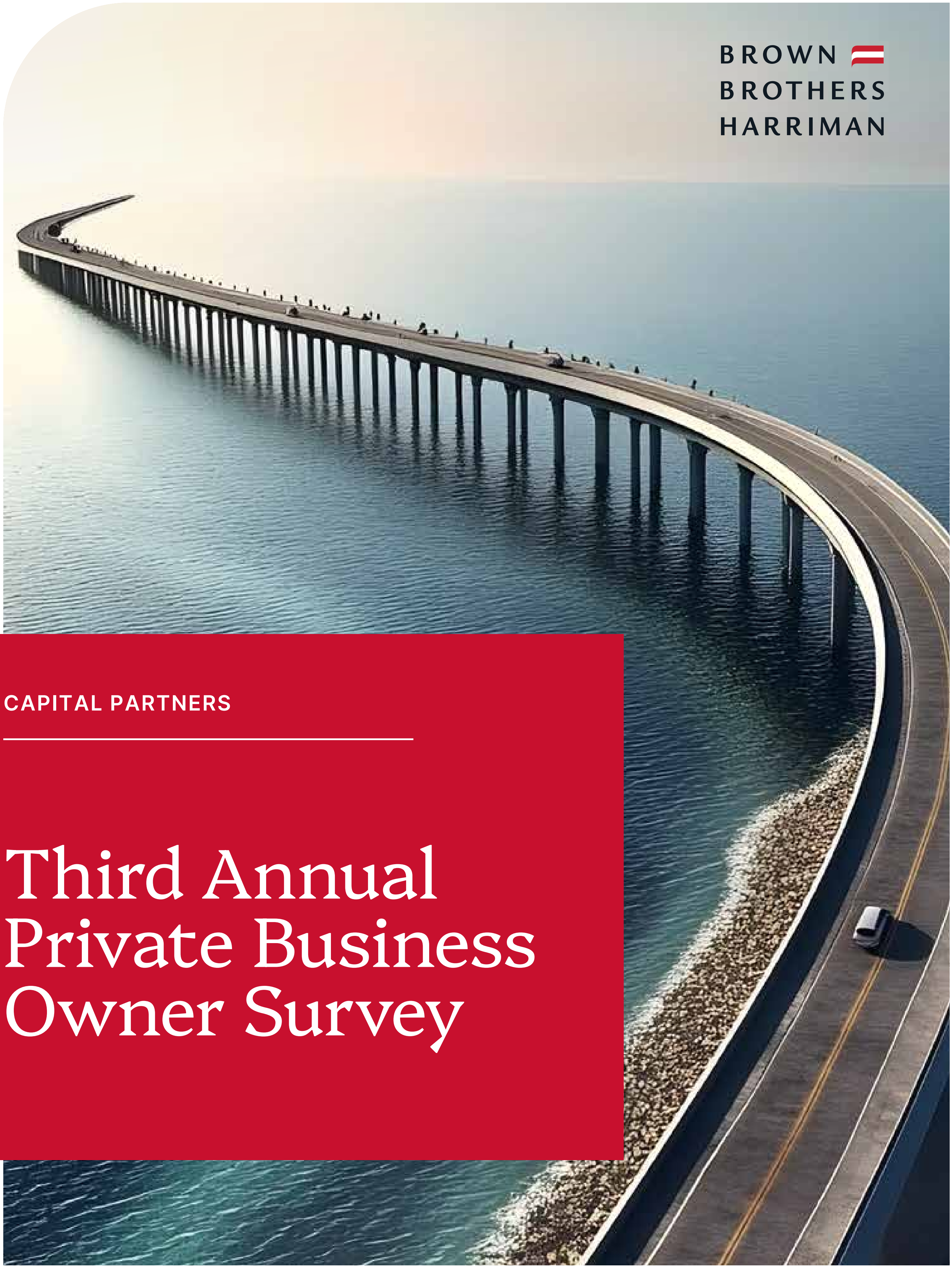
BROWN BROTHERS HARRIMAN



CAPITAL PARTNERS

Third Annual Private Business Owner Survey

OUR APPROACH

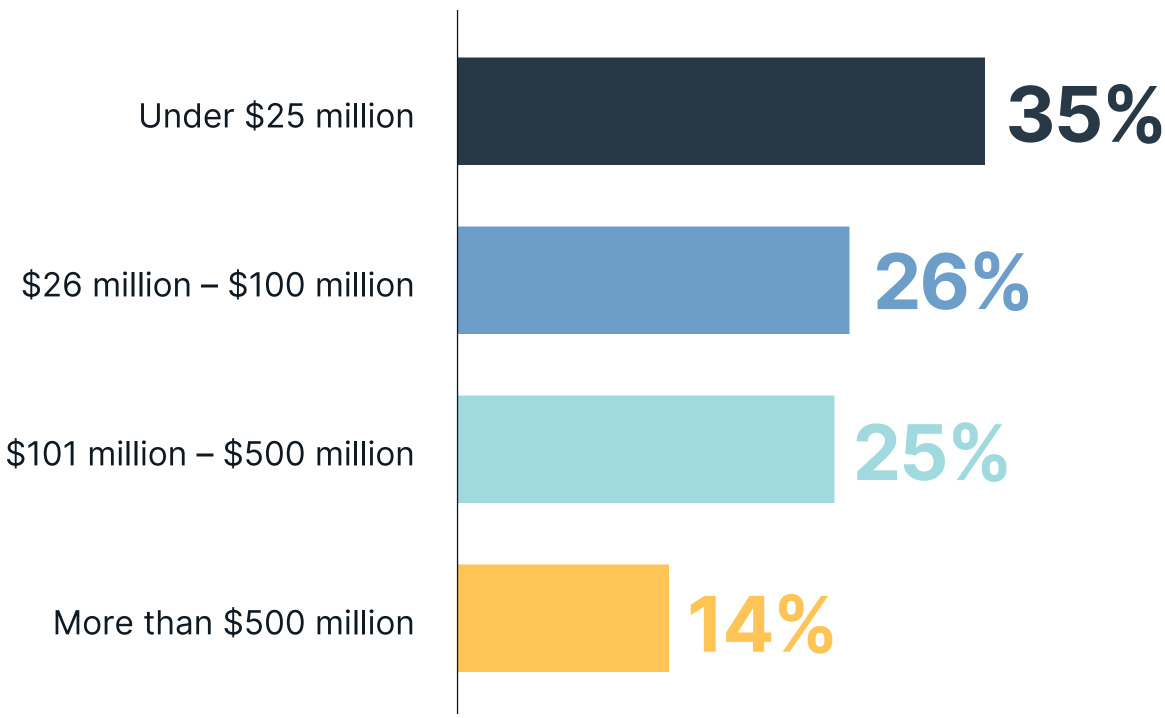
Private businesses in the U.S. are as diverse as the country itself in terms of size, sector, service, or product. While the experience of private business owners is equally varied, there are some striking commonalities in the challenges and opportunities they face. Many factors shape how business owners plan for their future and the future of their business, including governance and succession, long-term strategic objectives, capital needs, and, in some cases, complicated family dynamics. We set out to unearth how business owners think, feel, and respond to both the challenges and opportunities that shape how they run their enterprises.

INSIDE

Who we surveyed

The BBH Private Business Owner Survey was conducted among 491 respondents from family-owned and privately owned companies. Below is a breakdown by company revenues.

Company revenue breakdown across respondents



Preparing the next generation for family wealth

Most owners have formal estate plans in place to address tax, insurance, or asset protection issues – but many have not shared those plans with their families.

For some, reluctance to share their plans comes from concern that disclosure can distort family dynamics, undermine work ethic, or complicate succession planning – all issues far more difficult to resolve than tax exposure.

Some owners fear that talking about their plans too soon may spark entitlement or anxiety instead of instilling gratitude and responsibility.

When an estate plan breaks down, it's usually because of poor communication, not flawed tax strategy. Starting early with age-appropriate, bite-sized conversations makes it far easier to share the full plan naturally over time.

