance

Who will provide judgment and advice during generational transitions to ensure a smooth handover?

The OneGS Approach

Building a Legacy of Impact



The leader of every founder-led or family-owned business carries a dual mandate: steward the enterprise while stewarding personal and family legacy. Multigenerational success is often correlated with a high sense of trust, communication, and iterative planning. Governance influences relationships—and capital shapes opportunity. Over time, the interests of the enterprise and those of individual stakeholders inevitably diverge—requiring each generation to strike a deliberate balance as priorities shift.

Each family, founder, and business is distinct, yet they inevitably converge around the same fundamental challenges. Goldman Sachs approaches this inflection point with a focus on strategic advice and connectivity to help in the small moments and the most significant, leveraging our experience with many founder- and family-owned businesses over decades.

Families are rarely isolated entities; they exist within a broader ecosystem of interconnected components, including the family business, real estate holdings, philanthropy, family office/pooled investments, and others. The success or failure of one component may have significant ripple effects on others. A well-managed family and financial ecosystem with strong governance ensures that these entities operate successfully and in unity.

Our bespoke approach brings the full strength of the firm to each client. Clients gain access to a global, unified platform—investment banking advisory, global markets, asset management, and wealth management—designed to support the full life cycle of a founder- or family-led enterprise.

Our teams have advised on numerous transactions in recent years across regions and industries—including capital raises, IPOs, company sales, acquisitions, mergers, and spin-offs—optimizing to achieve the long-term interests of both the company and ownership objectives.

We recognize the outsized impact of founder-led and family-owned businesses on both the global economy and society, and we've deepened our commitment to understanding the drivers behind their success. The interwoven threads of entrepreneurship, leadership, and legacy create a complex system that necessitates thoughtful evolution.

Our role is to help leaders navigate that change while keeping long-term objectives at the center.

As markets change and opportunities diversify, we help founders and families adopt an institutional, forward-looking approach to building, preserving, and transferring wealth. Through integrated advice, access to corporate expertise, and a global network of peers and thought leaders, we work to align values, business interests, and financial strategy.

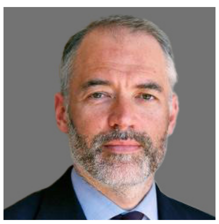
The goal is simple: equip founders and families to make informed decisions today, understand lived experiences of other family-owned businesses, strengthen their enterprises, and shape a legacy of continuity and impact for the generations that follow.

Leadership

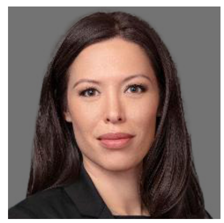
Investment Banking

FX DE MALLMANN
Chairman of Investment Banking, Head of OneGS Family-Owned Business Coverage in Investment Banking

MATT MCCLURE
Global Co-Head of Investment Banking



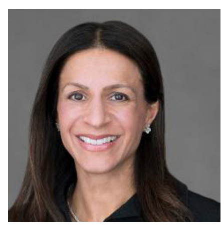
ANTHONY GUTMAN
Global Co-Head of Investment Banking, Co-CEO of Goldman Sachs International



KIM POSNETT
Global Co-Head of Investment Banking

Wealth Management

JOHN MALLORY
Global Co-Head of Wealth Management



NISHI SOMAIYA
Global Co-Head of Wealth Management

Contributors

RICHARD GNODDE
ANDRE KELLENERS
AASEM KHALIL
SARA NAISON-TARAJANO
MILAN HASECIC
ASHLEY RYAN
EMILY BAKER
CARRA COTE-ACKAH
SCOTT MUELLER
BRIAN GRZELAKOWSKI
ANUSHKA GUPTA
LARKYN SINCLAIR
CATHY BELL
KEENA MCKILLOP
MILA MILATOVIC
CAROLINE BROOKS
ELLA PEPPER
GENESIS RAMIREZ
LAUREN MILLER

Endnotes

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