



# Family Enterprise USA

Enterprising families. Working together.

## 2017 FEUSA Family Business Survey

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March 2017

Family Enterprise USA (FEUSA) is a 501(c)(3) organization dedicated to educating the public and creating an environment where private family business is valued and strengthened.

The FEUSA Family Business Survey is conducted annually to update lawmakers on the facts about and priorities of family businesses each year and to further our efforts to grow public support for hard working family-owned businesses across America.

**HOW YOU CAN HELP:** Membership in FEUSA is open to all family businesses. Please contact [Mike Hamra](#) or [Pat Soldano](#) of the FEUSA Board at [www.familyenterpriseusa.com](http://www.familyenterpriseusa.com) to find out how you can join, provide financial support and work with FEUSA to help educate legislators in your community and on Capitol Hill.

2017 FEUSA Survey Administered by:



- Family Enterprise USA (FEUSA) is a 501(c)(3) organization dedicated to educating the public and creating an environment where private family business is valued and strengthened.
- The FEUSA Family Business Survey is conducted to update lawmakers on the facts about and priorities of family businesses each year, and to further our efforts to grow public support for hard working family-owned businesses across America.
- FEUSA retained Family Office Exchange (FOX) to coordinate participant outreach and administer the 2017 FEUSA Family Business Survey. This report captures data from 186 family-owned businesses that completed the online survey from February 23 to March 17, 2017.
- Sample sizes are noted for each question. If you have questions or comments about the data and analysis presented herein, please contact FEUSA Board Chair, Mike Hamra at [mhamra@teamhamra.com](mailto:mhamra@teamhamra.com), or Pat Soldano at [pmsoldano@policyandtaxationgroup.com](mailto:pmsoldano@policyandtaxationgroup.com), FEUSA Board Member.
- FEUSA and Family Office Exchange are grateful to the university-based family business centers, Family Office Exchange members, and trusted advisors to family businesses who helped spread the word about this survey and, most of all, to the family business leaders who took time to share their perspectives by completing this survey.

## About the Participants

- The majority of survey participants (60%) are either sole owner or majority owner of a business that generates up to \$50 million in annual revenue. While most businesses operate in the U.S., 17% also have operations in other countries.
- Half of business owners employ 50 employees or less; 35% have anywhere from 51 to 1,000 employees.
- Survey participants have businesses in all industries, including real estate (12%), manufacturing (11%) and food and beverage (10%).

## Long-term Commitment to their Businesses and Communities

- Half of the participants have first and second generation businesses, while the other half are third generation or beyond. Most (65%) have multiple generations of the family working together in the business. Eighty-one percent (81%) consider their business to be part of the legacy they leave their children.
- About 40% have passed on partial or full ownership of the business to the next generation. Those who have not transitioned to the next generation are either working on a succession plan, do not want to give up ownership yet, or their children are not interested in the business.
- Most (76%) saw their business revenue grow in 2016 and are confident about the business' ability to increase revenue each year. Consequently, 72% plan to hire additional employees in 2017, an increase from 66% in 2016.
- Aside from creating jobs, 92% of business owners pursue civic engagement by sharing their time, talents and resources in their communities.

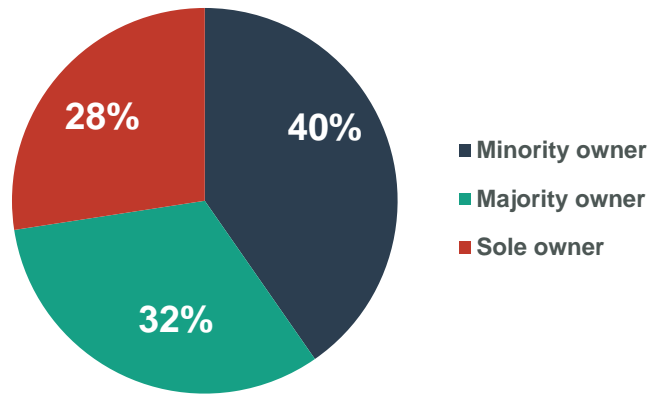
## Challenges & Concerns

- While participants are confident in their ability to grow their business, their top concerns include reducing income taxes, reducing regulations and minimizing or eliminating estate taxes.
- Seventy-eight (78%) of participants see external influences such as government regulation, tax policy and the economic environment as a greater threat to their sustainability than internal issues, such as family conflict.
- About 19% of business owners indicate that planning for estate taxes affects their ability to add jobs. In 2016, they incurred an average of \$74,940 in insurance for estate taxes, an average of \$170,800 in other estate tax planning costs and an average of 13% of their time was spent planning for estate taxes.
- Business owners share, in their own words, the impact of the regulations on their business. The common themes are around estate taxes costing money, resources and time that they could have put into growing their business.
- Understanding their concerns, it is no surprise that 63% of business owners find it more challenging to operate their businesses today than it was five years ago. This is significant because 21% of participants say they would have hired more employees if they did not have to spend resources on estate tax.

