



2020 FEUSA Family Business Survey

May 2020

2020 FEUSA Survey Administered by:



About Family Enterprise USA

Family Enterprise USA (FEUSA) is the organization that family business owners and legislators in Washington DC go to for information on the family business industry. FEUSA has established itself as a trusted resource through research work, an annual survey of family businesses across the country, focus groups and general data gathering about the issues and challenges family businesses face every day.

FEUSA's membership consists solely of, and is supported by, family businesses with the single purpose of promoting family business in America, so they can continue to grow, thrive and add jobs.

HOW YOU CAN HELP: Membership in FEUSA is open to all family businesses. Please contact [Pat Soldano](#), President of FEUSA at 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.

About this Survey

- 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.
- Through its annual Family Business Survey, FEUSA has distinguished itself as an expert in data collection on family business across the United States.
- 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 2020 FEUSA Family Business Survey.
- This year's survey was conducted between January 31st and April 24th 2020 and a total of 179 responses were collected.
- Sample sizes are noted for each question. If you have questions or comments about the data and analysis presented herein, please contact President of FEUSA, Pat Soldano at pmsoldano@family-enterpriseusa.com.
- FEUSA and Family Office Exchange are grateful to the university-based family business centers and Family Office Exchange members 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.

Survey Highlights

ABOUT THE PARTICIPANTS

- Nearly 9 in 10 (86%) of survey participants are either the sole owner or a majority owner of a business.
- A large majority (84%) of businesses represented in the survey have been in operation for 30 years or longer, and a similar proportion (82%) are companies with 2019 gross US revenues of \$6 million or more.
- 74% of respondents have 50 or more employees and 58% have 100 or more.
- 56% of business owners believe that they pay above average wages and benefits.

A NOTE ON SURVEY TIMEFRAME

- The 2020 FEUSA Survey was conducted between January 31st and April 24th during the global Coronavirus pandemic. As of mid-March much of the United States was under some form of stay-at-home order and survey responses reflect concerns as a result of this unexpected global event.

BUSINESS CHALLENGES & CONCERNS

- While the large majority (79%) report revenue growth in 2019, a substantially fewer report growth of 10% or more compared to 2018. (39% reporting 10%+ growth now vs. 47% reporting similarly for 2018).
- Furthermore, fewer business owners this year report they are 'very confident' in their ability to increase revenue each year. 26% report as such now versus 33% reporting similarly last year.
- 58% report that a recession or market downturn is the top risk to their business success. Coronavirus is mentioned by some as a risk to success and growth.
- Reducing estate tax and income tax are top two economic priorities with reducing regulations a close third and federal trade policies at the bottom.
- Income tax policy is of key concern for business owners. 71% of participants rank this as a top tax policy concern and 46% rate estate tax as top tax concern.
- 67% of respondents support reducing the rate of the estate tax and 64% support repealing it altogether, while 57% would like to make the current exemption level permanent.

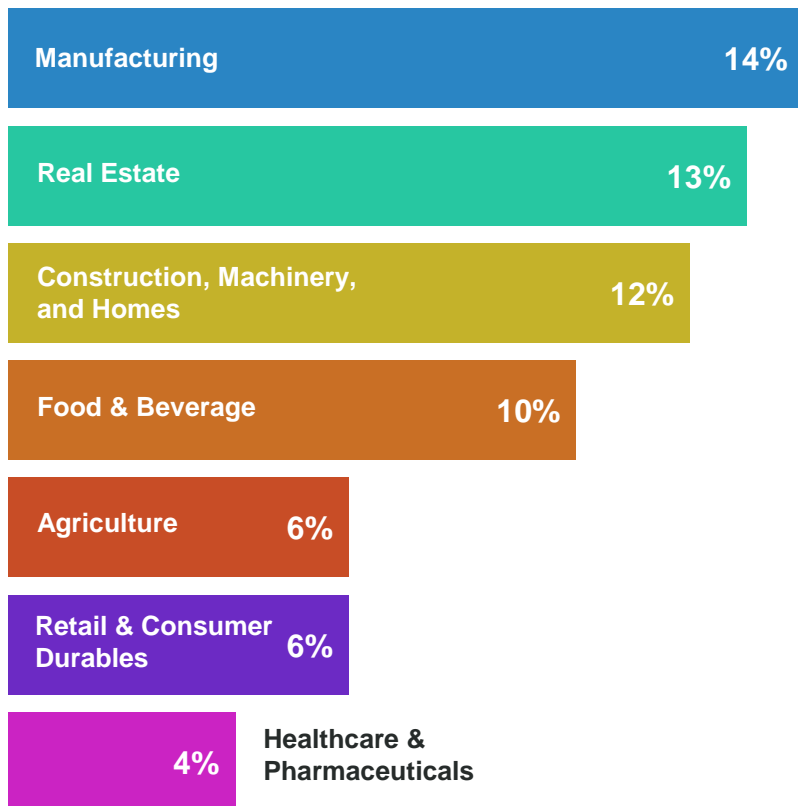


Business Profile

Principal Industry, Employees

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

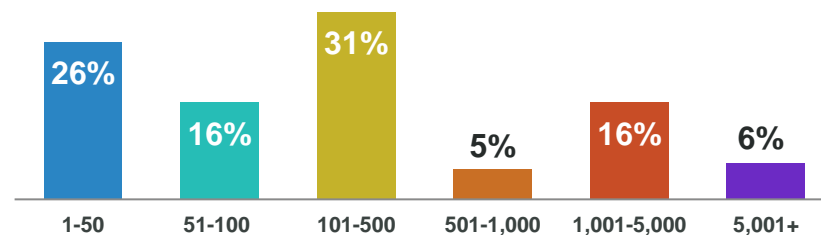
n=173



The remaining participants represent industries that include education, finance & financial services, utilities, energy & extraction, and telecommunications.

