



BUSINESS SUCCESSION PLANNING

# Choosing your exit path

Keep or sell? Your succession plan should depend on *your* version of success

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For many owners, business succession planning sits in an uncomfortable zone between inevitable and easy to postpone. Even though it's often framed as the "final act" of a long career, it's not the end of the story. It's a strategic inflection point, one that determines whether the business you built continues to thrive and how you'll move on to your next chapter.

At its core, succession planning is a choice among fundamentally different futures for your business and yourself. The paths narrow down to two buckets:

1. **Selling the business**
2. **Keeping it in the family**

***Succession planning is a choice between fundamentally different futures for your business and yourself.***

## Choosing your exit path

### But first: Clarify what you want

The gap between “I’ll do it eventually” and “I’m doing it now” is where a lot of value gets lost. The most effective planning conversations start three to five years before a potential exit — not with valuation or tax strategy, but with defining what life looks like for you personally post-transition. We call this “beginning at the end.”

When you begin at the end, you work backwards to gain control over outcomes like financial structure, legacy preservation, risk management and stakeholder confidence. Employees, customers and buyers all watch for signals of stability. Without clarity, they’ll fill gaps with assumptions that can erode both deal structure and valuation.

### The two paths

#### Path 1: Sell the business

Selling the business is the most visible succession path, and often the most financially transformative. It can provide liquidity, diversification of personal wealth and the freedom to pursue new professional or personal chapters. But a successful sale requires far more than finding a willing buyer. What’s more, the type of buyer shapes the experience as much as the price.

#### What kind of buyer is right for you?

Not all buyers are the same, which means deal structure matters as much as valuation. Cash at close, earn-outs, retained equity and post-transaction roles all shape the owner’s experience after the sale. The right buyer depends on what you want for yourself and the future of the business you’ve built.

- **Financial buyers:** Often private equity firms who focus on growth potential, leadership depth and scalability. They acquire with the intention of building and eventually reselling.
- **Strategic buyers:** Often competitors, suppliers or companies seeking geographic or product expansion. They value synergies and integration, and may offer premium valuations in exchange for consolidation.
- **Management teams:** Internal leaders who know the business best and can offer stability. This path treats succession as a gradual transfer of responsibility and ownership rather than a single transaction. Requires thoughtful structuring around buy-back provisions, voting rights and governance.

#### The Planning Paradox

**74%**  
of all owners plan  
to sell or transfer  
eventually

Only  
**17%**  
of owners 55+  
plan to do so in  
the next 5 years<sup>1</sup>

**Why this matters:** The gap between intention and action is where value often disappears. Early planning creates options and preserves control.

## Choosing your exit path

- **ESOPs (Employee Stock Ownership Plans):** A specialized form of financial buyer with a fiduciary responsibility to employees, allowing ownership to transfer to a broad base of employees over time. This path can offer meaningful employee engagement and tax advantages, plus strengthen enterprise value.

### Avoiding unwanted surprises

External buyers scrutinize everything. Financial reporting quality, customer concentration, operational dependencies and leadership depth are examined closely. Issues that feel manageable internally can become valuation discounts — or deal breakers — during due diligence.

Owners are often surprised by how personal this scrutiny can feel. Anecdotally, advisors will recommend that owners disclose all aspects related to valuation, positive and negative, because prospective buyers “are going to find out anyway” through their due diligence.

What buyers are really assessing is risk: how dependent the business is on the owner, how predictable cash flows are and how resilient the organization will be after transition.

### Organization is essential

Successful sales are built on discipline and strong organizational qualities. Clean financials, documented processes, speedy responses and clear governance signal professionalism and reduce friction. Organization builds buyer confidence, and confidence translates into stronger outcomes.

For owners prioritizing liquidity, diversification or scale, selling to an outside buyer can be a powerful way to extend what they’ve built. But the strongest outcomes belong to those who treat the sale as a strategic process, not a last-minute transaction.

## Path 1: Owner Profile

### *Someone who sells their business might...*

- Want a clean break and immediate liquidity
- Believe the business has outgrown your capacity to scale it
- Care more about maximizing value than maintaining control
- Have high confidence in your internal leadership or employees to carry the business forward

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### Path 2: Keep it in the family

For owners who want to keep what they've built within the family, succession offers a different kind of reward: continuity. Rather than monetizing value in a single event, this path focuses on stewardship — preserving the business as a platform for future generations.