# SURVEY DEMOGRAPHICS

## Nature of Business Ownership

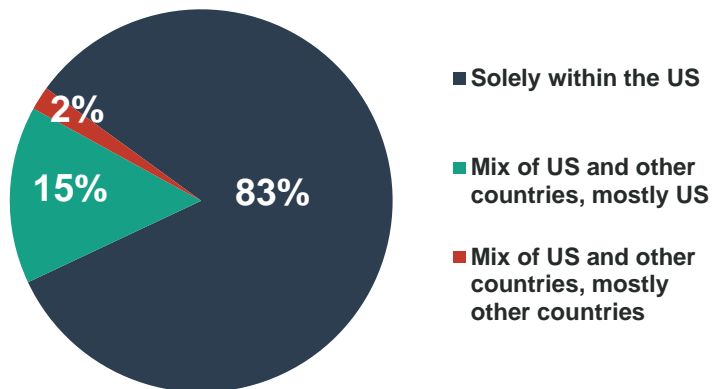
n=186



70% of respondents are C-suite executives in the business.

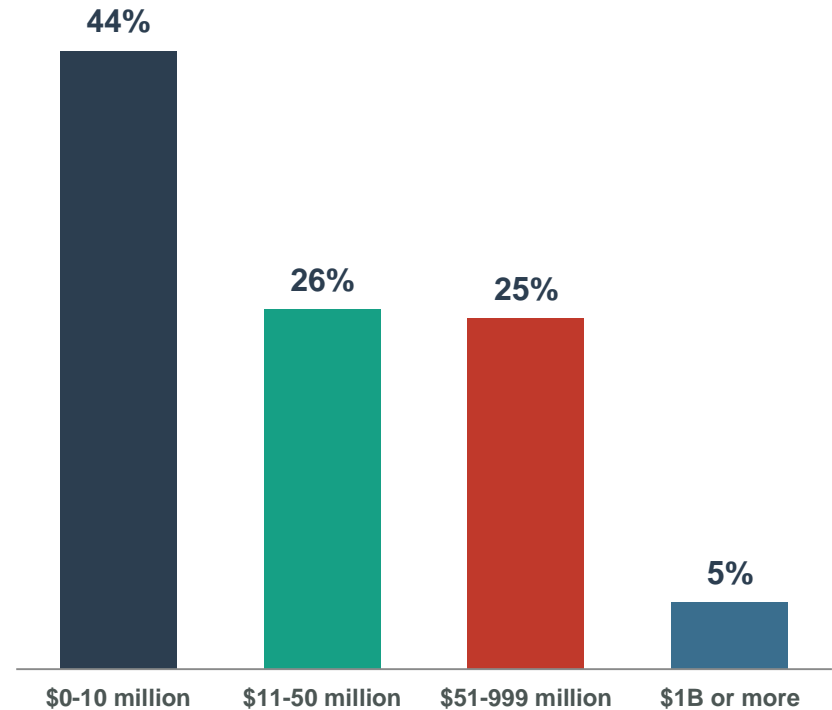
## Does the family business operate exclusively in the United States?

n=170



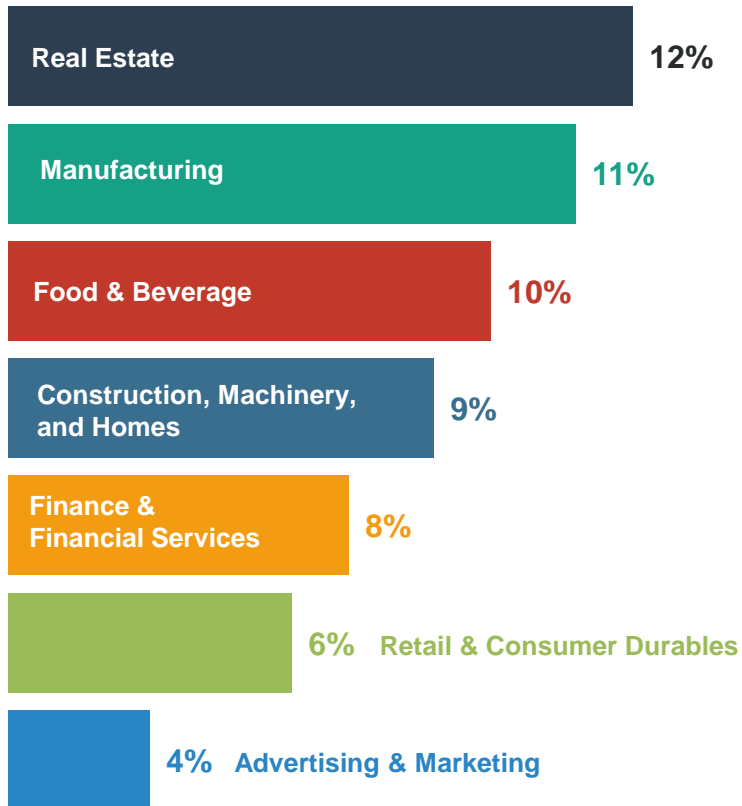
## What was the business' annual revenue for 2016?

