Spotlight
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How do family firms turn acquisitions into lasting relationships rather than just deals?

Trust-building behaviors help family businesses combine financial and relational goals in acquisitions

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Most acquisitions fail. That stark assessment has held steady across decades of research — and yet companies keep buying other companies, convinced they'll be the exception. The dominant explanation for this persistent optimism centers on financial logic: firms acquire to gain market share, cut costs, or absorb competitors. When the math doesn't work out, the deal is labeled a failure.

But what if the math isn't the whole story? For family-owned businesses, acquisition decisions often reflect a tangle of motivations that go well beyond quarterly returns. The desire to create jobs in a community, to give the next generation a larger platform to grow into, to honor a long-standing relationship with a fellow business owner — these relational impulses sit alongside the spreadsheets and proformas, sometimes quietly shaping the deal from the start.

A new study by Darin Dredge, Laura Madden, Torsten Pieper, Anne Smith, and Joseph Astrachan digs into this dual reality. Through in-depth interviews with leaders of 11 family firms that collectively completed 51 acquisitions, the researchers found something the existing literature has largely missed: financial and relational motives don't have to compete. In the right hands, they reinforce each other — and trust is the mechanism that makes it work.

WHAT WE STUDIED

The researchers used a multiple case-study approach, interviewing owners and senior executives at 11 privately held family firms across North America and Europe. The firms spanned industries from brewing and healthcare to heavy equipment and commercial banking, and ranged from first-generation startups to fourth-generation enterprises. Collectively, they had completed 51 acquisitions.

Interviews ran deep. The research team gathered 389 pages of transcripts, coded using QDA Miner 5 software across multiple rounds. The initial pass organized responses around standard acquisition phases — motives, opportunities, integration, and outcomes. A second round revealed something the textbook categories hadn't anticipated: financial and relational codes frequently overlapped, sometimes within the same sentence. This co-occurrence became a central finding.

The lead researcher brought practitioner credibility to the process. A practicing manager with direct acquisition experience, he could share war stories with informants in a way that loosened conversation and drew out candid reflections. His firm was excluded from the sample.

KEY INSIGHTS

Financial motives are necessary — but they're not the full picture

Every firm in the sample considered financial value a baseline requirement for any acquisition. Revenue potential, cost structures, long-term viability — these were table stakes. One healthcare firm described walking through proformas as a "prime consideration." A heavy equipment company framed acquisitions as existential: grow or sell.

Yet financial logic alone rarely explained why a deal moved forward. A real estate firm in its fourth generation described the arithmetic of succession: one owner's income had to support seven families and 23

members of the next generation. Acquiring wasn't just smart business — it was a way to sustain the family. A brewer talked about creating jobs in a community hit by double-digit unemployment. Financial health and community responsibility occupied the same sentence, the same breath.

Trust-building starts before the ink dries

One of the study's most striking findings involves timing. Conventional acquisition wisdom draws a bright line between pre-deal evaluation and post-deal integration. These family firms blurred it deliberately. They invested time, money, and personal presence in the target firm long before closing.

One manufacturing CEO had visited the target's office 25 times before the deal closed. He knew the secretary by name and had already mapped out which employees from each firm would work together on billing and collections. That wasn't due diligence in any traditional sense — it was relationship infrastructure.

Another firm learned the hard way. After an acquisition, the owner spent weeks in the back office of the new location learning the business. An employee said, casually, "Good to see you here." She'd been there the week before. No one had noticed. The lesson landed hard: physical presence in the early days isn't about working — it's about being seen, listening, and signaling commitment.

Small gestures carry outsized weight

The study uncovered a catalogue of symbolic actions that acquired employees remembered vividly. At one bank acquisition, the new owners discovered the previous acquirer's name was still tiled into the lobby floor — the interim owners hadn't bothered to remove it. Within a month, the family firm brought in a jackhammer. The message to staff was unmistakable: we're here for the long haul.

At another bank, the family patriarch stood behind the teller counter on the first evening of ownership, serving drinks to the acquired firm's employees. The detail sounds almost quaint. It worked because it was real — an owner who could have stayed home chose to be present, physically serving the people whose livelihoods depended on his decisions.

Emotional management mattered just as much. One manufacturer discovered that acquired employees were receiving pensions from the prior firm. Rather than let the benefit lapse, the CEO told his team to figure out how to make every person whole. Some got pay bumps, others received boosted 401(k) contributions. The cost was real. So was the trust it built.

Success looks different when you broaden the lens

None of the 51 acquisitions were classified as failures by the informants — a remarkable contrast with the broader acquisition literature, where failure rates regularly exceed 50%. The explanation lies partly in how these family firms defined success.

Financial growth mattered, certainly. Firms measured new assets, new markets, and diversification gains. One oil distribution company used early acquisitions to build the management infrastructure needed for its growing family to participate in the business. Learning itself counted: several firms formalized journals and post-mortems to capture what went well and what to change.

But relational outcomes carried equal weight. Talent retention from acquired firms was a consistent priority. One firm relocated a poor manager into a sales role where he thrived. Another created a leadership rotation program so that next-generation family members could learn every part of the expanding enterprise. The ability to involve children and grandchildren in a larger, more complex organization was itself a measure of acquisition success.

TAKEAWAYS

For family business leaders

Owners considering acquisitions should recognize that trust cannot be manufactured through a single grand gesture. The firms in this study built trust through repeated, consistent interactions at every organizational level — from the CEO visiting the shop floor to the accounting teams working side by side before the deal closed.

Active listening deserves particular attention. Several acquired firms had employees who had stopped raising problems because previous owners hadn't listened. One bank's employees hadn't mentioned that their computers took 20 minutes to boot up — for years. Fixing those small problems communicated a culture of care more effectively than any town hall speech.

For non-family firms and investors

Private equity investors and non-family acquirers often assume that relational considerations slow down integration and dilute financial returns. This study suggests the opposite. The family firms that invested most heavily in relationships also reported the strongest overall outcomes. Financial discipline and relational generosity reinforced each other because employees who trust their new owners contribute more, stay longer, and adapt faster.

IMPACT

The study challenges several assumptions embedded in the acquisition literature. It demonstrates that financial and relational motives can work synergistically — a finding that pushes back against the trade-off framework dominating socioemotional wealth research. It repositions trust from an input (something you need before a deal) to an emergent outcome (something that develops through repeated micro-interactions across all levels of both organizations). And it shows that family firms can use acquisitions to grow socioemotional wealth, not merely preserve it — a meaningful departure from the loss-aversion perspective that has shaped much of the field.

For acquisition scholarship more broadly, the findings highlight how much is missed when research focuses exclusively on publicly traded firms and financial performance metrics. Privately held family firms acquire for a richer mix of reasons, measure success on a wider scorecard, and start integrating earlier than conventional models assume.

RECOMMENDATIONS

1. Build relationships with potential acquisition targets long before a deal is on the table. The strongest acquisitions in this study grew from existing industry connections, vendor relationships, or personal networks cultivated over years.
2. Invest in physical presence during integration. Owners and senior leaders should plan to spend meaningful time — not working in back offices, but walking the floor, listening, and being visible — at acquired locations in the weeks and months following a deal.
3. Create formal mechanisms to capture acquisition learning. Several firms in the study kept journals and post-mortems. Over time, these documents became a competitive advantage, allowing later acquisitions to benefit from hard-won lessons.
4. Evaluate acquisition success on multiple dimensions. Financial returns matter, but so do talent retention, family involvement, community impact, and organizational learning. A deal that underperforms on revenue but retains a key team and opens a new market may still be a strategic win.

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