70%

of owners have an estate plan or written wealth transfer strategy in place

15%

say that the plan is in the process of being created

Business owners' estate plans include a variety of provisions

76%
Assets will be held in trust for descendants

38%
Outright bequests to descendants

23%
Significant philanthropic bequests

19%
Assets gifted to foundations or donor-advised funds

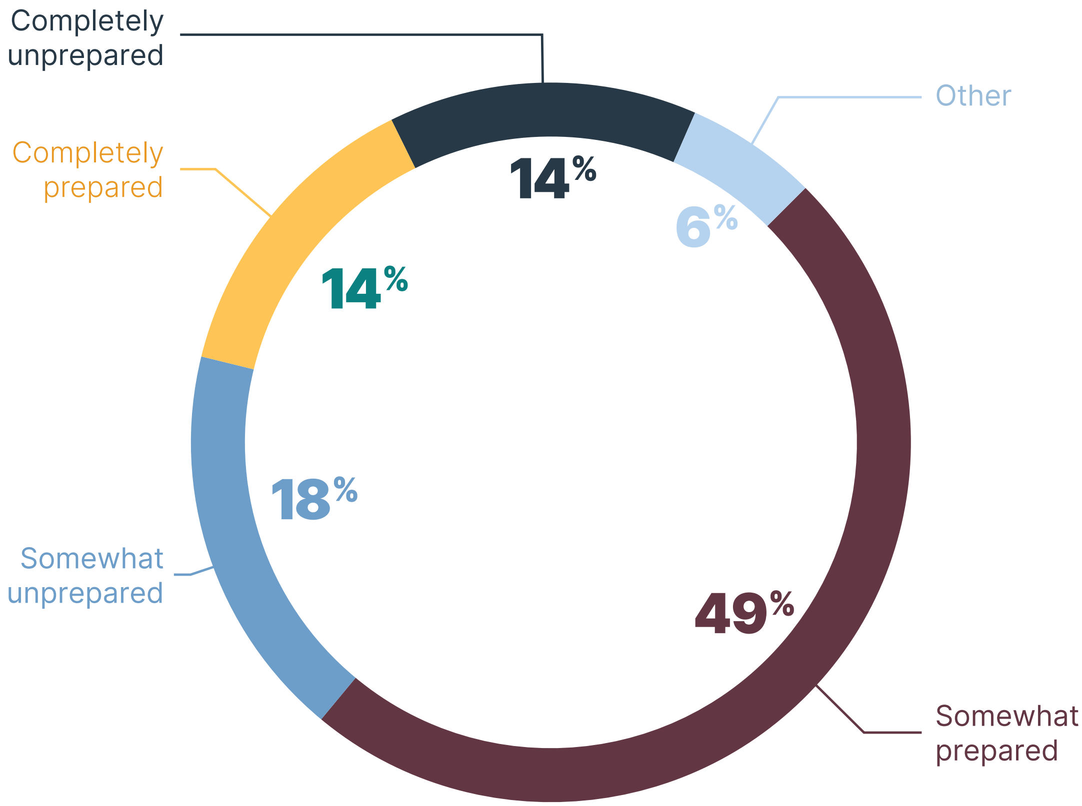
12%
None of the above

38%
of owners say they've been completely open and transparent about their wealth and estate plans with the next generation

36%
have only been somewhat open and transparent

21%
have not shared details of their plans with the next generation

How prepared do business owners feel the next generation is to manage their wealth (if that is part of their estate plan)?



Bridging generations: Approaches to wealth transition

Owners gave various reasons for not being fully open and transparent about their wealth and estate plans with the next generation:

– Lack of initiative

– Family dynamics

– Age and maturity

– Perception that too much wealth is a disincentive to work or engage with the world

– Not wanting to disclose too much too quickly

– Wanting them to continue to earn their way first

"Some owners fear that talking about wealth too soon may spark entitlement or anxiety instead of instilling gratitude and responsibility. Starting early and tailoring these conversations to the age and maturity level of each family member can make the eventual transition smoother and more natural. This ongoing dialogue helps instill values, trust, and confidence over time."

Ali Hutchinson
Principal

Partner **Kathryn George** and Managing Director **Mike McGrann** recently discussed these dynamics at our 2025 Next Generation Summit. Scan the QR code to read the article and learn more.

Succession planning for family businesses

As private business owners look to the future, succession planning emerges as a critical factor in preserving both the legacy and longevity of their enterprises. While many owners aspire to pass their businesses to the next generation, the strategies they consider – and the challenges they face – are as diverse as the families and businesses themselves.

“

Succession planning remains one of the biggest vulnerabilities for private businesses, and a large part of that often stems from worries around successor readiness. Owners may know who of the next generation they’d like to take over, but how can they know when the next generation is ready?

“Like estate plans, sharing an ownership transition plan can happen through several age-appropriate conversations about the business – and its values, legacy, and mission – over time.”

Kathryn George
Partner

How are private business owners thinking about the long-term ownership strategy of their business?