n=167



## Which of the following best describes the principal industry of your family business?

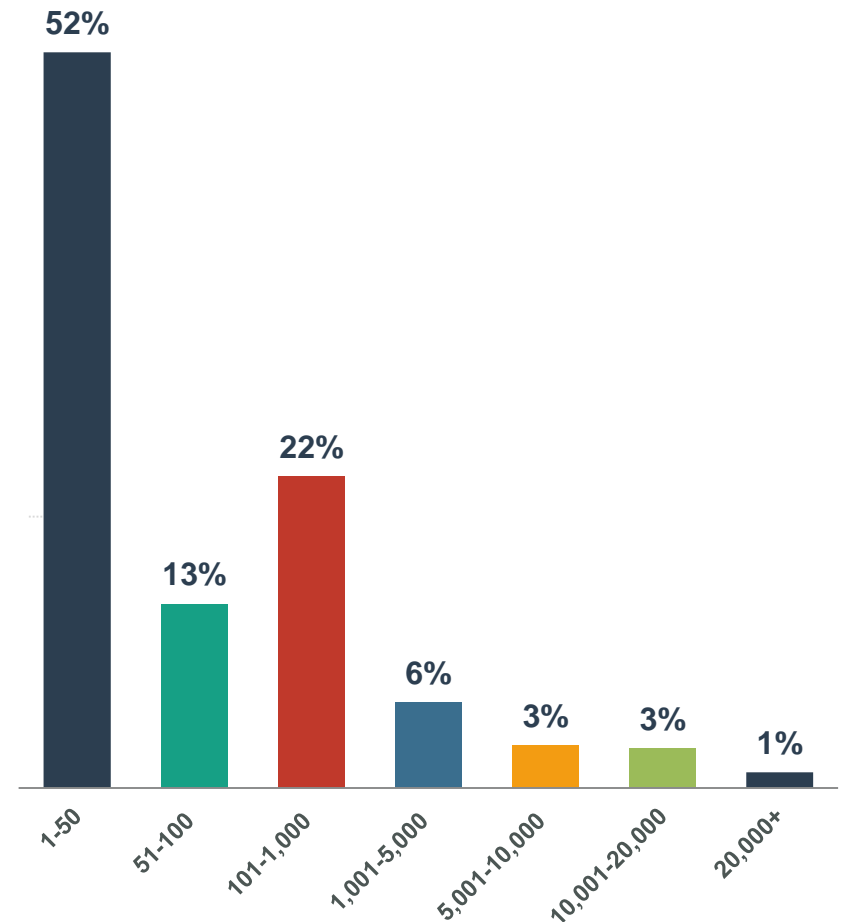
n=177



The remaining 39% of participants represent industries ranging from education and agriculture to healthcare and transportation.

## How many employees work for your family business?

n=178



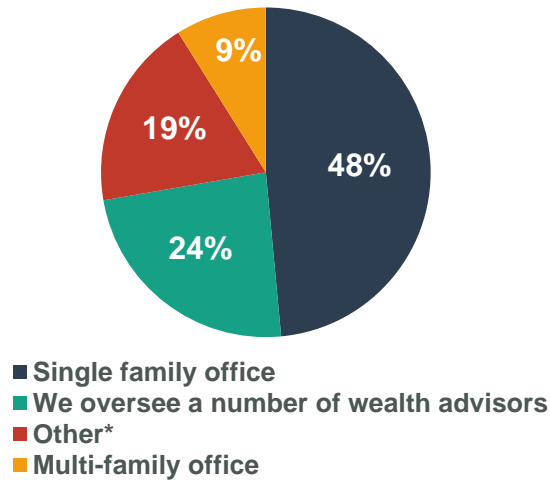
## Do you have liquid wealth outside of the business?

n=164



## How do you manage this liquid wealth?

n=111



\*Other includes investment advisor and self-directed.

## How do you identify yourself politically?

n=163

**55%**



**12%**



**27%**



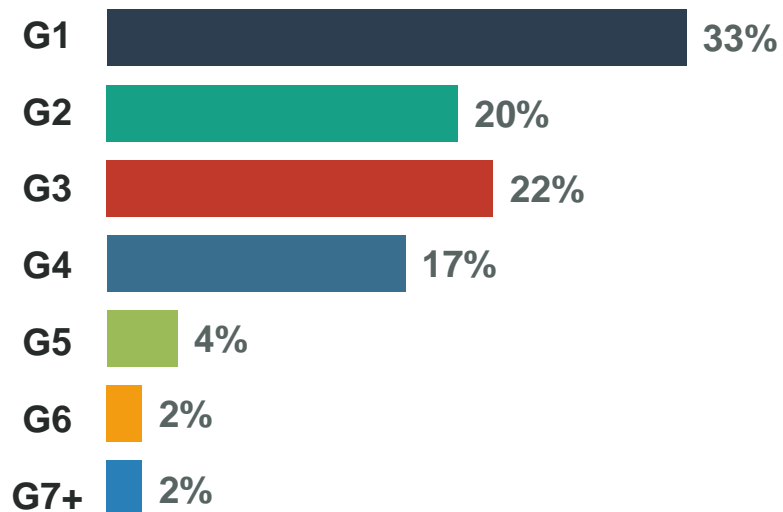
6% Other, which includes Libertarian, Conservative, undecided and declined to share.