Number of Employees in the US in 2019

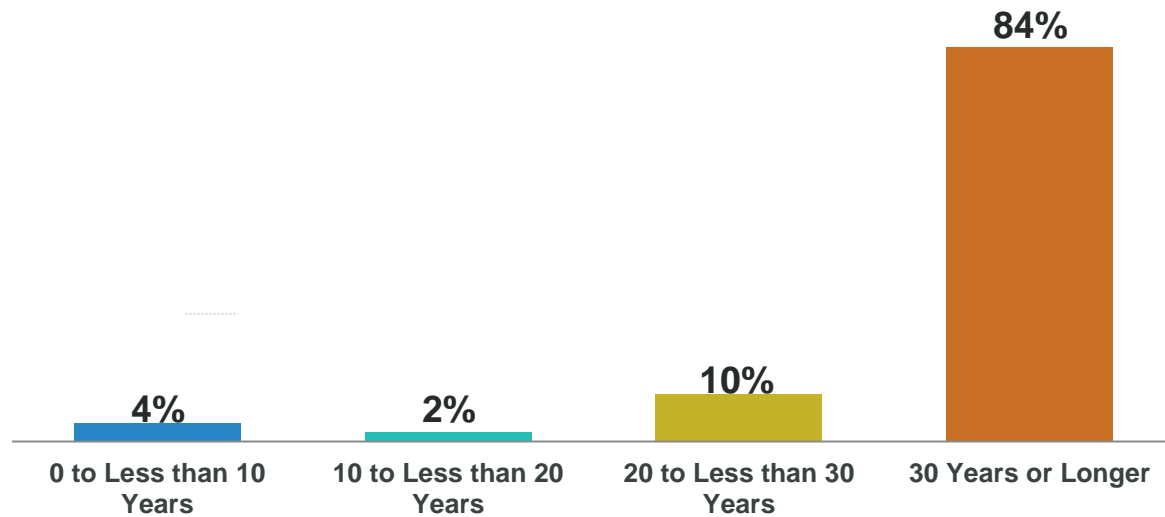
n=179



Years in Business

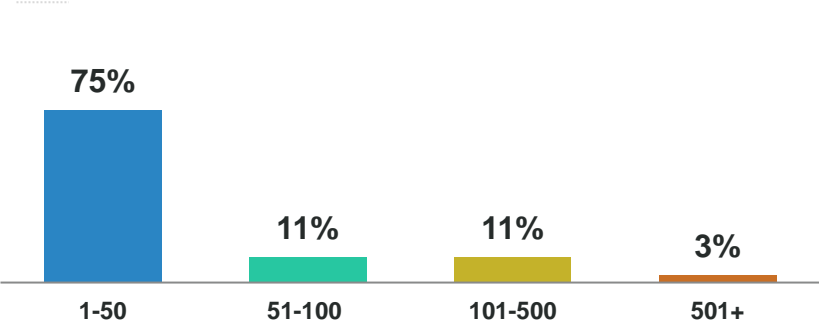
Number of Years Business is in Operation

n=179

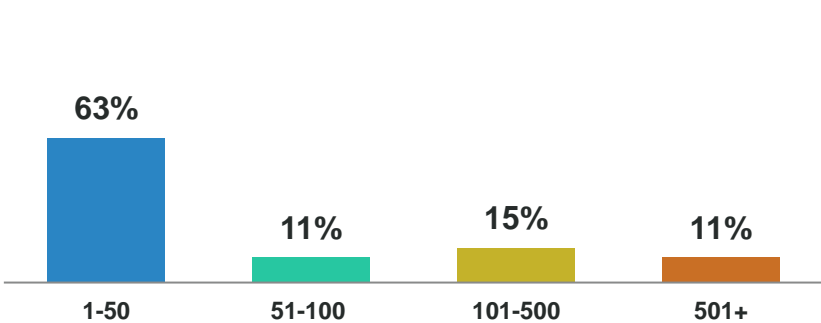


Jobs Added, Planning to Add

Net New US Jobs Added in 2019
n=172



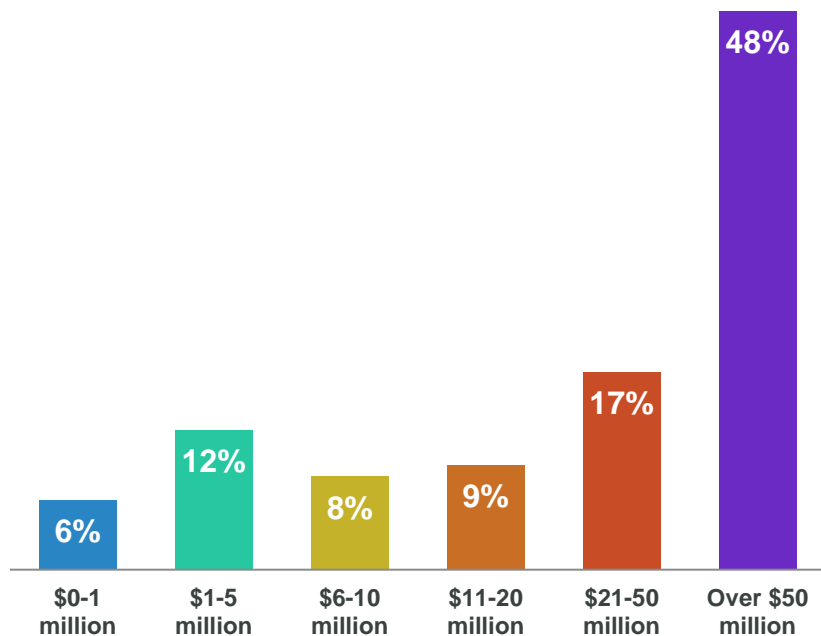
Net New US Jobs to be Added Over 5 Years
n=175



Revenue & Growth

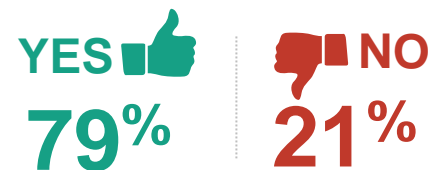
Gross US Revenues for 2019

n=170



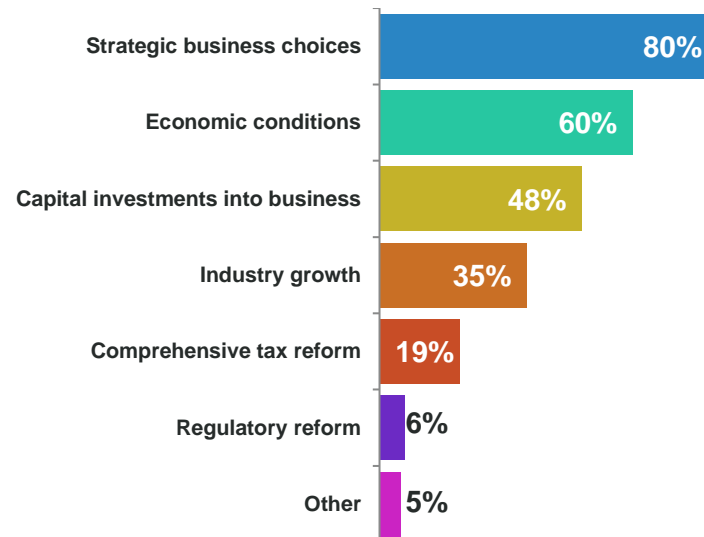
Did your business revenue grow in 2019?