Transition ownership to the next generation 62%

Sale to strategic buyer 14%

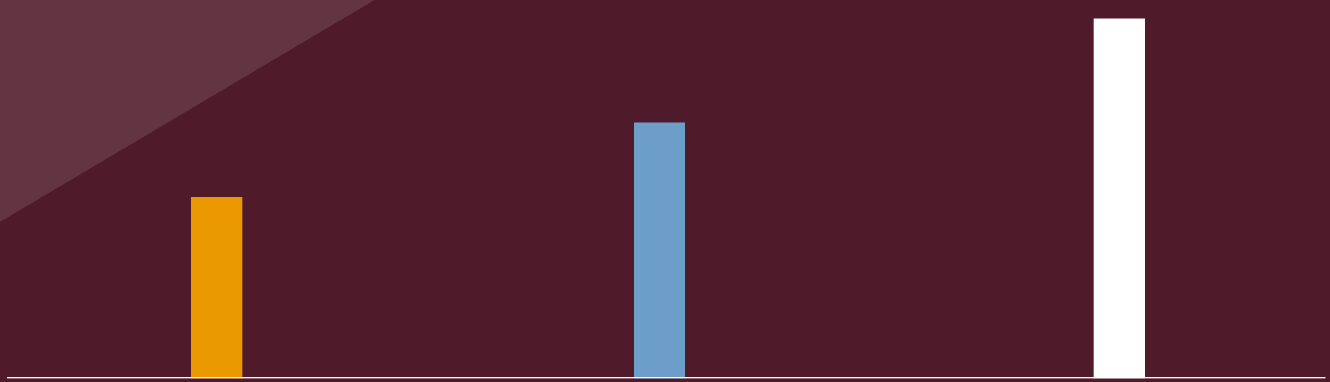
Opportunistic/noncommittal 12%

Management (MBO) or employees (ESOP) acquire ownership of the business 8%

Sale to financial buyer 2%

Other 2%

IPO 0.2%



23% have a formal succession plan for key executives that is fully documented and implemented

30% have no formal plan currently

46% have a plan in progress

What do private business owners see as the biggest challenges to succession planning?

Succession planning is more than continuity in governance – it lays the groundwork for business resilience.

Many owners anticipate ownership or leadership transitions within the next five years but cite the toughest challenges as personal, from sustaining values and avoiding conflict to ensuring strong leadership and innovation.

Family dynamics

46%

Lack of clear successor

41%

Emotional reluctance to exit

28%

Tax implications

13%

Building and leaving a legacy

When it comes to private business owners, the question of legacy is multifaceted. Some owners want their stories to reflect their business wins and values, while others favor stories of their philanthropic contributions and leadership – and still others picture a narrative that combines all of those elements and more.

"Left a healthy, viable business to the next generation"

"Transparent and operated with the utmost integrity"

"Generous and [made] a significant impact in the community at large"

"Stewards of the businesses, good owners, and good next gen cultivators"

"Hard work [built] on values created a meaningful impact to our family, employees, and the community"

"Trust and keeping the family aligned for generations"

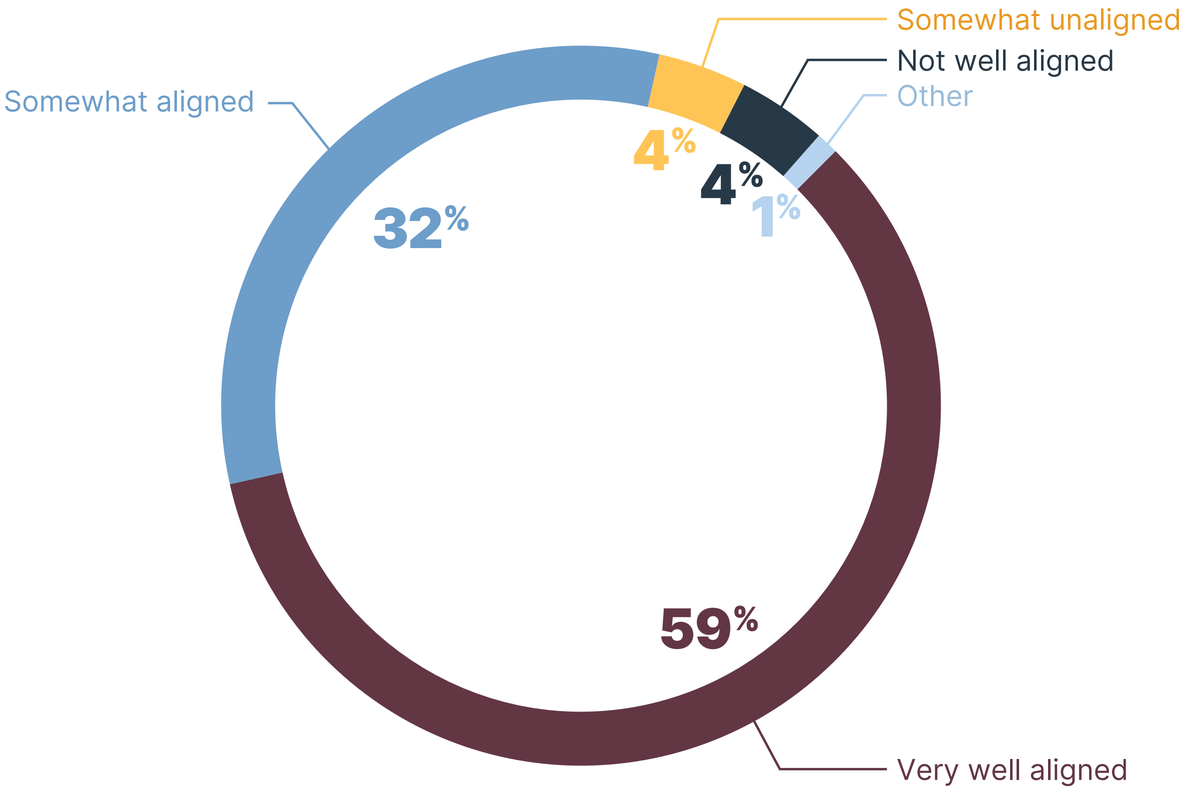
"Dedicated to doing good, not just doing well"