# BUSINESS LEADERSHIP

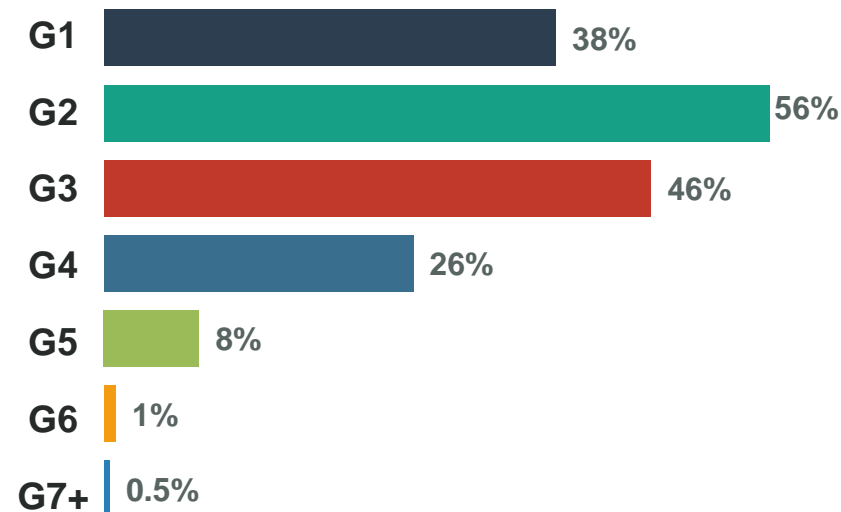
## What generation is your family business?

n=181



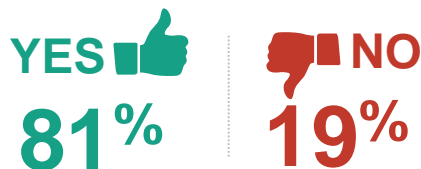
## Which generations are active in the family business? *Select all that apply*

n=181



## Do you consider your family business to be part of your legacy to your children?

n=181

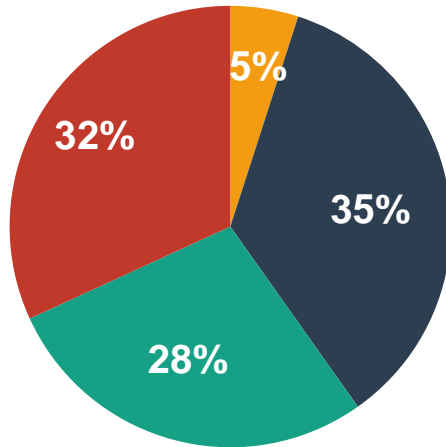


## Keeping It In the Family

- 25% of participants have defied the parable of “shirt sleeves to shirt sleeves in three generations” and have businesses that have been in the family for four or more generations.
- 65% of respondents have multiple generations of family members working together in the family business.

## Have you passed ownership of the business on to the next generation?

n=178



- Yes, full ownership including controlling and non-controlling shares
- Yes, partial ownership
- No, but have a succession plan in place
- No, and have not yet started to develop a succession plan

Out the business owners who passed ownership of the business on to the next generation, the **majority (76%)** gifted it while 42% sold it.

## Please share the reasons you have not passed ownership of the business to the next generation.

n=87

Working on succession plan

Lack of interest of the next generation

Kids not prepared yet / Kids too young

Founder not ready to transition to next generation

Not sure where, when and how to start

## 52% of participants have Governing Board

n=183

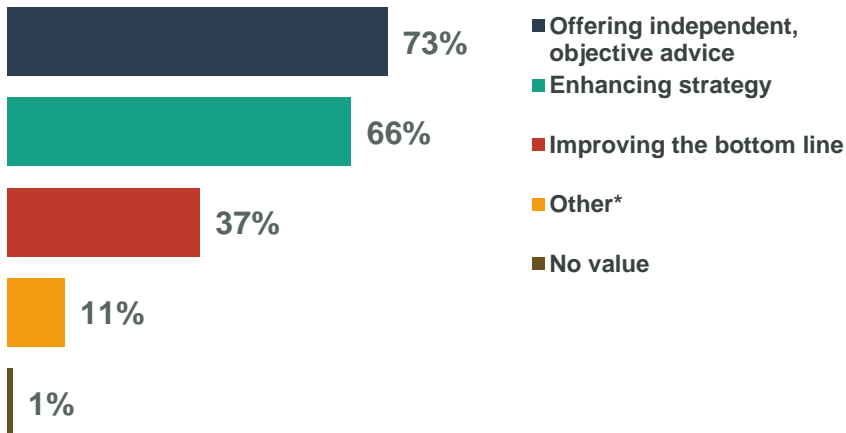


15% are considering forming one  
33% do not have a governing board

66% of those with a governing board rely on both family and external, independent board members.

