

ORGANIZING & EDUCATING THE FAMILY: CASE STUDY

# The Value of Multidisciplinary Teams in Family Business Transitions



A large, well-established family business with many shareholders faced a difficult decision: to sell or not to sell. Over several generations, this manufacturing business had grown substantially, both in terms of value and family shareholders. The company began in a moderately sized town in the Midwest, where it still maintained its main factory. As time passed, one family system gradually became many, with three distinct family branches of ownership eventually resulting in over 80 shareholders.

Ownership percentages and family involvement in the business varied among all branches of the family. Additionally, the shareholder group was not united on their vision for the company, with some having a greater emotional stake in the business than many of their investment-minded kin.



## At a Glance:

### BRIEF COMPANY PROFILE

A manufacturing business based in the Midwest with over 80 family shareholders.

### FBCG SERVICES

- Shareholder and board communication
- Educating and organizing the family
- Ownership alignment
- Collaborative advisor teaming

### BENEFITS TO FAMILY & BUSINESS

Through multidisciplinary advising, the family benefited from specialized education and enhanced communication. As a result, they were better equipped to make informed decisions when presented with an acquisition offer.



## Shareholders at a Crossroads

Steve McClure, a consultant with The Family Business Consulting Group (FBCG), had been working with this family on governance, developing both a family council and a formal board. However, family conflict and division among the company's leaders exhausted the patience of family shareholders, who would no longer wait for effective governance to



resolve leadership challenges. In the course of developing the board, a family member with prior experience in mergers and acquisitions (M&A) wrote a letter to the shareholder group expressing their opinion on the business's value. They suggested that if the business were to be sold, it could likely fetch a significantly higher amount than what the current dividends were based on.

The family board retained FBCG to gauge shareholder sentiment on whether to hold or sell the business. They also wanted FBCG to facilitate discussions and interactions between the board and shareholders. To assist with this, Steve brought in fellow FBCG consultants Mike Fassler and Joshua Nacht to objectively assess the shareholders' perspectives and create a fair process to reach an informed, united decision — regardless of the outcome. Additionally, FBCG team member Stephanie Edsell joined the project to oversee communication, administer surveys, and coordinate the schedules of over 80 people.

## Uncovering Family Dynamics and Alignment

Mike and Josh conducted shareholder interviews and surveyed all shareholders to gather insight into their current alignment in various key areas, including family values, vision, openness to selling, and objections to selling. The survey provided everyone with a voice to express their individual wants and needs for the future. The FBCG team collected the data and presented it to the board and, eventually, the shareholder group as a whole. This mix of qualitative and quantitative data was crucial for fostering alignment in the shareholder group.

"Mike and Josh were able to present information to the family in a very neutral way," said the chair of the family board. "They did this so that we could all understand how we were leaning without the dynamics of interpersonal conflict. This helped us to approach the project more objectively and to understand each other more effectively."

The survey findings revealed that although most shareholders were interested in considering a sale, they did not share the same objectives, priorities, and views on how it would impact the family's legacy. Armed with this information, the board interviewed multiple M&A firms to explore the possibility of selling the business and chose Richard Burke and Glenn Riedman with Jefferies Financial Group.

## Collaboration Between Multiple Advisors

FBCG and Jefferies both made it clear that they needed to align on the engagement goals to be the best advisors for the family. The goal of this engagement was not about who the family was listening to the most or who had the most influence. It was about fostering alignment within the family and helping the shareholders come together to make their collective decision.

The sheer size of the shareholder group complicated the process, as there was a diverse understanding of the complexities and impacts involved in selling a business. Both teams agreed that the first step was to guide the family through a comprehensive exploration of their options.

Through extensive education sessions with Jefferies and other experts such as bankers, attorneys, and CPAs, Mike and Josh helped the family understand the trade-offs involved in their aspirations. This phase required months of dedicated effort to ensure clarity and consensus among the stakeholders. The meticulous process helped the family narrow down their priorities and define clear objectives if the sale of the business moved from exploration to execution.

Jefferies relied on FBCG for the work in the engagement that revolved around the family dynamics. At the same time, Mike and Josh supported Richard and Glenn in taking the lead regarding the complex financial processes of putting the business up for auction and closing the sale. "There was mutual respect for one another's lanes and great coordination throughout the whole process," said Mike.

