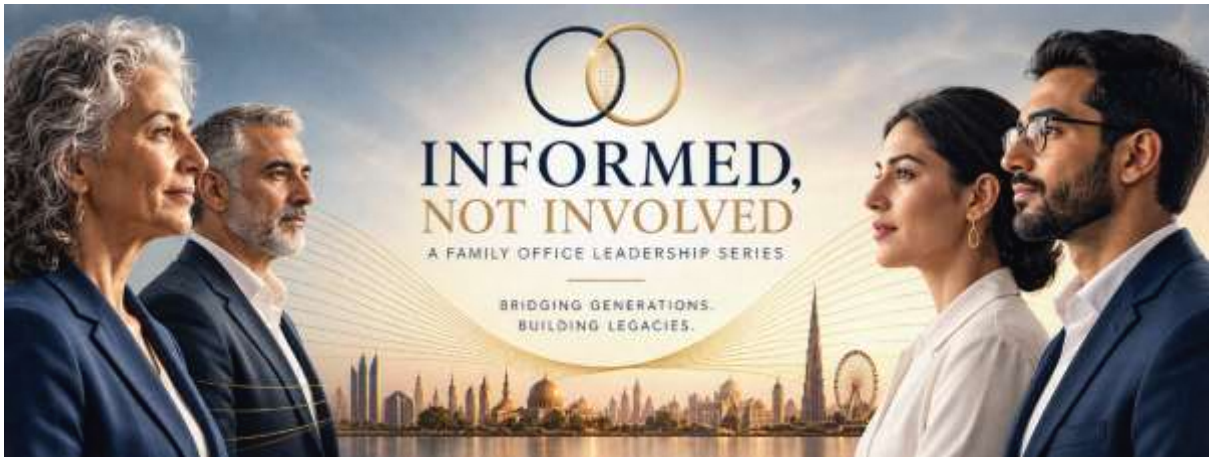


Part 6: Why Nobody Wants to Build Structures After the Sale

When I raise the subject of governance in the months following a sale, I almost always get the same answer. Polite, friendly, and in substance, next year.

I understand that better now than I used to.

A family that has just sold has eighteen months of due diligence behind it. Data rooms, lawyers, question lists, expert reports, negotiating rounds in which strangers wrote the value of a life's work into a spreadsheet. Anyone emerging from that wants a great many things, and another process is not among them.

There is also something entirely reasonable after thirty years of responsibility, the wish to be, for once, not in charge.

The difficulty is the timing. The period after a sale is the moment with the most money and the least pressure a family will ever experience. Structure normally comes into being under pressure. You build a reporting pack because the bank asks for one. You clarify responsibilities because a project is running away from you. You appoint an advisory board because the shareholders can no longer agree.

After a sale that pressure is entirely absent. With it goes the usual occasion for building something the family will badly need later.

The second reason is a misunderstanding about who is responsible. I have seen this in several different configurations. The bank assumes the tax adviser has the overview. The tax adviser does tax, properly and reliably. The lawyer set up the structure and has finished the job. The family's long-standing confidant, who is present at everything, was never given a brief, only a role. In none of those job descriptions does the sentence appear, make sure this family can still act in five years' time.

Each of them does their own work well. The gap sits precisely in between.

The third reason is the least comfortable, and it took me a long time to raise it openly.

Inside the company there was resistance. A finance director who shook their head at an investment. A bank with a covenant. A sales director who said the market would not bear it. That friction was often tiresome and sometimes wrong. It stopped a single conviction from running through unchecked.

In a family office after a sale, everybody says yes. Not out of cowardice, but because the situation invites it. The family has just demonstrated that it knows what it is doing. It built a business and sold it successfully. Who is going to contradict them at that particular moment, and what would that person live on while doing it?

Four thoughts before you postpone this until next year

Build it while it hurts nobody. In the first year after a sale, rules can be agreed in the abstract, because no concrete case is on the table yet. You can settle calmly who decides up to what amount, when the advisory board is brought in, and how a family member who wants out is given liquidity. After the first conflict, every one of those rules reads as a verdict on a particular person.

Write down why. One page per investment, covering what we expect, what that expectation rests on, what would have to happen for us to have been wrong, and when we look at it again. It takes twenty minutes, and in three years' time it is the only document that allows an honest judgement about whether a decision was sound or merely turned out well.

Give one person the missing sentence. Somebody needs it written into their brief, word for word. Make sure this family can still act in five years' time. Without it, every adviser keeps doing excellent work on their own piece, and nobody owns the whole.

Give dissent a named place. Somebody has to have the job of arguing against a proposition, and that job belongs in the terms of reference, with a fixed term and a fee. Goodwill will not carry it. Anyone who objects out of politeness stops the first time it really matters.

I have come round to seeing the quiet period after a sale as the best thing that can happen to a family, provided they notice it in time.

Every governance structure I have ever helped build inside a company was built during an emergency. A covenant had been breached, a shareholder had walked out, a market had collapsed. Rules written under those conditions are defensive, and everybody in the room can name the person each clause is aimed at. They work, and they leave a residue that lasts for years.

A family in the first year after a sale is in the rarest position in business. They have time, they have means, and they have no live conflict. They can decide how they want to make decisions before anything is at stake, and they can be generous about it, because nobody is being outvoted yet. I have never once seen that combination inside an operating company.

The window stays open for roughly a year, and it closes with the first serious disagreement rather than on any particular date.

△ **Ask yourself**

Which rule would be easy to agree at dinner tonight, and impossible to agree after the first real argument?

Next in this series · Chapter 7 · The Freedom of a Business Without Customers

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