## How has the board been helpful to your business?

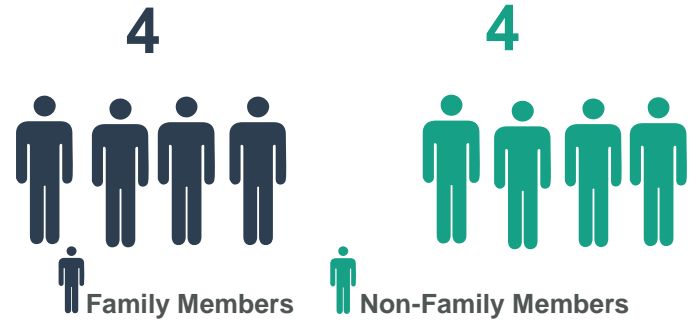
n=81



\*Other includes mentoring, governance and training.

## Average Number of Members Serving on a Governing Board

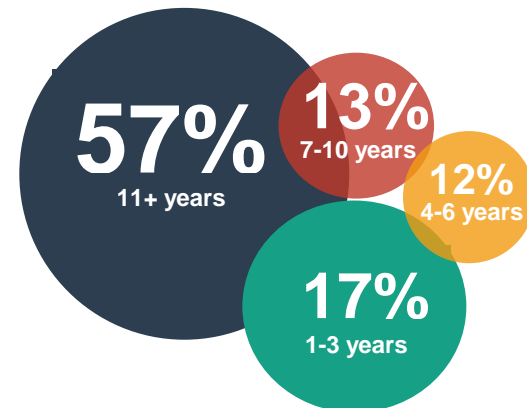
n=76



64% of participants rely on other business owners to serve as board members on their governing boards.

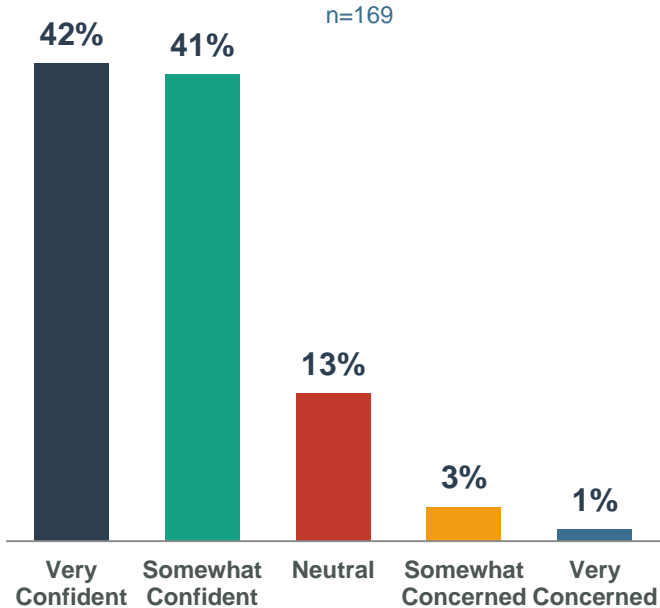
## How long has your board been in operation?

n=81



# BUSINESS CONCERNS & CHALLENGES

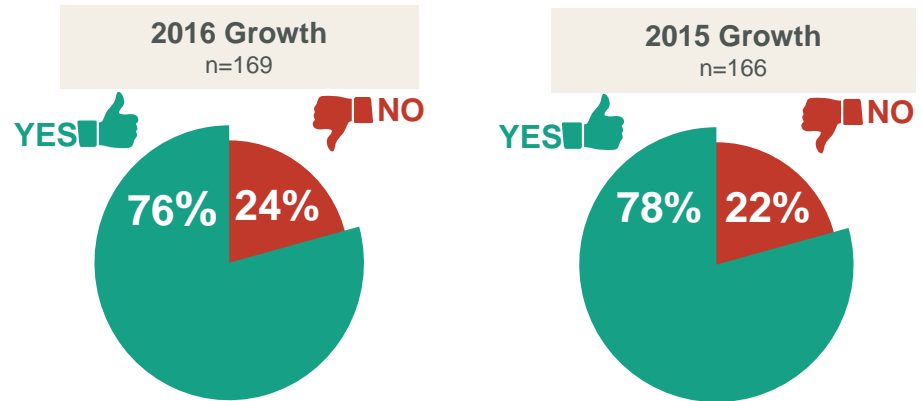
## Confidence in Business's Ability to Increase Revenue Each Year



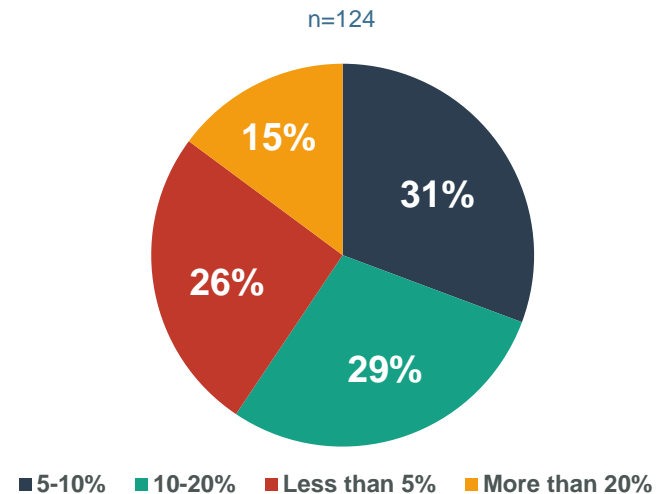
### Confidence in Continued Growth

- Similar to 2015, **more than half** of the respondents report revenue growth in 2016. This is down from 81% in 2014. The majority (60%) reported growth rates between 5-20%.
- **83%** of respondents are confident about their ability to increase revenue each year, in spite of their concerns about government regulations and taxes.

