# Preparing a Family Business for a Sale: Implementing the Private Equity Playbook

**The Great Wealth Transfer: Strategies for Succession, Legacy and Wealth Generation**

February 25, 2026

A recent Deloitte study found that ahead of the so-called "Great Wealth Transfer," 26 percent of family businesses are currently targeting outside investment or private equity. Family businesses carry powerful legacies, but the sale of such organizations can stall in the absence of sophisticated strategy and planning. For owners looking to sell their family enterprises, implementing portions of the private equity playbook will unlock significant value and position owners to exit on optimal terms. As with any family business succession strategy, the emphasis should be on clarity of goals, tailored strategy and disciplined execution.

This is the third part in a series examining the impact of the "Great Wealth Transfer" on business and succession planning for family business owners, including strategies for business succession planning, recommendations to prepare for a third-party sale, and how wealth transfer and other estate planning techniques can further optimize the business strategies set forth in this series. For more, subscribe to our series and receive our extensive guide, *The Great Wealth Transfer: Strategies for Succession, Legacy and Wealth Generation*, coming later this year. The guide will expand on the topics covered in the series and provide additional context, explanations and cost-benefit analyses for each topic.



## Private Equity Investment Considerations

In analyzing a family-owned business, private equity practitioners consider a variety of factors, including a defensible business model, demonstrated organic growth, scalability and sophistication. To begin, businesses with a strong, natural moat command a premium. On the flip side, businesses that can be easily displaced by competitors will have trouble landing a letter of intent. Taking early action to identify and implement strategies that help protect the family business from foreseeable vulnerabilities is important, especially because it will be more challenging to implement these strategies as the business matures.

## Disciplined Growth and Scale: Reinvest, Expand and Compound Value

Although the defensibility of a family company's business model will be a gating question for a future buyer, organic growth may be the single largest value creator for the business. Sustained organic growth is rare, which is why it drives demand. Patrick Healy, Vice President at Roundtable Healthcare Partners, sums this up succinctly: "If a family business wants to maximize its sale price, nothing moves the exit multiple like clear, repeatable organic growth. In a market where few companies can demonstrate it, those that do command a real scarcity premium." Prior to commencing a sale process, family business owners should become laser-focused on implementing procedures and strategies to maximize the company's self-generated, sustainable growth.

In addition to organic growth, consider adopting an add-on strategy. Inorganic growth through the acquisition of smaller competitors or complementary businesses can be a powerful growth accelerator. These smaller target businesses often sell for lower exit multiples than the combined family business will command at its exit, creating immediate value on consolidation. Focus on targets that offer customer overlap, geographic expansion, product adjacency or capabilities you can scale across the business.

The family business owner can build enterprise value through organic and inorganic expansion to transform the business from steady to standout. Challenge all facets of the business to implement and utilize the tools and frameworks discussed here to identify and measure key growth drivers, then analyze the data and figure out what is working, what needs to be improved and what needs to be removed. Utilize professional management, consultants and advisors to design a repeatable, robust and realistic growth plan. It is best to implement these workflows years in advance of an exit to show potential buyers both a historical focus on organic growth and a clear path for continued revenue enhancement post-acquisition.

The next consideration in maximizing the enterprise value of a family business includes an emphasis on scalability, profitability and diversification. Analyze and grow profit margins via cross-selling, cost reductions and price adjustments. Owners should invest in profitability enhancements by

implementing automation and AI/machine learning. Additionally, they should begin de-risking the business through the resolution of outstanding business disputes and/or completion of internal audits to identify and remediate business and legal danger. Maintaining financial and governance structures that already exhibit a disciplined, formalized approach will enhance the appeal of a family business to potential private equity buyers. However, it is much harder to implement a strategic growth plan if key performance indicators and other underlying metrics are not tracked and measured, or if decision-making is not formalized and documented.