n=179



Sources of Revenue Growth in 2019

(Select all that apply) n=141



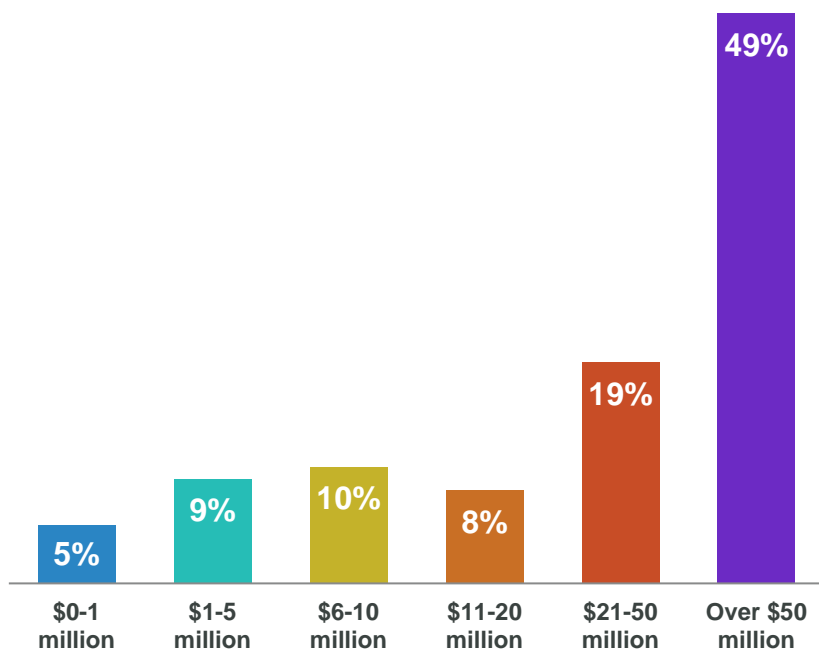
Other sources of revenue growth include:

Investment in innovative technology, automation, new products, focus on employee engagement and company culture.

Revenue Expectations for 2020

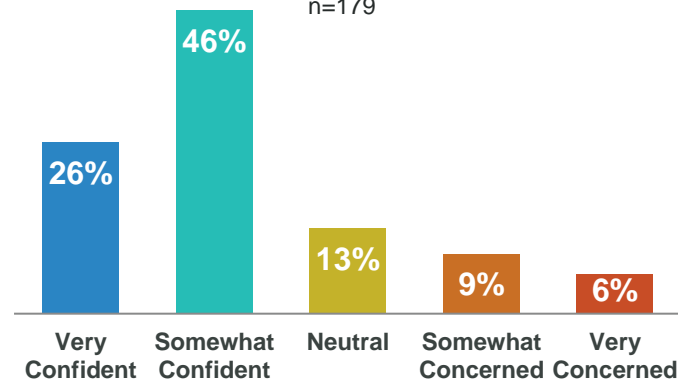
Estimated Gross US Revenues for 2020

n=170



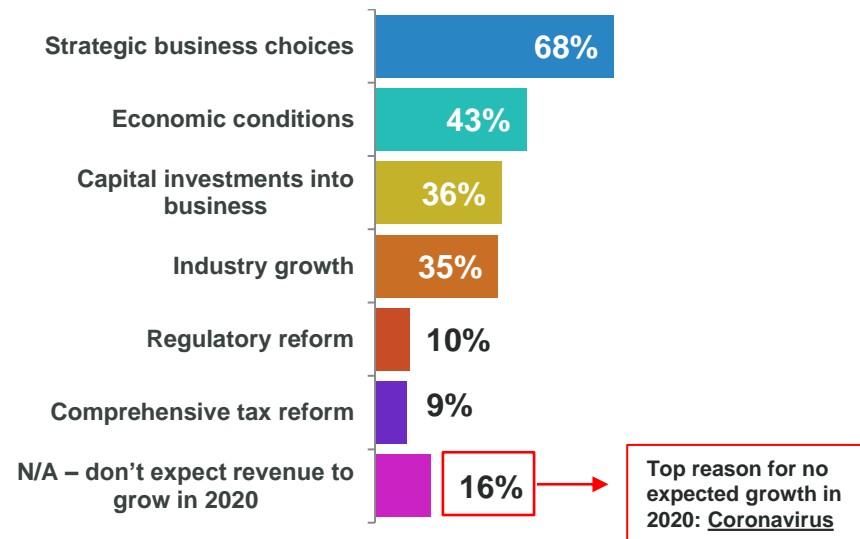
Confidence in Business's Ability to Increase Revenue Each Year

