FOUNDER-LED BUSINESSES AT A CROSSROADS

Succession, Growth, or Sale?

Presented in Partnership by
COMPEL & DAK Group

An Executive Article for Founder-Led and Privately Held Businesses

2026
Executive Series

Executive Summary

EXPLORING THE DECISIONS THAT SHAPE OWNERSHIP TRANSITION, LIQUIDITY, GROWTH, SUCCESSION, AND LONG-TERM LEGACY

> "The strongest transitions are rarely reactive—they are built intentionally."

A Framework for Business Owners Navigating:

- Internal Succession
- Recapitalization
- Strategic Sale
- Legacy Preservation
- Leadership Transition

For founder-led businesses, success eventually creates something many owners never anticipated: choice.

What begins as an operating company often becomes something much larger—a source of identity, a family asset, a retirement strategy, a community legacy, and frequently the largest concentration of personal wealth a founder owns.

At some point, nearly every business owner reaches a crossroads.

Not because the business is failing. Not because they are ready to leave.

But because continuing to operate exactly as they always have becomes a decision in itself.

For some owners, the next chapter means passing leadership to the next generation. For others, it means professionalizing management, creating liquidity, pursuing growth capital, or considering an eventual sale.

The challenge is knowing what options exist. And deciding which outcome matters most.

The founders who navigate these moments most successfully are rarely those who move fastest—they are the ones who start asking the right questions earlier.

Section 1

INTERNAL SUCCESSION, EXTERNAL SALE, OR SOMETHING IN BETWEEN?

Many business owners frame transition decisions in extremes:

- Keep the business
- Sell the business

In practice, most founder outcomes exist somewhere in the middle.

Potential paths may include:

Internal succession to family members or management

Sale to a strategic buyer

Sale to a financial buyer or private equity group

Recapitalization with partial liquidity

Continued ownership with professional management

Each path solves for different objectives.
Internal succession may prioritize continuity and legacy.
External transactions may prioritize liquidity and accelerated growth.

Recapitalization may create flexibility while preserving upside.

The decision should not begin with valuation. It should begin with defining goals.

What role do I want in five years?

Is growth still energizing me—or becoming responsibility?

What matters more: liquidity, control, or legacy?

If valuation disappeared from the equation, what would I choose?

What is the most common misconception founders have when evaluating strategic alternatives?

One of the most common misconceptions founders have is that the sale process begins when they decide they want to sell the company. In reality, many owners wait too long to start preparing. Once the decision is made to pursue a sale, there is still a great deal of work to do.

The right advisors need to be selected and in place, the business needs to be prepared to optimize valuation and be ready for buyer scrutiny. The owners who achieve the best outcomes are typically the ones who begin planning well before they are ready to exit, often years in advance.

A note from DAK....

Another common misconception is that founders believe they already know the ideal buyer for their business, whether that is a strategic acquirer or a private equity firm. What we have found over the years is that sellers often gain a much better understanding of what different buyers can bring to the table.

Through conversations, management meetings, and the evaluation of offers, many owners discover that the buyer they initially viewed as the best fit is not the one they ultimately choose. The market often reveals opportunities and buyer motivations that are difficult to appreciate until you have gone through a competitive process.

Section 2

IS THE NEXT GENERATION READY — AND IS THE BUSINESS READY FOR THEM?

Passing a company ***internally*** often feels like the ideal outcome.

But successful succession requires more than a willing successor.

Leadership capability and organizational readiness must develop together.

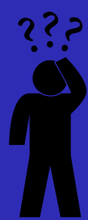
The next generation should not inherit authority—they should earn credibility.

Likewise, the business itself must become less dependent on founder involvement.

Warning signs that your business is not ready:

Key customer relationships concentrated with ownership

Major decisions routing through one individual



Informal operating systems

Institutional knowledge that exists only in one person's head

Successful transitions happen over time. Ownership transfer is often the final step—not the first.

Questions to Consider:

1. Does the next generation want this responsibility?
2. Have they demonstrated independent capabilities and leadership?
3. Could the business continue operating for 90 days without the founder?

A look into one client's journey:
Preparing the business is just as important as preparing the successor

The owner of a $60 million manufacturing company had a daughter who was interested in joining the business from an early age.

