
A Third-Party Sale Is One Exit Path. It Is Not the Only One.

Most owners picture an exit as a sale to an outside buyer. That is one path among several, and the right one depends on what the owner is actually trying to accomplish.

By Grady Collins

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Preparation-first business brokerage for owner-led companies.

Most owners who begin thinking about an exit picture one version of it: an outside buyer, a purchase agreement, a closing date and a handoff. For many owner-led businesses, that is the right path. It is not the only one.

A business can also pass to its managers, to a partner, to the next generation, or to its employees through an ESOP. It can bring in an investor so the owner sells part now and part later. Sometimes the honest answer is an orderly wind-down.

These paths differ in how much cash arrives at closing, how long the owner stays financially tied to the business afterward, what happens to employees, and which professionals need to be involved.

That is why the choice of path comes early, before anyone prepares the business for buyer review. In the five-stage model MSEP uses, it is Stage 2, Transition Design, and it follows [Owner Alignment](#). The full sequence is covered in [The Five Stages of a Business Exit](#).

The path should follow the owner's goals.

An exit path is a means, not a goal. The goals come first: how much the owner needs to live on, how soon they want to step away, what they want for employees and family, and how much risk they are willing to carry after closing.

In *Walking to Destiny* (2023), Christopher Snider, who leads the Exit Planning Institute, describes owners who started out certain they wanted to sell to a third party and, after researching their options, found that a sale to management or employees fit their personal and financial goals better.

When the path is chosen before the goals are clear, the owner often ends up defending a decision rather than evaluating one.

Outside paths tend to trade continuity for cash and a cleaner break.

Snider groups the options as inside and outside the company.

Sale to a third party. The business is sold to an outside buyer: a competitor, a larger company, a private equity group, or an individual. In Snider's comparison, this path tends to bring the highest price of the options, more cash at closing, and the fastest route out. He is equally clear about the cost: a long process he puts at nine to twelve months, distraction from running the business, privacy concerns, after-sale obligations, and deals that can be difficult to close.

Recapitalization. An outside lender or equity investor becomes a partner, and the owner sells a minority or majority stake. Snider lists the benefits as a partial exit, reduced concentration of the owner's wealth in one asset, growth capital, and a possible "second bite" when the remaining stake is sold later. The costs are continuing accountability to a partner, loss of control, a shift in culture, and no clean break.

Orderly wind-down. The business is closed and its assets sold. Snider notes this can make sense when the assets are worth more than the business can earn as a going concern. It brings no payment for goodwill, uncertain proceeds, and real consequences for employees and the community.

Inside paths tend to trade price and cash at closing for continuity.

The inside paths keep the business with people who already know it.

Management buyout. The owner sells all or part of the business to its management team. Snider lists continuity, motivated buyers and preserved know-how among the advantages, and illiquid buyers, lower price, unattractive terms for the seller and heavy seller financing among the potential drawbacks.

Sale to existing partners. Where there are co-owners, Snider ties success closely to the existence and quality of a buy-sell agreement. The buyers are well informed and the process can be orderly, but he notes a lower price and proceeds that often arrive more slowly.

ESOP. A trust set up for employees buys some or all of the owner's shares, funded by company cash, bank debt, seller financing or a combination. Snider lists tax advantages and the chance for employees to think like owners, and on the other side, a complicated and expensive structure and an obligation to buy back shares from departing employees. Two practical limits are worth knowing early: an ESOP cannot pay more than fair market value, while an outside buyer sometimes will, and the company has to carry the cost of the purchase and the ongoing administration. In Cincinnati, a Goering Center article describes how BHDP Architecture became 100 percent employee-owned in 2026 with its former shareholders staying in their leadership roles.

The common thread is financing. Snider notes that inside transitions do not usually come with large up-front proceeds, and if the business struggles afterward, the owner's full payout is at risk.

When the buyer cannot pay in full, the seller becomes the lender. Seller financing is ordinary in Main Street transactions. But instead of cash, the owner holds a promise, and that promise depends on how the business performs under someone else's management.

None of this rules out an inside sale. It means knowing, before choosing the path, how much of the price will be paid later, by whom, secured by what, and what happens if payments stop.

Family succession deserves its own honest test.

Passing the business to the next generation is the path many owners hope for. Snider notes that far fewer owners actually make that transfer than set out to.

His list of advantages is genuine: legacy, control, lower cost and less disruption. His list of drawbacks is pointed: family dynamics, heirs without the funds to buy, a lower price, key employees who may leave, and tradition that can outrun good strategy.