Learn more about creating your business's legacy:

Growing and sustaining the business

Private business owners overwhelmingly put growth first. In fact, **78%** rank it above receiving dividends or retaining all of their equity if it means they can grow the business faster. That singular focus comes with trade-offs: Ownership groups are divided on long-term strategy, and many are turning to outside capital to fund transactions.

Private business owners feel there is mixed alignment on ownership strategy among their present ownership groups.



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For many private and family-owned enterprises, growth isn’t just a priority – it’s the organizing principle. But not every owner will have an identical view on how to approach this – or even share the same views on long-term strategy. There’s value in creating a framework that allows shareholders to discuss the relative priority of choices around what they want from their ownership. Finding ways to solve for variations in owner interests can in turn make the business a powerful, long-lasting enterprise.”

Lewis Hart
Partner
Head of Corporate Advisory & Banking

When seeking outside capital, which sources are private business owners considering?

69% Bank loan

30% Investment from a family office

20% Private equity

16% Sale of a portion of the business

12% None of these

10% ESOP

2% IPO

And when it comes to capital …

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

Designing dividend strategies

Dividends are an important tool that private companies use to support the needs of shareholders. However, setting policies that effectively balance shareholder preferences with the preservation of business health can be quite complex. Too small, and shareholders get upset that there is insufficient financial benefit. Too large, and it can jeopardize the company's ability to operate. There is no one-size-fits-all formula to these policies. The best approach for a shareholder group considers both shareholder interests and the needs of the business supporting them.

Learn more about establishing a dividend policy:

64%

of owners pay annual dividends to shareholders

40%

distribute a variable amount above tax liabilities

23%

decide the amount each year on a discretionary basis

19%

calculate the amount using a formula

15%

distribute a fixed amount above tax liabilities

"

There are numerous ways to set dividend policies – not a one-size-fits-all formula. Ultimately, a thoughtful dividend strategy not only rewards shareholders, but also safeguards the company's ability to reinvest and grow sustainably."

Ben Persofsky
Managing Director
Head of the BBH Center for Family Business

83%

of owners believe their approach to dividends is sustainable …

… although some owners say this sustainability is conditional on several factors, including:

– Alignment on ownership strategy

– Profits and expenses

– Business growth and performance

> “*The next generation would probably deprioritize dividends in favor of employee benefits or reinvesting into [the] business.”*

> “*[Our] formula is sustainable for the next three to five years but needs [consistent revisiting] with growth.”*

These answers underscore the fact that there is no one “right” way to approach dividends. Just like with ownership strategy, private business owners have varying priorities when it comes to establishing dividend policies.

Methodology

This survey was conducted by MLR Media LLC, via an email invitation and online survey in July and August 2025, and drew 491 usable responses. Respondents were drawn from the family-owned and privately owned company subscriber lists of MLR Media, Inc., the producers of Family Business Magazine and Private Company Director Magazine. Multiple responses for the same company were deduplicated. The sampling variation for this survey indicates a confidence level that the chances are 95 in 100 that the survey result does not vary by more than 4.4% from what we report.

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