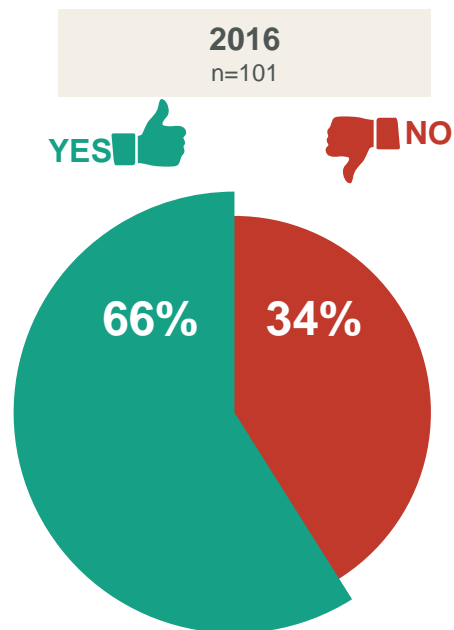
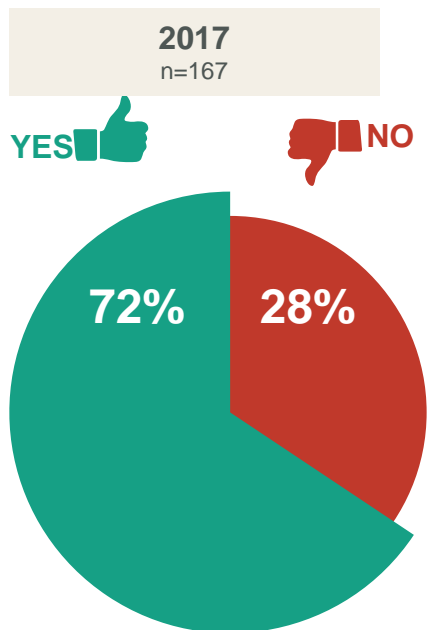
## Did Your Business Revenue Grow?



## 2016 Revenue Growth



## Do you plan to hire more employees?



### Revenue Growth Leads to Job Growth

- In 2011, just **33%** of participants reported job growth. In 2017, **72%** of respondents planned to add employees compared to **66%** in 2016.
- **97%** of the respondents that are hiring new employees in 2017 plan to add up to 100 new employees (compared to 90% in 2016).
- **73%** of business owners said they plan to add approximately 50 jobs in the **next 10 years**.

How do you or your business pursue civic engagement? n=163



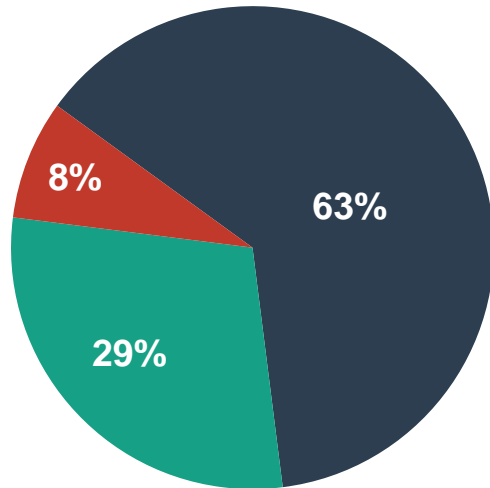
## Positive Impact on their Communities

- **96%** of respondents give back to their communities by sharing their time, talents and resources in the ways outlined above.
- From volunteering their own time (**72%**) to encouraging their employees to volunteer in the community (**59%**), family business owners invest in their communities.



Over the past five years, has it gotten easier or harder to operate your family business?

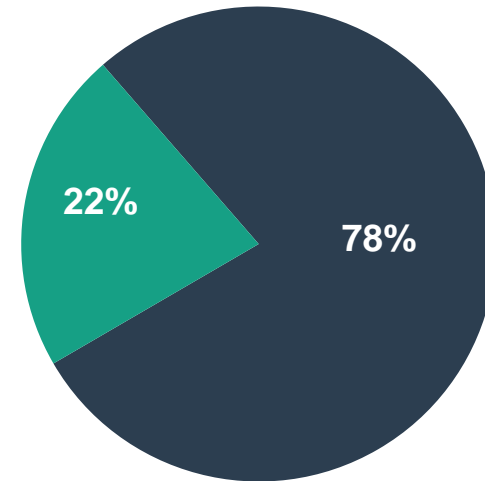
n=166



■ Harder    ■ About the same    ■ Easier

Which do you believe to be the greater threat to the future success of your family business?

