

# Annual Family Business Survey

## General Results & Conclusions

March 2011

Survey Conducted by:



**Family Enterprise USA**

Enterprising families. Working together.

# Annual Family Business Survey

## BACKGROUND

Family businesses have a dramatically positive impact on their communities, and together they are the driving force of the American economy. Family-owned businesses generate 57% of the GDP in the United States, employ 63% of our nation's workforce and are the societal stabilizers in most communities in the country. However, these contributions are all too frequently overlooked...until now.

Family Enterprise USA (FEUSA) was recently launched to provide family business owners with a forum to identify, explore, and promote awareness of their collective issues for the betterment of the common good. FEUSA is a 501(c)(3), organization that educates the general public, the media, policymakers and family enterprise owners about the unique contributions made by this sector, focusing on public image and public policy areas. The purpose of this survey was to better understand the needs of family business owners as they pertain to an organization such as FEUSA.

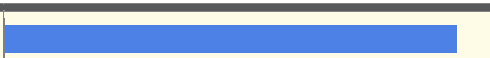
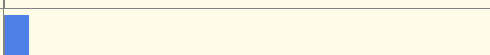
The online survey was completed by 187 respondents, all of whom indicated that they are an owner, VP or President, and/or Director in a family business. Survey respondents were informed and invited to participate by email, LinkedIn, Facebook and word of mouth. Fully, 70% of respondents were from companies that are at least 30 years old and 14% were at least 100 years old. Beyond the age of the company itself, 31% of the respondents' businesses are in their second generation of family ownership and 43% were in their third generation or older. Given the challenges business owners face to pass the business to the next generation, FEUSA gives credence to the survey findings presented below, based on the respondents' senior roles and long-term involvement in the family business field. The following report highlights the results.

## RESULTS

### SHARED IDENTITY

The results of the survey show that an overwhelming percentage of respondents (95%) considered themselves to be family business owners and describe themselves to others as such. Interestingly, only 20% of those same businesses associate their business issues with those of other family-owned businesses. *A key challenge for FEUSA will be to help family enterprise owners develop a sense of shared identity with other family enterprises in order to have a collective voice.*

#### 1. Do you consider your business to be a family business?

Yes		95%
No		5%

**2. How often do you describe your business to other people as a family business?**

Never	Rarely	Sometimes	Always
0%	7%	24%	69%

**3. If you were to associate your business issues with those of other businesses, which of the following would you most likely choose?**

Answer	%
Other family businesses	20%
Other businesses in my community	9%
Other businesses in my industry/field	60%
Other businesses of a similar size	11%

**PROMOTING FAMILY BUSINESS' INTERESTS**

With 79% of all respondents showing interest in an organization that promotes the interests of family businesses, this is a very positive sign for FEUSA. Currently there is not another national nonprofit organization that represents the collective interests of this critical sector.

**4. Would you be willing to join an organization dedicated to promoting the interests of family businesses?**

Yes	79%
No	21%

**ORGANIZATIONAL FOCUS AND KEY STAKEHOLDERS**

Survey respondents expressed that the most important focus of an organization such as FEUSA should be to educate policymakers on the issues facing family businesses in this country. Indeed, survey respondents feel policymakers need to have a better understanding of the sector's issues and contributions.

This validates an important part of FEUSA's mission, and also opens up another opportunity to engage family business owners to share with FEUSA their perspectives on issues they face. FEUSA is positioned to be the voice for America's family enterprises and an educated grass roots community is crucial to our efforts.

Survey respondents' interest in having FEUSA help individual businesses with issues (family conflict, succession, business needs, etc) is not the organization's intended focus, and indeed, other parties such as service providers, family business consultants and university family business centers already play a key and valued role in that area.

As a 501(c)(3) organization, whose members' dues are tax deductible, lobbying necessarily plays a limited role in the organization's efforts. The education of all groups - policymakers, the media, educators and the general public - at a fundamental level regarding the solid contributions made to U.S. society and its economy by family businesses is clearly on the minds of survey respondents.