n=179



Expected Sources of Revenue Growth in 2020

(Select all that apply) n=176



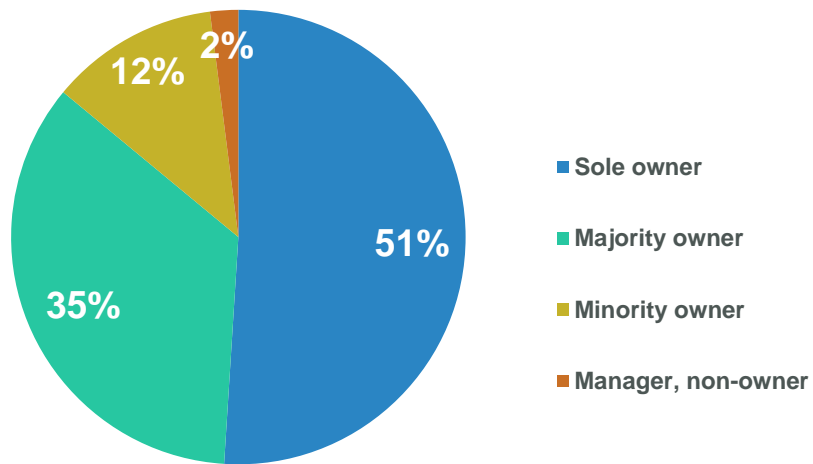


Business Leadership

Leadership Profile

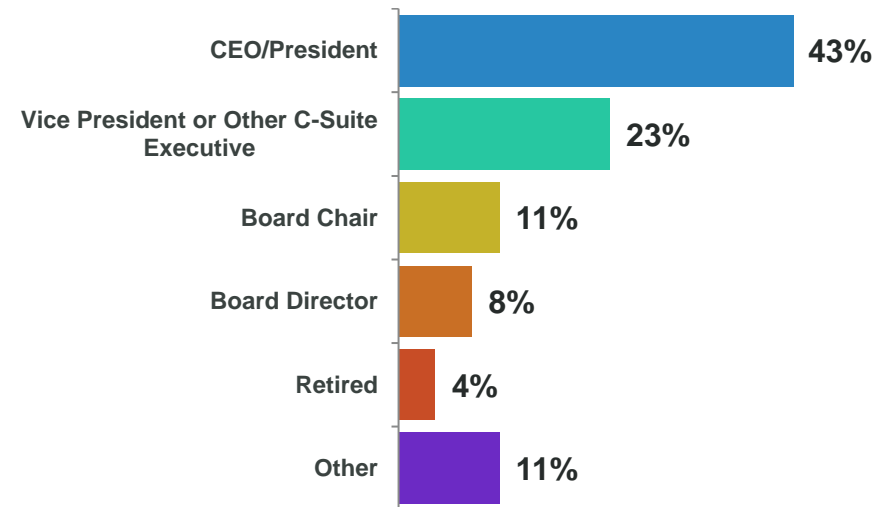
Nature of Business Ownership

n=179



Role in Family Business

n=179

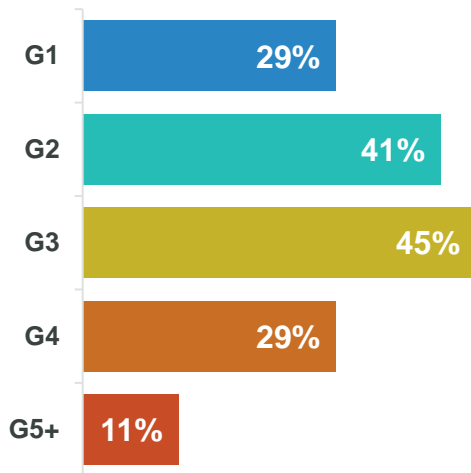


Other includes: Family Office Executive, Shareholder

Commitment to Business and Family

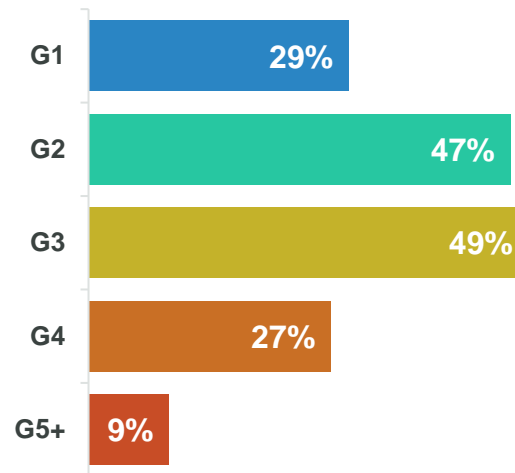
What generation is the ownership of your family business? *Select all that apply.*

n=179



Which generations are active in the management of the family business? *Select all that apply.*

n=175



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

n=176

YES
88%

NO
12%

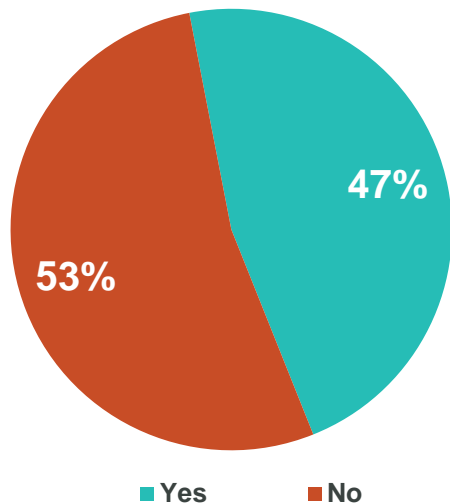
Keeping It In the Family

- **One-third** 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.
- **9 in 10** respondents consider the family business to be part of their children's legacy.

Engaging Next Generation

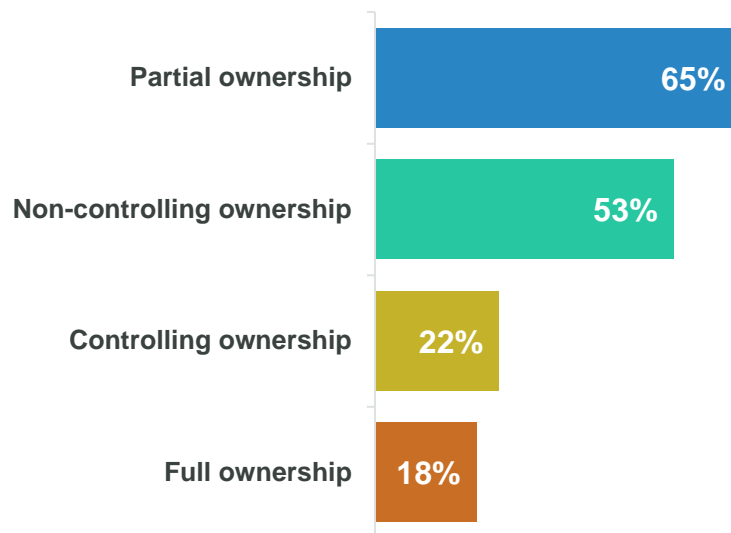
Have you passed ownership of the business on to the next generation?

n=179



Type of ownership transfer. *Select all that apply.*

Among those who passed ownership: n=85



Reasons for not passing ownership include:

G1 is still actively involved and not ready to let go.

G2 desires to see how the G3 progresses before transferring enormous wealth.

G3 is too young at this time. Don't know what their career paths are yet.

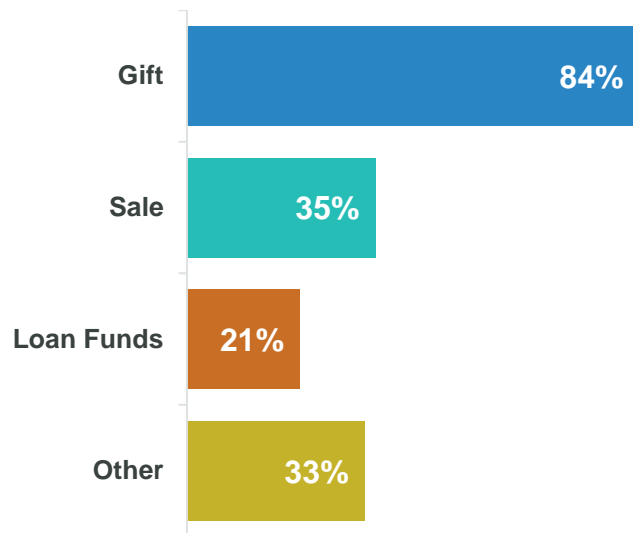
I have not passed ownership of the business because I don't know who to pass it to.