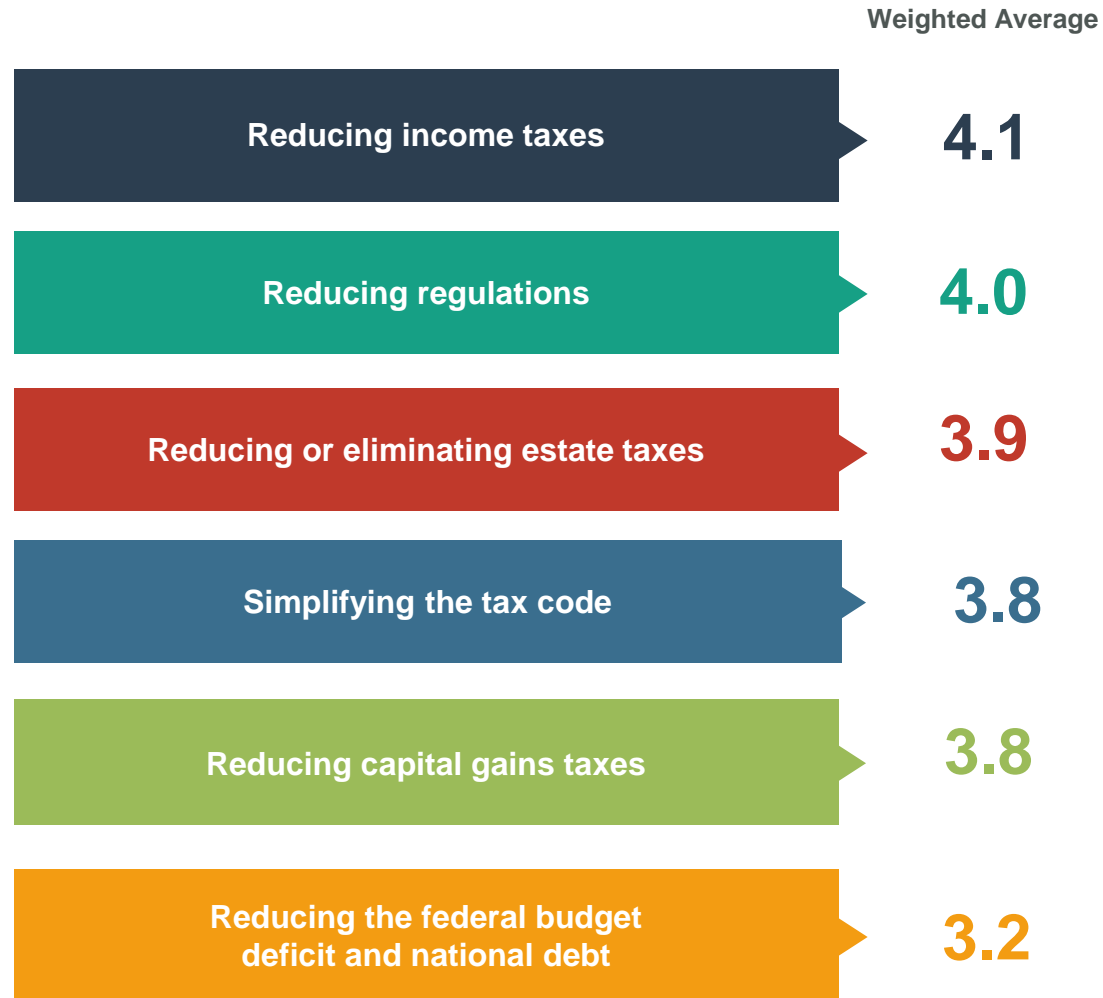
n=165



■ External factors (e.g. economic climate, tax policy, government regulation)

■ Internal factors (e.g. family disagreements, strategic direction of the business, conflict in general)

Please rate your level of concern about the following issues  
on a scale of: 1 (Not at all concerned) to 5 (Very concerned) n=165



About 19% of respondents indicate that planning for estate taxes affects their ability to add jobs, which increased from 10% in 2015.

Average cost of insurance to pay for estate taxes in 2016 n=17

**\$74,940**

Average other costs incurred to plan for estate taxes in 2016 n=19

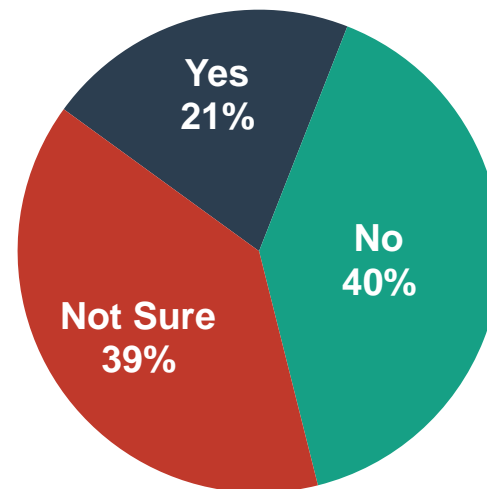
**\$170,800**

Average percentage of time spent planning for estate taxes in 2016 n=32

**13%**

If you did not have to set aside assets for the estate tax, would you have added more jobs in your company?