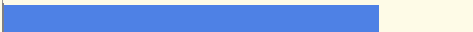

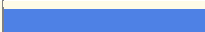



**6. If an organization dedicated to family business concerns existed, please rank the following in terms of what the organization's focus should be. (1=most important; rank the top 4)**

Priority	1	2	3	4
Creating a positive public image for family business	10%	5%	6%	<b>17%</b>
Uniting family businesses around a common identity (shared values & commitment to community)	6%	8%	8%	10%
Educating the general public on the issues facing family businesses	2%	7%	11%	12%
Educating the media on the issues facing family businesses	6%	11%	11%	12%
Educating policy makers on the issues facing family businesses	<b>40%</b>	<b>20%</b>	16%	6%
Helping individual family businesses with issues (conflict, succession, business needs, etc)	23%	19%	9%	11%
Lobbying for policy change nationally	6%	17%	<b>18%</b>	9%
Providing networking opportunities for family businesses	5%	10%	9%	12%
Gathering and providing data & research focused on family businesses	2%	3%	12%	11%

**7. Please indicate how well you feel the following groups understand the needs and issues of family-owned businesses.**

	Don't understand at all	Understand adequately	Completely understand
Policy makers	<b>76%</b>	24%	0%
Family business owners themselves	10%	<b>54%</b>	36%
The general public	<b>60%</b>	40%	0%
Educators (universities, business schools, etc)	45%	<b>54%</b>	1%

**8. Which of these groups needs to be more aware of the positive contributions made by family businesses to their communities and the economy? (Check all that apply)**

The media		79%
Policymakers		<b>93%</b>
Family business owners themselves		43%
The general public		81%
Educators (universities, business schools, etc)		66%
Other		9%

### POLICY AREAS OF INTEREST

In order to educate policymakers FEUSA needs to highlight the family business sector's contributions to the economy, and also issues that make the playing field unlevel for business-owning families. Managing the technical and evolving aspects of the transfer of the business requires business owners to incur substantial costs for legal, insurance and other services. Issues such as the estate, gift and generation skipping taxes need to be addressed in the context of freeing up cash flow, and in family business' ability to reinvest in their businesses. Because family enterprises are the economic engine and societal stabilizers of communities, public policy should incentivize continuation, not the sale of the business.

In its educational efforts, FEUSA will highlight the below-mentioned policy areas as well as others that disadvantage family-owned businesses when it comes to competing with non-family businesses.

**9. The following is a list of issues that could be brought to the attention of federal policy makers regarding their impact on family businesses. Please rank the issues in terms of importance to you. (1= most important; rank the top 3)**

Priority	1	2	3
Changes to the estate, gift and generation skipping tax policies	<b>48%</b>	19%	14%
Creating incentives for growth and strategic rejuvenation of existing ventures	22%	<b>29%</b>	19%
Continued incentives for entrepreneurship	7%	19%	<b>23%</b>
The taxation of dividends and capital gains	10%	24%	22%
SEC regulations and their effects on private companies	0%	5%	6%
Facts about family businesses (prevalence, economic impact, societal contributions,	13%	4%	16%

### RESPONDENTS' POLITICAL AFFILIATION

FEUSA is a nonpartisan organization. However, it is always important when dealing with public policy to take the "political temperature" of your audience. Business owners have often been stereotyped as being Republican, but it is interesting to see the large number of Independents amongst the respondents to this survey. FEUSA speaks from one voice, that of family enterprise owners, regardless of their political affiliation.

**10. How do you identify politically?**

Democrat		10%
Republican		<b>57%</b>
Independent		24%
Other		1%
Rather not say		7%

**JOBS AND EMPLOYMENT**

About 2/3 of survey respondents have 100 or fewer employees and the other 1/3 have more than 100. The number of employees is a key demographic used by policymakers for legislative purposes. However, FEUSA ascertains that “number of employees” does not paint an accurate picture of a firm’s overall contribution. What may be most influential in today’s economy is a family business’ ability to retain and hire new employees. Other research indicates that family businesses account for nearly 80% of all new jobs. FEUSA’s survey results show that 94% of respondents plan to increase the number of employees or not change the number in the next 12 months; family businesses should be an obvious focus for Congress as they discuss job creation and the economy.