It is in trust, but not until death of G4. We need to discuss timing still.

Engaging Next Generation (cont.)

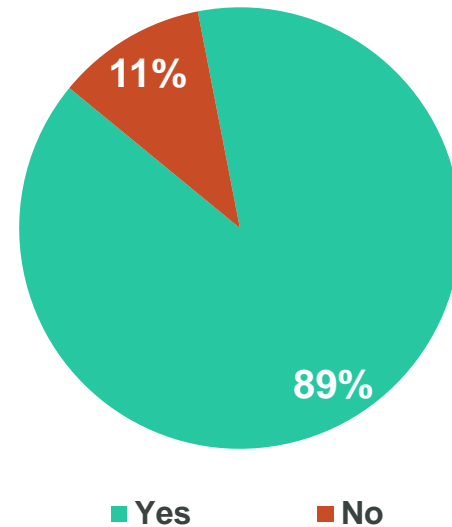
What strategy did you use to pass ownership of your business? *Select all that apply.*

Among those who passed ownership: n=85



Other strategies include:
GRAT, Trusts

Do you think that passing ownership on to the next generation is important to the sustainability of your business over generations and the creation of more jobs?
n=179

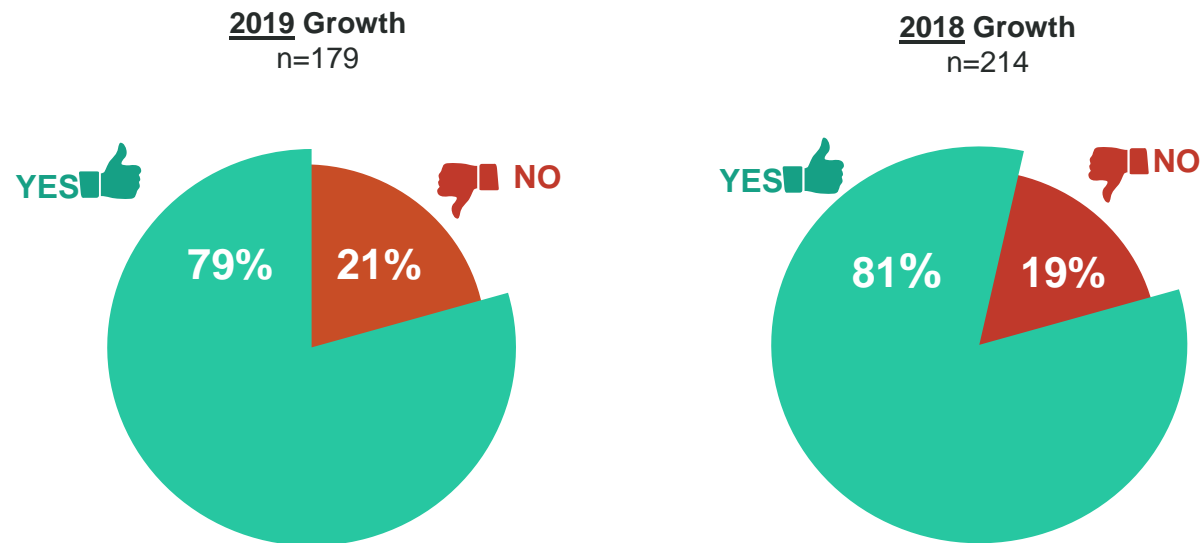




Business Concerns and Challenges

8 in 10 Report Revenue Growth for 2019, 2018

Did Your Business Revenue Grow?

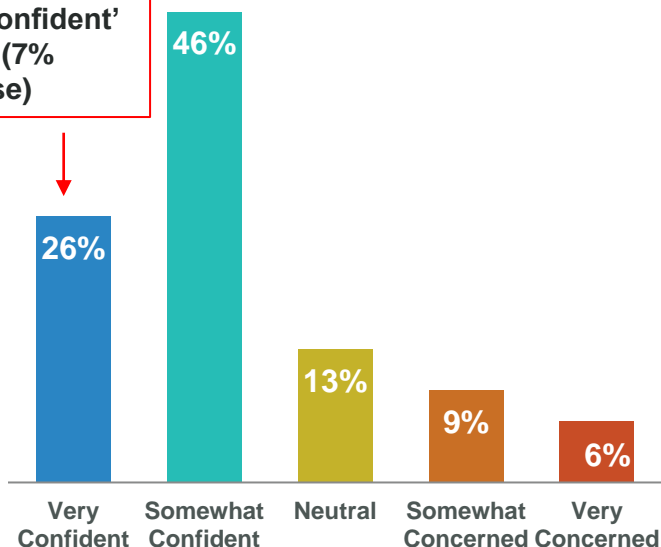


Smaller Growth Reported, Confidence About Future Growth Declines

Confidence in Business's Ability to Increase Revenue Each Year

n=179

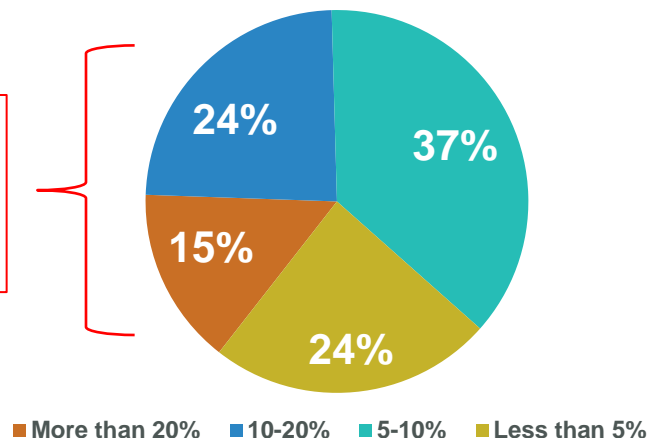
33% reported 'Very Confident' in 2019 (7% decrease)



2019 Revenue Growth

Among 'yes' to revenue growth in 2019: n=137

39% report 10%+ growth in 2019. 47% reported similarly for 2018 (8% decrease)