Her father wanted to make sure that if one day she ran the company, the opportunity would be earned. He believed a future leader needed to understand every aspect of the business firsthand and be prepared to lead with confidence.

After graduating from college, the daughter spent two years working for another manufacturing company. That experience taught her what it was like to have a boss, meet deadlines, and be accountable for results.

Upon joining the family business, her training began at the bottom.

The Warehouse

Responsibilities included counting inventory, driving forklifts, and loading products.

Manufacturing

Provided a firsthand understanding of how products were made and the challenges involved in production.

Customer service

Worked directly with customers meant answering questions, solving problems, and selling products, while also learning what customers needed and how buying decisions were made.

Accounting

Exposure to budgeting, cash flow, accounts receivable, and accounts payable.

Marketing

Started in product dev, her knowledge of the manufacturing process helped her understand the capabilities and limitations of the company's equipment when developing new products.

Later roles included working with customers to identify market opportunities before moving into promotional marketing. Over time, responsibilities increased, ultimately leading to a promotion to Vice President. **After nearly a decade of learning the business from the ground up**, she was named President of the company, and had the support and respect of employees and customers alike.

The company continued to thrive under her leadership. Years later, reflecting on the process, she admitted that it was not always easy, especially during those long summer days in the warehouse. Looking back, however, the experience became one of the greatest gifts her father ever gave her. By the time the title of President came, the role was not based on a last name. It was based on the knowledge, experience, and credibility earned along the way.

Her father didn't hand her the business. She earned it!

Section 3

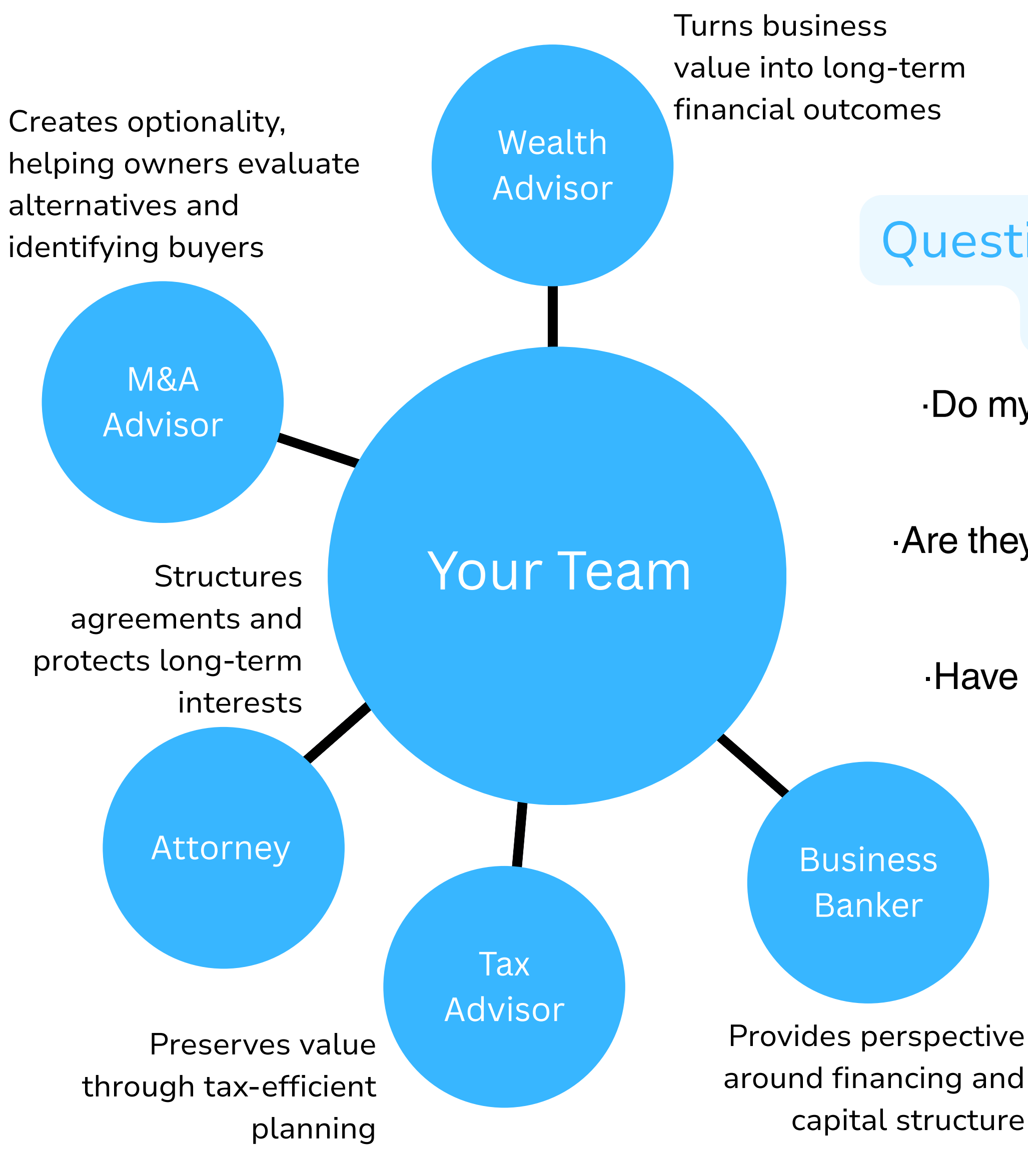
YOU SHOULD NOT DO THIS ALONE: BUILDING THE RIGHT TEAM