**11. How many total employees (full-time, part-time, seasonal) work for your business(es)?**

1 - 10		22%
11 - 25		14%
26 - 100		<b>29%</b>
101 - 500		<b>29%</b>
501 - 1000		3%
1001 - 2500		3%
2501 - 5000		0%
5000 +		1%



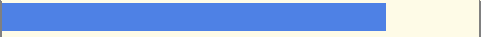

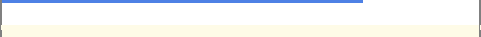
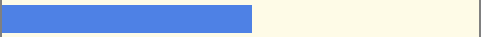

**12. What change do you anticipate to your employee base in the next 12 months?**

Increase in employees		<b>52%</b>
No change		42%
Decrease in employees		6%

## FAMILY BUSINESS PHILANTHROPY

In terms of their role as societal stabilizers, family businesses are often the philanthropic cornerstones of their communities. Nearly 100% of survey respondents are financially vested in charities and also provide time and in-kind donations. When family businesses consider their charitable commitments, FEUSA hopes to be among their top 3 charities. FEUSA's work to promote an accurate and positive public collective image of family enterprises would not be complete without strong reference to their generosity.

### 13. Please check all items that your family engages in regarding philanthropy and community involvement.

Give set percentage of company profits to charity		25%
Donate money to one or more organizations		94%
Personally volunteer in the community		81%
Serve on a board of a non-profit and/or charitable organization		76%
Encourage employees to volunteer their time in the community		53%
A trust or foundation that handles philanthropy		20%
In-kind donations of materials, supplies, space, etc		74%

## CONCLUSIONS

The results of the survey show an overwhelming percentage of respondents considered themselves to not only be family business owners (95%), but also described themselves as such. However, only 20% of those same businesses associated their business issues with those of other family-owned businesses. While industry specific issues play role in a business' advocacy efforts, FEUSA highlights the family business community as an industry in and of itself. With the strong connections and long-term commitments family business owners have within their communities, they will be a recognized force when they act collectively.

Collective action is the key to the success of FEUSA. Considering respondents' strong interest in educating policymakers and FEUSA's keen awareness of the issues facing family-owned businesses, FEUSA is well-positioned to work on behalf of the newly-forming "family business sector."

It was important, however, to understand the types of issues family business owners felt should be highlighted through educational efforts. The estate, gift and generation-skipping taxes were chosen as the top issue priorities. While there are current efforts to bring these issues to light, it will be important for FEUSA to emphasize the implications of these tax policies on family businesses.

In addition to the need to educate policymakers, it was clear that family business owners feel the general public does not understand the issues faced by family business owners. FEUSA agrees,

and any effort to move the needle on the policy front will include a complementary public education campaign.

From a membership standpoint, the survey provided FEUSA with a very positive outlook. 79% of all respondents showed interest in an organization similar to FEUSA. This goes back to the need for collective action, and a large and growing membership will be crucial to the future of FEUSA. FEUSA's budget is solely dependent on the dues and donations from family business owners, and the support of the organization's efforts shown in the survey results provides the organization with a promising future.

FEUSA would like to thank the individuals who took time to provide us with extremely valuable feedback on the organization's current and future efforts. This survey was dubbed as the "Annual Family Business Survey" and while it was the first of its kind, FEUSA intends to invite responses from interested constituents even more frequently.

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Launched in 2009, Family Enterprise USA (FEUSA) is an independent, national 501(c)(3) membership organization whose primary purpose is to increase the public's and policymaker's knowledge and awareness of the positive contributions made by and the issues faced by America's more than 5.5 million family businesses. FEUSA is supported solely by the tax deductible membership dues and donations from the family business community.

For additional information and resources, please visit [www.familyenterpriseusa.org](http://www.familyenterpriseusa.org) or contact us at [info@familyenterpriseusa.org](mailto:info@familyenterpriseusa.org).