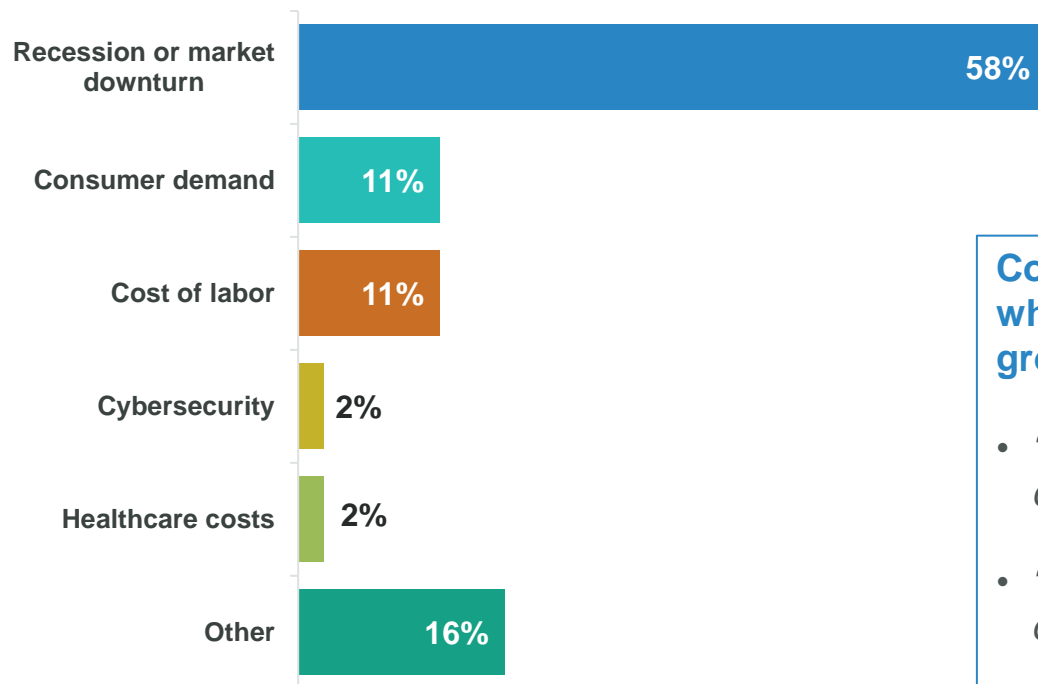
Smaller Percentage Gain in Revenue Reported, Confidence in Continued Growth Wanes Somewhat

- Only 39% of those who experienced revenue growth in 2019 report an increase of 10% or more. This is substantially less versus last year (47% reporting similarly for 2018, an 8% decrease).
- Further, a smaller percentage report they are 'very confident' in their ability to increase revenue each year. 26% reporting as such now versus 33% last year.

Recession or Market Downturn is Top Risk to Success

Top Business Risk to the Success of Your Business

n=179



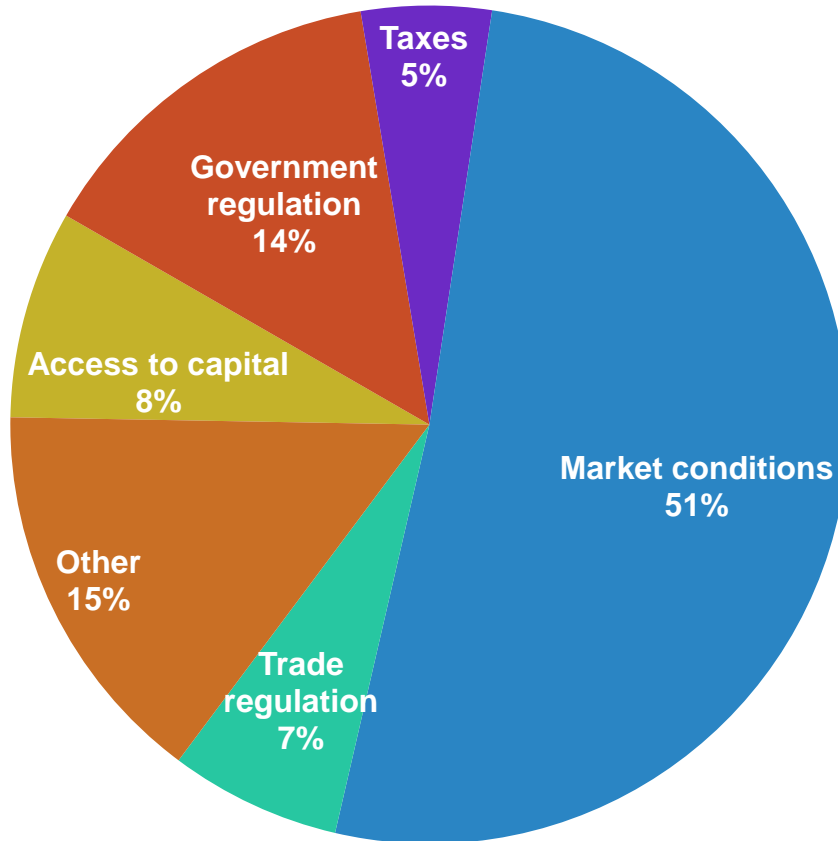
Other risks include:
Coronavirus, farm debt, tariffs/trade restrictions

Coronavirus is a key reason as to why some do not expect revenue growth in 2020:

- “Coronavirus impacting supply chains. Oil and Gas plummeting.”
- “Covid-19 has shut down most of our customers.”
- “General economic slow down due to Covid-19.”

Greatest Impediment to Business Growth

What will be the greatest impediment to your business growth? *Select one.*
n=177



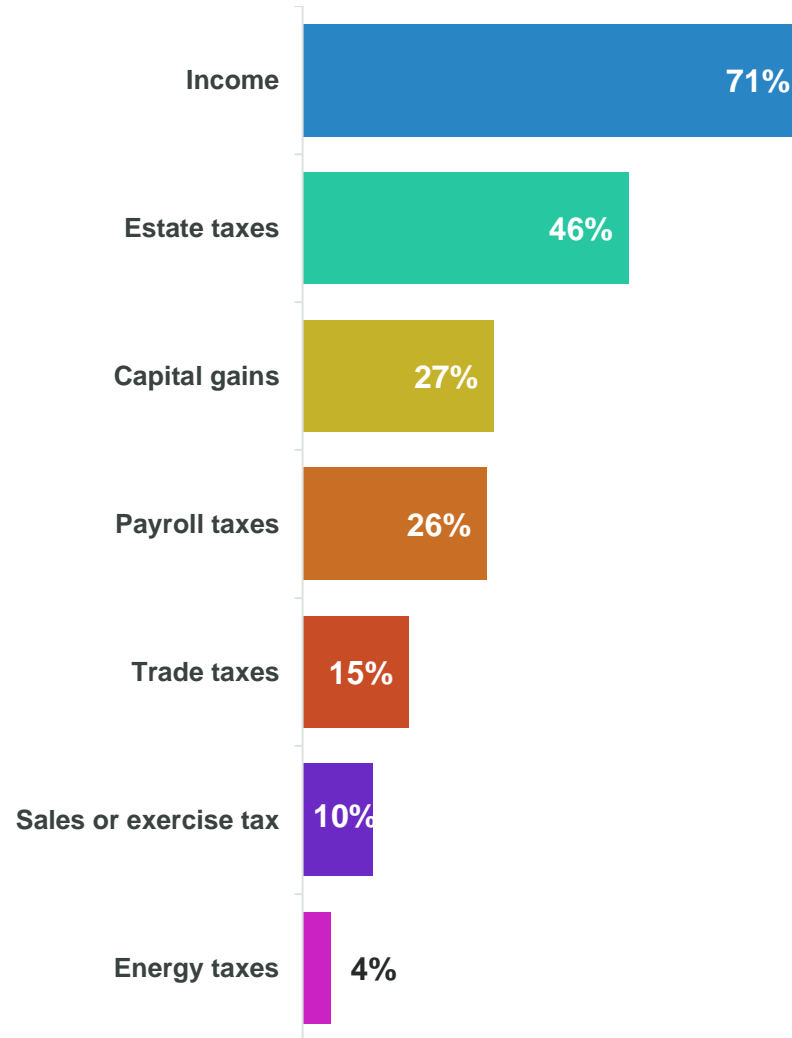
Other impediments include:

- Coronavirus
- Labor shortage, availability of talent.
- Rising costs, expenses

Top Tax Policy Concern – Income Taxes

Please rank order the following tax policies based on your level of concern.

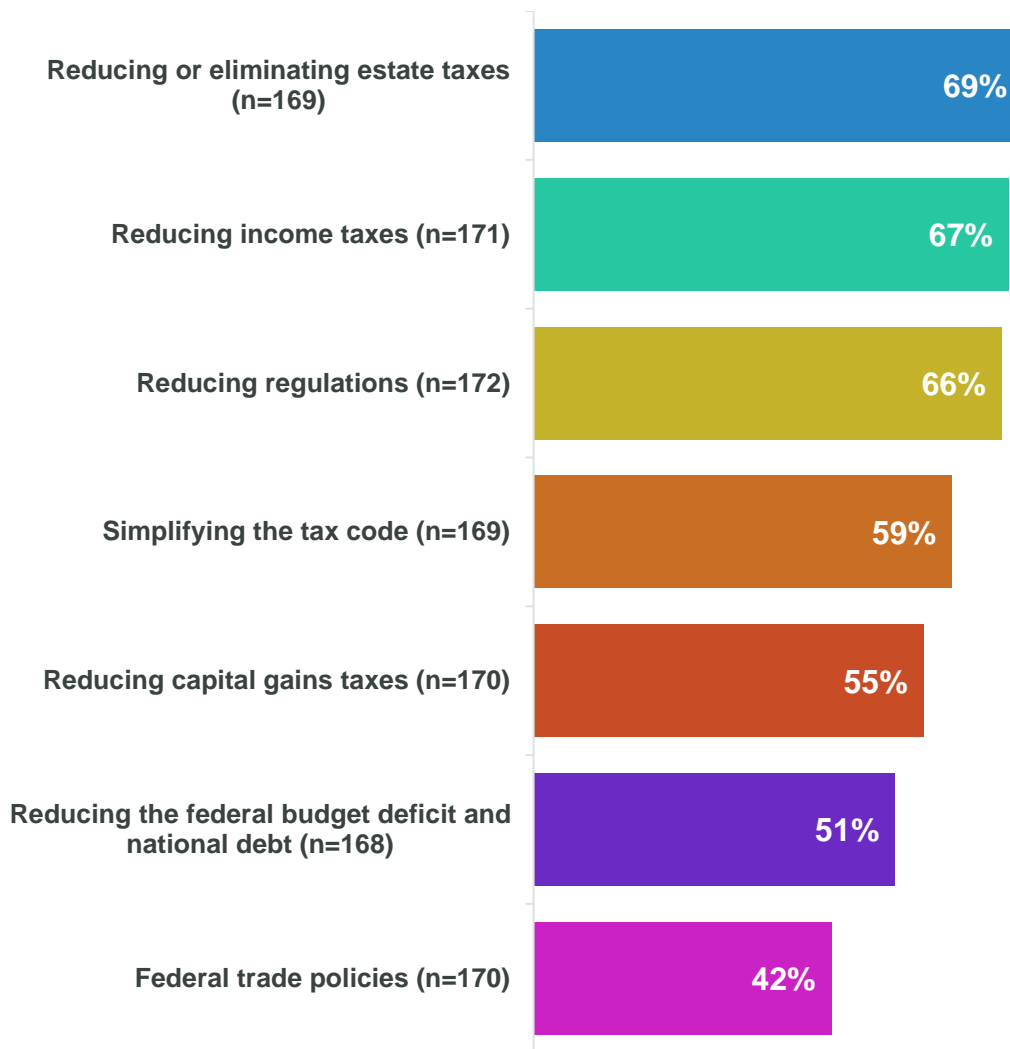
Top 2-box, 8-pt. ranking, n=164



Economic Policies Top Priorities – Estate, Income Taxes

Priority of Economic Public Policy on Family Businesses

Top 2-box, 5-pt. scale



Reduction, Repeal of Estate Tax Supported By Owners

Would you support any of the estate tax provisions below? *Select all that apply.*

n=175

Reducing rate of estate tax from 40% to that of a capital gains tax rate

67%

Repeal the estate tax

64%

Make the current level of lifetime exemption permanent and not expire in 2025

57%

Increasing the lifetime exemption from current level

53%

Increase the estate tax

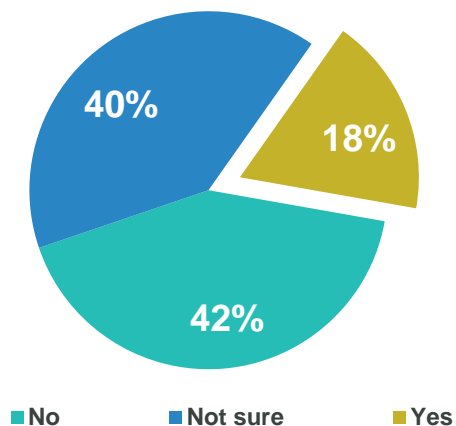
3%

6% support none of the above provisions.

The Impact of Estate Taxes

Would Have Added More Jobs if Did Not Have to Plan for Estate Taxes

n=178



Planning for estate taxes affects business owners' ability to add jobs.