## Selling Together or Not at All

As per their shareholder agreement, any sale of the business was contingent on unanimous approval from all shareholders. This meant that when an offer came along, any one person could have prevented it from going through, making alignment throughout the shareholder group even more paramount around whether or not they wanted to sell the business. And with more than 80 shareholders, that was no easy task.

"It was crucial that everyone felt heard and understood," Josh reflected. Interpersonal conflict was common in this family, with about one-third of the family reacting negatively to the idea of a sale from the beginning. The work fell to Mike and Josh to ensure that there was a foundational level of knowledge across the shareholder group about what a sale would mean for shareholders and to provide a safe environment for difficult conversations with shareholders and in the boardroom.

"We admired the family's willingness to engage in open dialogue and make informed decisions for the benefit of all stakeholders," shared Mike.

One piece of resistance that many of the shareholders had was around the town in which the business was based. The family business was by far the largest employer in that town, and many family members were concerned about what selling the business would do to the community. "I think they felt that if the business were to just pull out of their hometown, it would have been economically devastating," Josh said. "And then generations of what the family built would have been torn down."



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This deep family value of caring for the community and the family's legacy was important to communicate to Richard and Glenn so they could be aware of it when searching for potential buyers for the business. Richard said, "We would prep with the FBCG team before calls with the family to understand what was bubbling up for the shareholders and proactively address things. We strived to avoid any surprises." By maintaining clear and open communication with Mike and Josh, Richard and Glenn were able to effectively do their jobs in guiding the family through the selling process and were able to represent the family to potential buyers accurately.

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Once every shareholder felt heard and understood the implications of all the options, the group gave Jefferies the green light to search for the right buyer.

## Ready to Sell

While Richard and Glenn prepared the business to sell by reviewing the finances and putting it out to market, Mike and Josh focused on fostering alignment in the family and educating the shareholders about having a fair process when it came to a decision about selling. "They needed to be clear about which decision-making rights lay with the shareholders and which belonged with the board," Mike noted. A dedicated education committee was formed to oversee the process, content, and delivery of informative materials to the shareholder group.

With the shareholder group aligned about selling and educated as to how that process would go, it eventually became time to consider the offers that Jefferies brought to the table. These offers met the most important criteria for the family, including ensuring that the business stayed in the town of its founding and keeping its employees.

It was time to gather all 80+ shareholders in person to vote on selling their shares to the right buyer. The results were unanimous: accept the offer. Because the shareholders were prepared, Jefferies was able to move quickly and capitalize on a high valuation.

While the aligned decision made by the shareholder group was a success for the family and the business, it was not without its challenging emotions. "There was a grieving process," Mike recalled. "The business had been in this family for generations, and seeing it sold was akin to losing a part of the family." Many family members, particularly those residing in the town where the business was located, underwent a period of mourning and resistance before ultimately accepting the sale.

## Reflecting on the Collaboration

Many FBCG engagements involve collaboration with independent advisors, yet this partnership stood out to everyone involved as a testament to how well they can go. "This experience gave me a renewed appreciation for what makes a great multidisciplinary advising relationship," Josh said. "The work together was a collaboration at its best, with everyone having to play their part to get the family to the point where they were educated, aligned, and comfortable with the prospect of selling their family business."

"Our two teams worked incredibly well together," said Richard from Jefferies. "And, most importantly, we stayed in our lanes. We focused on what we were doing with the buyers and management while FBCG led communication with the shareholders and facilitated board discussions. Both had to work together."

Mike notes the alignment that FBCG and Jefferies had in their work. "We both went in with the spirit and mindset of serving the client."

Jefferies's expertise enabled Mike and Josh to concentrate on their work with the family, giving Richard and Glenn confidence that the family would be prepared to navigate the decision-making process when the time came. With their specialized skills, both groups collaborated closely with sensitivity and empathy for the family, ensuring that each decision was made with the shareholders' long-term well-being in mind. This opportunity was proven successful, built on trust, professional respect, and genuine care for the family.

### Let's Start a Conversation

To learn more about The Family Business Consulting Group and how we collaborate with other advisors to serve enterprising families, visit [www.thefbcg.com](http://www.thefbcg.com) or call (773) 604-5005.

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*"This experience gave me a renewed appreciation for what makes a great multidisciplinary advising relationship," Josh said. The family had a renewed sense of alignment, and the shareholder group was unified.*

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