### Financial Improvements: Build Confidence, Clarity and Cash Flow

Both to provide the data necessary to design a robust growth strategy and to show seriousness and sophistication, implement robust financial and operational reporting protocols that produce timely, accurate and insight-rich dashboards. Begin tracking key metrics, such as revenue growth by segment, gross margin by product or customer, cohort retention, cash conversion cycle, customer acquisition cost, lifetime value, unit economics and industry-specific key performance indicators. Implement a timely and consistent monthly close, build a rolling cash flow model, and adopt an annual budget with monthly reforecasting. Consider engaging financial advisors to prepare a proactive quality-of-earnings report to validate revenue recognition, inventory valuation and working capital. Doing this in advance will highlight deficiencies and permit the family business owner to proactively solve any issues or document reasonable business rationales for decisions made. Using the collected data, analyze and eliminate spending that does not move the needle on revenue, margin or scalability. To further enhance the business, challenge legacy vendor relationships that no longer make sense, renegotiate customer and vendor contracts and streamlining duplicative functions.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is perhaps the most critical metric upon which a financial buyer will value a business, so measuring and improving EBITDA is vital in the expectation of a sale. Sophisticated executives and advisors will be able to help. In connection therewith, begin tracking one-time or non-recurring events that drag profits; if they are truly one-time in nature, a family business owner may add such amounts back to EBITDA, thereby increasing enterprise value.

### Governance: Professionalize for Scale and Credibility

Sophisticated buyers pay premiums for businesses that will scale with minimal friction, which requires governance structures that transcend family dynamics and show institutional maturity. Begin by hiring strategically for growth-critical roles and experienced leadership roles. For example, find a seasoned Chief Financial Officer with a track record of building scalable systems, managing debt prudently and supporting successful exits. A strong Chief Financial Officer is a financial architect for the business

and lends credibility when speaking with buyers. While it may be tempting to promote a loyal family member to leadership roles, if such a person is not yet qualified and still lacks the necessary experience running a multi-million-dollar enterprise, the business may be leaving money on the table at exit.

Establish a management or advisory board populated with non-family executives and independent advisors who bring sector expertise, transaction experience and objective judgment. This board should actively advise on strategy, risk, capital allocation and performance. Define a meeting cadence, committee charters and clear decision rights. A professionalized decision-making process communicates to buyers that the business makes decisions on robust and calculated data.

Additionally, given the complexities, risks and considerations inherent in mergers and acquisitions transactions, working with sophisticated executives and advisors, including for accounting, finance, and legal functions, adds value, reduces deal risk and potentially maximizes exit valuation. As Jonathan Ho, Vice President of Corporate Development at Heartland Veterinary Partners LLC, puts it, “Business advice and mergers and acquisitions transactions have numerous complexities, risks, and considerations. Working with someone who has hands-on experience with a large volume of deals is a big value-add.”

### Putting It All Together: Legacy Through Discipline

When a family business implements the private equity playbook, it signals to the market that it is a strong asset and is poised to continue its demonstrated growth. Buyers reward businesses with a robust track record of self-generated expansion, a reasonable expectation of continued expansion post-acquisition, disciplined governance practices, efficient operations and credible leadership. They pay more for companies where the path to the next dollar of growth is obvious, and the systems to produce it are already in place.

Implementing the private equity playbook is not about abandoning the character of a family enterprise. Instead, it is about preserving and amplifying it. By prioritizing growth, professionalizing financial reporting and governance and reallocating capital toward the core business, the family business owner can preserve his or her legacy while maximizing enterprise value. Pair these operational upgrades with clear communication to employees and family stakeholders to sustain culture through change. The result is a stronger company today and a premium exit tomorrow, with a story that resonates with customers, employees and sophisticated buyers alike.

As with most aspects of business succession planning, starting early clarifies objectives, engages stakeholders and avoids rushed decisions while preserving legacy. A trusted legal advisor can

coordinate strategy across succession and sale pathways and help ensure that the family business owner's goals are protected and achieved.

*Katten is here to help you plan in the near term and execute for the long term when it comes to navigating important commercial and legal considerations for your family business, including wealth transfer and business succession. Click here to subscribe and receive the rest of our series and our extensive guide, The Great Wealth Transfer: Strategies for Succession, Legacy and Wealth Generation, coming later this year. This article was written by Michael L. Sherlock, a corporate and family office lawyer in Katten's Chicago office. Patrick Healy, Vice President at Roundtable Healthcare Partners, Jonathan Ho, Vice President of Corporate Development at Heartland Veterinary Partners LLC, and Emily Kay Watson, an M&A and private equity lawyer in Katten's Chicago office, also contributed to this article.*

## CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.




**Emily Kay Watson**
+1.312.902.5444
emily.watson@katten.com



**Michael L. Sherlock**
+1.312.902.5643
msherlock@katten.com



Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion.

©2026 Katten Muchin Rosenman LLP.

All rights reserved. Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at katten.com/disclaimer.