n=167



## What would you like lawmakers to know about the impact of estate taxes on your business?

- *“The uncertainty of future estate/gift/GSTT tax rules, rates and thresholds requires significant time and cost (consultants) and wasted efforts to educate and re-educate family members taking away from business activities (development of new products and services) and finding, training and hiring qualified people in the immediate and surrounding communities.”*
- *“If estate taxes were totally repealed, the positive impact would be that I would spend the savings and the savings in time spent, on new projects to improve the business.”*
- *“Estate taxes hamper succession and reduce our chances for surviving this generation. Option is to sell out and that basically kills a productive, independent business.”*
- *“Changes the current look at opportunities because we MUST maintain a certain amount of extra liquidity. Will force us to downsize our business, sell assets and reduce staff when deaths occur.”*
- *“Estate taxes stifle growth and development, as well as impact succession possibilities that could allow a business to successfully transition ownership from generation to generation, and serve communities in perpetuity.”*
- *“It reduces our ability to invest in the company, to grow and employ people.”*
- *“It diverts attention from growing the business and adding more jobs.”*
- *“The uncertainty of potentially having a big bill to pay at an uncertain time causes us to maintain more liquid assets when our business is largely real assets.”*
- *“It impacts our ability to grow the business and add new jobs. It also creates uncertainty, and, for us, much of the money ends up being paid to consultants such as attorneys and CPAs versus creating jobs for hard working Americans.”*

## Mission and Approach

[Family Enterprise USA \(FEUSA\)](#) is dedicated to educating the public about the implications of public policy upon closely held and family-owned businesses. FEUSA conducts non-partisan research that highlights the contributions of family enterprises to the economy and the challenges these businesses face, which is then used to educate. This research provides the foundation for FEUSA to educate the public and opinion leaders on the important role of family businesses in the economy and local communities.

## Impact and Focus

FEUSA is the go-to organization in Washington for information on the family business industry. FEUSA has established itself as a trusted resource through its two major projects, which will continue to be expanded upon:

- **Capital City Fly-In:** Twice a year, FEUSA gathers supporters in Washington, D.C., to hear updates on the organization's latest work and developments and learn the state of federal policy impacting businesses. The supporters then meet with legislators to discuss FEUSA's work, and educate them on the current economic environment businesses around the country face.
- **FEUSA Annual Survey:** Through its annual Family Business Survey, FEUSA has distinguished itself as an expert in data collection in the family business sphere. The data provides the foundation for executing FEUSA's mission.

Over the coming years, FEUSA will continue to grow by conducting research in specific areas of tax policy that impact family-owned businesses. A primary focus will be researching the effects of the estate tax. FEUSA will explore the following topics in measuring estate tax impacts:

- Compliance Costs
- Environmental Impact
- Minority Wealth

Family Enterprise USA is uniquely positioned to provide the non-partisan intelligence, data, and educated arguments that opinion leaders will need in the coming years to elevate the debate around tax policies that influence family businesses. Family Enterprise USA's research and work will be instrumental to solidifying FEUSA as the leading organization in Washington working on behalf of family-owned companies.

Sara Hamilton founded FOX in 1989 to provide objective information and advice on family wealth, family leadership, and different pathways available to sustain wealth across generations. Helping members preserve and enhance their true family wealth by providing education, insights, and peer exchange is the sole focus of FOX. The firm's success is measured by the quality and value of the experience of its many private investors, family offices, multi-family offices, and wealth advisor members. True to this original vision, FOX strives to address new challenges and to provide insights on current trends and issues regarding investing, philanthropy, and owner education. As an advocate for wealth owners, FOX provides leadership in the private wealth field, helping to shape the industry and develop standards of performance for industry professionals.

FOX serves family groups and their advisors in 20 countries, providing trusted insight and best practices for managing family wealth. The network includes 480 ultra-wealth families, as well as 280 multi-family offices (MFOs) and advisory firms. More than 6,000 individual family members are served by the FOX global community.

Members rely on FOX ([www.familyoffice.com](http://www.familyoffice.com)) to help them make better, more informed decisions about their family legacy and their wealth management practices and providers. FOX has established a safe, confidential environment of common interest and mutual trust to enable members to compare experiences and learn from the collective knowledge of other members in the network. Resources available to FOX members include proprietary research on wealth management best practices, peer benchmarking, bi-monthly webinars on current trends, and an extensive library of articles and white papers, as well as online discussion forums, regional peer roundtables, and a variety of educational workshops and forums.

FOX offers five forums a year for members. The Forums address many of the issues of greatest concern to wealthy families and their advisors in the areas of legacy and leadership. Perhaps most valued by members is the collective intelligence of the FOX network. This accumulated wisdom has been methodically captured by the FOX staff, with full respect for confidentiality and discretion, and archived in a secure searchable database for the exclusive use of FOX members. This collective knowledge is what truly sets FOX apart.



# Family Enterprise USA

Enterprising families. Working together.

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[www.familyenterpriseusa.com](http://www.familyenterpriseusa.com)