There are two truths: business transitions are strategic decisions & are deeply personal.

Owners frequently underestimate how interconnected these decisions become.

The transaction itself is rarely the hardest part. Aligning personal goals, family dynamics, tax planning, liquidity needs, and long-term wealth strategy is often where the complexity lives.

The strongest outcomes are usually supported by a coordinated advisory team:



Questions every owner should consider:

·Do my advisors understand my personal goals?

·Are they working in coordation or independently?

·Have we started planning early enough?

The best advisors do more than execute.
They challange assumptions.

Case Study #2

The Power of Planning Ahead

A business services company with $26 million in revenue and $4 million in EBITDA engaged an investment bank to explore strategic alternatives. After an initial review, it became clear that the company's likely market value would not meet the owners' expectations. Rather than immediately launching a sale process, the advisory team identified several opportunities to strengthen the business and increase its value before going to market.

Acting as the quarterback of the process, the investment banker coordinated with the company's attorney, CPA, wealth advisor, strategic leadership advisor, and management team to execute a comprehensive value creation plan.

The team identified several key areas for improvement:

- Too much revenue was tied to project-based work rather than recurring revenue.
- Intellectual property had not been properly protected or documented.
- Financial reporting lacked discipline, and the company had never completed a professional audit.

Over the next several months, the owners and their advisory team worked together to transform the business. They protected their intellectual property, hired a CFO, strengthened the management team, improved financial reporting, implemented formal planning and budgeting processes, and shifted the business toward a more predictable recurring revenue model. They also reduced the company's dependence on the owners, making the business more scalable and attractive to prospective buyers.

The results were significant:

- Revenue increased by 50%.
- EBITDA tripled.
- Recurring revenue grew substantially.
- Financial reporting and governance improved significantly.
- The business became more scalable, less owner-dependent, and substantially more attractive to buyers.

Most importantly, the company was worth considerably more than when the owners first began exploring a sale.

The takeaway is straightforward: preparing for a transaction is not simply about getting your financial statements in order—it's about intentionally building a stronger business. By conducting self-due diligence *years* before going to market and addressing issues from a buyer's perspective, owners can increase value, create more options, and position themselves for a *far more successful outcome*.

Section 4

RECAPITALIZATION: TAKING CHIPS OFF THE TABLE WITHOUT WALKING AWAY

For many founders, their business represents the majority of their net worth. That creates opportunity—but also concentration.

Recapitalization offers an alternative for owners who are not ready for a full exit. Potential outcomes may include:

- Creating personal liquidity while maintaining meaningful ownership
- Focus on growth capital and reducing concentration risk
- Professionalizing operations

This path creates flexibility while preserving future upside.

For some owners, it reduces **pressure.**
For others, it creates **freedom.**

Questions to Consider:

How much personal wealth is tied to one balance sheet?
Would partial liquidity change how I make decisions?
Am I optimizing for growth—or security?