Terry Monroe, a business broker writing in *Hidden Wealth* (2020), goes further. In his experience, a qualified family successor is less common than owners expect, and owners who do hand the business down often misjudge the heir.

Monroe's sharpest warning is about money. He cautions against owners who "sell the business to your children and then finance it," because if the business fails, the owner loses both the retirement income they were counting on and the business itself. Glen Cooper, a longtime broker, makes the same point from the lending side. His seller notes were usually paid in full, he reports, and the exceptions follow a pattern: "Seller financing horror stories usually are based in inter-family sales where no personal guarantees were obtained from often-shaky relatives."

His practical advice is to have the conversation early and often, and to ask directly. Children's plans change, he notes, and they do not always tell their parents that the family business no longer appeals to them. As a friend once told him, "Surprises are for birthdays and Christmas; I don't want any surprises in my business."

A pattern that comes up in conversations with owners: an owner who has long expected a son or daughter to take over finds, late in the process, that the child is not ready or not suited to run the business. The Goering Center for Family and Private Business at the University of Cincinnati lists leadership development plans for possible successors among its [10 Best Practices of Family and Private Businesses](#). That is the practical answer: test and develop a successor years before the handoff, not at it.

Sometimes the honest answer is a sale. Rick Blum's Goering Center transition guide profile describes how his family's Cincinnati company, Kirk & Blum, was owned in 1999 by three brothers active in the business and three sisters who were not. Working with their advisory board, the family decided the best solution to its succession issues was to sell, and the company was sold to Ceco Environmental that year.

None of this means family succession is wrong. It means the owner has to judge the heir as clearly as an outside buyer would, and with the family's estate attorney and CPA involved early.

An exit does not have to happen all at once.

Snider makes a point that changes how many owners think about this stage: "Exiting your business does not have to be a once-in-a-lifetime event."

He describes selling in stages and combining paths. One example: a management team or family member who wants to buy but lacks the capital partners with a private equity firm, so the owner is not financing the whole purchase and may get a second sale later.

Staged and hybrid exits need growth and time, and they bring more parties and ongoing obligations.

Each path brings a different team.

The professionals involved differ by path. An ESOP involves ESOP counsel, a trustee who acts for the employees as shareholder, and an independent valuation every year, and a feasibility study usually comes first. Family succession runs through estate attorneys, CPAs and often wealth advisors. A management buyout or partner sale depends on lenders, the buy-sell agreement and the attorneys who draft the financing terms.

These decisions belong with the owner and their own advisors. MSEP does not provide legal, tax, financial-planning, valuation or accounting services, and it does not design ESOPs, estate plans or recapitalizations. In Stage 2, MSEP's role is to help the owner see the questions clearly and connect with the right professionals, without replacing their role.

When a third-party sale is the chosen path, MSEP leads the business-readiness work and the market process that follow. That means preparing the business for buyer review, then running a controlled process built on NDAs, buyer profiles and staged disclosure. How that process works is described on [The Exit Process](#).

What owners often miss

Planning ahead is still the exception. A 2021 report from the [Ohio Employee Ownership Center at Kent State](#) estimated that baby boomers own 54 percent of Ohio's private businesses and, citing a 2019 national survey of owners, that 80 percent have no formal succession plan.

Without a plan, the path is often chosen by default. An owner gets an unsolicited call from a buyer, or a key manager mentions an interest, and the conversation that happens to arrive first becomes the plan. Changing course after a process has started is costly, and it can put confidentiality at risk.

The paths also interact with readiness. Snider warns that an unprepared business makes every path harder, inside or out. A family successor inherits whatever owner dependence the business still has.

And the decision is personal. A sale to employees can feel like loyalty. A sale to an outside buyer can feel like letting go. Neither feeling is a reason to choose a path on its own. Both are worth

naming, so the owner can weigh them alongside the numbers instead of underneath them.

Choose the path before preparing for it.

An owner does not need to have the answer today.

The useful first step is clarity: what the owner needs from the exit, which paths can plausibly deliver it, and which advisors should be part of that conversation. If a third-party sale turns out to be the right path, the work then turns to readiness, which is covered under [Exit Readiness](#).

Preparation does not obligate you to go to market. A private conversation can help clarify where things stand and which questions belong with which professionals.

Sources

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START WITH READINESS

Understand where your business stands.

A Confidential Exit Readiness Assessment is a private first conversation about where your business sits in the process, what buyers are likely to care about, and what a prepared path forward may look like. Preparation does not obligate you to go to market.

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