#### Building a multi-generational enterprise

When done well, family succession transforms a founder-led company into a lasting institution. Next-generation leaders bring new skills, perspectives and energy, while preserving the company's core identity. But this path sometimes requires an extraordinary amount of patience and brutal honesty about the future generation's leadership capabilities.

- Leadership capability must be developed intentionally, not assumed.
- Exposure to decision-making, accountability and external experience often matters more than lineage.

#### Balancing fairness with readiness

One of the most emotionally charged challenges in family succession is balancing fairness with capability. While ownership may be shared among family members, leadership should be earned through years of exposure to the business. Assuming family ties alone are enough can put both the business and family at risk.

It is critical to set clear expectations about roles, performance and accountability. Objective standards help shift conversations from personal judgment to professional criteria. Honest dialogue, while uncomfortable, is essential to avoid misunderstandings that can linger for years.

#### Create clear governance structures

Clear governance is the backbone of family succession planning. It protects both the business and the relationships that surround it by separating emotion from decision-making. This creates a way to help ensure that disagreements are addressed constructively instead of dissolving into destructive family squabbling.

- Boards, family councils and formal policies provide structure for discussions that could otherwise become ultra-personal.
- Effective governance clarifies roles and responsibilities — who leads, who owns and who advises.

Just as important, clear governance practices create a shared framework that outlasts any single generation and reduces uncertainty as leadership changes.

### The Succession Gap

More than **1 in 3** family business owners operate without a formal succession plan, despite recognizing their importance.<sup>2</sup>

What's stopping them:

- Family conflicts **(22%)**
- Too busy with operations **(20%)**
- Process complexity **(8%)**

**Why this matters:** Formal planning forces difficult conversations that help protect both the business and family harmony.

### Path 2: Owner Profile

#### Someone who passes on the family business might...

- Value continuity and family legacy over immediate liquidity
- Aspire to develop the next generation
- Seek long-term stewardship and stability

## Choosing your exit path

### Choosing the right path

Succession decisions are often delayed because they feel overwhelming (for so many reasons), but strong decisions typically come from a well-defined framework. That framework should reflect how you define success, not just at the moment of transition, but in the years that follow.

There is no universal answer to the “best” path to business succession, but clarity, not complexity, will be integral in helping you achieve your financial and emotional goals. For some owners, success is liquidity and freedom. For others, it is continuity, legacy or shared stewardship. None of these motivations are right or wrong, but they can lead to very different choices.

- The best plan aligns closely with your definition of success, both during and after the sale.
- Comparing options across financial outcomes, leadership continuity, cultural preservation and timeline helps clarify trade-offs.
- What mattered during the growth phase of your business may differ from what matters now — and that evolution is natural.



### Key Takeaways

- ✔ **Start early. Start early. Start early.** Did we mention start early? Delayed planning drastically narrows options and increases risk.
- ✔ **Structure matters.** How well your business is organized can dictate deal success or failure.
- ✔ **Leadership doesn't just end.** Succession can be a continuation of leadership, not a conclusion.
- ✔ **It's not one-and-done.** Strong plans evolve over time as the business, the market, and owner priorities change.
- ✔ **Clarity reduces disruption.** Transparency creates stability for employees, customers and partners amid change.
- ✔ **Success is measured over years.** Long-term fulfillment, engagement and financial confidence matter as much as the initial outcome.
- ✔ **There isn't always a "best" path.** The right decision aligns with your definition of success, not someone else's.
- ✔ **Yes, there is life after the sale.** Owners who define their post-transition role, purpose and pace adjust more successfully than those who focus solely on the transaction.

## Choosing your exit path

### Don't go it alone

Succession planning is complex. The business owners who exit successfully build a team of advisors who help them see around corners and avoid costly mistakes.

At PNC, our Private Business Strategists focus solely on helping business owners optimize personal and business finances. Our team of specialists can help you assess readiness, structure your transition and preserve value throughout the process.

And if you're looking for ways to help ensure that your family's wealth remains a positive force for generations to come, our [Hawthorn Institute for Family Success®](#) offers additional guidance and resources to help you flourish personally, professionally and philanthropically.

Whether you're years from exit or facing an unexpected transition, the time to prepare is now.

**To start the conversation, contact your PNC representative.**

***It's important to consider life after the sale of your business. What are your plans for the next chapter?***



1 Rothwell, Jonathan. "Most Small-Business Owners Lack a Succession Plan." Gallup, 2025: <https://news.gallup.com/poll/657362/small-business-owners-lack-succession-plan.aspx>.

2 PNC Private Bank Business Owner Study, 2025.

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