Case Study #3

Taking Chips Off the Table—Without Leaving the Game

The owner of a systems integration company had spent more than 20 years building his business from a startup in his garage into a company generating approximately $30 million in annual revenue and $5 million of EBITDA. He came to market with a simple objective: sell the company and move on to his next venture.

As a lifelong entrepreneur, he had no interest in working for someone else. His plan was to sell the business, take the proceeds, and start over.

During a competitive sale process involving several well-qualified buyers, one private equity firm presented an alternative he had not seriously considered. In addition to offering an attractive purchase price, they proposed a partnership that would allow him to retain a 20% ownership interest and continue running the company.

What appealed to him was the ability to focus on growing the business while handing off the administrative and back-office responsibilities he had never enjoyed. He believed he would give it six months, maybe a year, and then decide whether to stay.

The transaction provided substantial liquidity and allowed him to take significant money off the table while still participating in the company's future growth. As it turned out, he enjoyed the new arrangement far more than he expected.

With additional resources and support, the business grew rapidly. Within two years, revenue had doubled and profitability had increased by roughly 50%. When the company was sold again, his remaining ownership stake produced a second payout that exceeded what he received in the original transaction.

What began as an intended exit became a six-year partnership. He continued to lead the company, grew it far beyond its original size, and ultimately realized significantly greater proceeds than he would have if he had sold 100% of the business and walked away.

For this owner, recapitalization delivered the best of both worlds: immediate liquidity, reduced personal financial risk, and the opportunity to participate in the company's future success.

Section 5

PRESERVING LEGACY BEYOND OWNERSHIP

Founders often equate **legacy** with ownership.

But ownership is only one expression of **legacy**.

Legacy can also include:

Employee Opportunity ➤ Culture & Values ➤ Customer Relationships ➤ Community Impact ➤ Family Continuity

The strongest transitions begin by defining what should remain before determining who owns the company.

Questions to Consider:

·What do I want this business to stand for?
·What outcomes matter beyond valuation?
·What would success look like ten years after transition?

A successful transition is not simply one that closes.

It is one that reflects the founder's goals.

Final Thought

Every founder eventually reaches a point where continuing indefinitely becomes a decision—not the default.

Succession, growth, recapitalization, and sale are not destinations. They are tools.

The owners who create the strongest outcomes are rarely those who react.

They are the ones who begin preparing before they have to.

ABOUT COMPEL

COMPEL brings together accomplished business owners to do what few leaders have the opportunity to do elsewhere: step out of the day-to-day and think strategically. Through confidential peer advisory, accountability, and candid executive-level dialogue, COMPEL members gain the perspective, challenge, and support needed to navigate complex decisions, strengthen leadership, and build businesses that endure.

ABOUT DAK

DAK Group works with owners, CEOs, and shareholders of middle market businesses to maximize value and achieve their personal and business objectives. For more than 40 years and through over 850 completed engagements, DAK has guided business owners through company sales, acquisitions, recapitalizations, ownership transitions, management buyouts, divestitures, strategic alternatives evaluations, and growth planning initiatives.

Our Investment Banking & Advisory team works closely with owners and their advisors to help them prepare for major decisions, identify opportunities to enhance value, evaluate their options, and navigate complex transactions. Whether an owner is planning to sell in the near term or simply beginning to think about the future, DAK provides the experience, perspective, and guidance needed to help achieve the best possible outcome.

Contact Information

COMPEL CEOs

Wisdom at Work™

Whether you're considering growth, succession, a future sale, or simply trying to determine your next move, COMPEL provides the strategic guidance, accountability, and peer perspective to help you make confident decisions. We'd welcome the opportunity to start the conversation.

Socials: @compelceos

Steve Ramerini | Founder
Phone: (516) 551-5093
Email: Stever@compelceos.com

Jamie Ramerini | COO
Phone: (516) 551-1519
Email: Jamie@compelceos.com

DAK Group

The Mid-Market Maximized

If you are considering selling your business, evaluating strategic alternatives, planning for a future ownership transition, or simply have questions about where to begin, please reach out for a confidential conversation.

Alan Scharfstein | CEO
Phone: (201) 712-9555
Email: ascharfstein@dakgroup.com

Joan McGeough | CMO
Phone: (973) 769-2337
Email: jmcgeough@dakgroup.com