Average annual number of jobs lost or not hired (n=11*)

288

Average annual cost of insurance to pay estate taxes (n=13*)

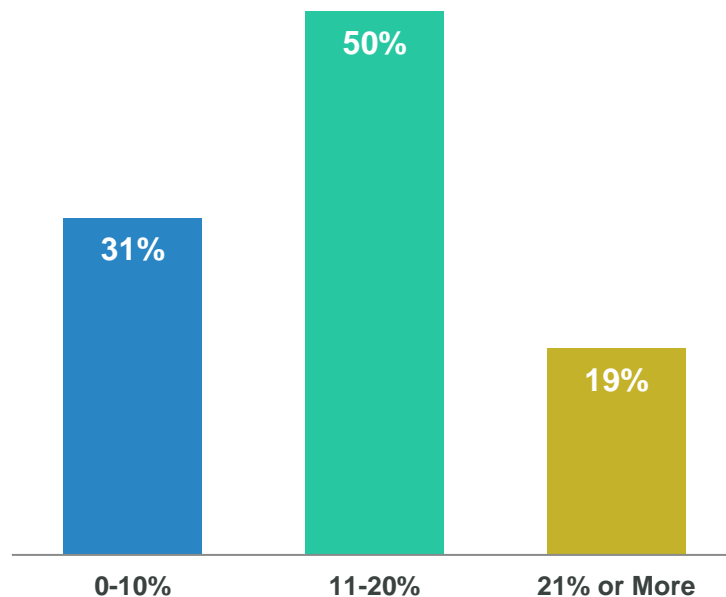
\$1,115,000

Average annual cost to plan for estate taxes (n=15*)

\$310,000

Amount of Time Spent Annually Planning for Estate Taxes

Among 'yes' to planning for estate taxes affects ability to add jobs: n=16*



**Caution: Small sample size*

Voice of Business Owners

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

- “50% of my time in past 5 years has literally been dedicated to estate planning and/or settlement of estates. I am not an attorney, I am an owner. Valuable time and money has been taken away from productivity and growth of our company. **After income, capital gains, property and payroll taxes, one has to wonder if the US govt wants us to succeed.** And if we don't succeed, there will be no taxes paid at all.”
- “**Every year the estate tax wastes a tremendous amount of precious time, attention and money.** Ultimately the estate tax is very shortsighted as it can destroy our one family business generating jobs for over 1,700 families, and millions of dollars in annual tax revenue for the government.”
- “Family owned businesses are taxed on their balance sheet and the value of assets that aren't liquid - so **when a tax event happens big structural changes are often required to meet the tax obligation-** this hurts employees and customers.”
- “It is a tax on assets that have **already been taxed.**”
- “**It requires an enormous amount of effort that disrupts our ability to grow the business and add jobs.** Our lawmakers have the ability to enact laws that better support the creation of jobs by better supporting family owned businesses.”
- “Large burden on next generation. **Will require the sale or dismantling of business and layoff of all employees.**”
- “The cost in time, money and worry is **very detrimental to our putting as much time and materials to growing our business and hiring more people.**”
- “**Any legislative change to lower the exemption on "second to die" will likely cause the surviving children to sell the business because we won't have enough cash to pay the IRS.** And, if there is a recession, financing to cover that shortfall may not be available to the children that want to continue the business.”

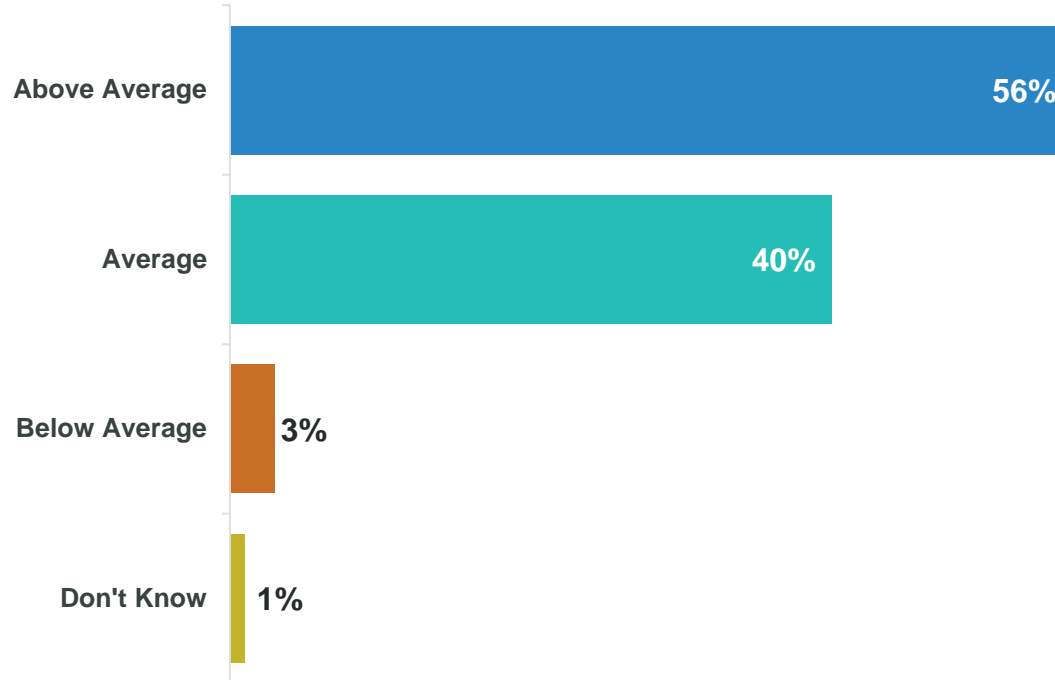


Salary & Benefits, Job Creation

Salary & Benefits Paid Compared to Non-Family Competition

How would you measure the salary and benefits that you pay your employees as compared to your non-family business competition?

n=178



Voice of Business Owners

What is the greatest obstacle to job creation for your company?

- “Finding **qualified workers**.”
- “Lack of motivated and **reliable labor pool**.”
- “**High costs** of a new hire. High costs of health insurance and liability insurance.”
- “**Government regulations**.”
- “**Labor laws** at state and local level.”
- “**Growing the business** to need the jobs.”
- “**Current wealth redistribution rhetoric, regulation, political uncertainty and unrest**. Failure of democratic parties to work together to solve problems in a practical way.”
- “California has become anti business due to **heavy regulation and high cost of living**.”
- “Demographics; **lack of younger, relevant high-tech skilled resources that want to work in our industry**.”
- “**Economic uncertainty**.”
- “Regulation of manufacturing through **environmental and employment criteria**, some ridiculous.”
- “**Regulatory challenges** that our offshore competition doesn’t have to comply with.”
- “**Taxes and governmental regulation** (which is 2, but closely interrelated).”

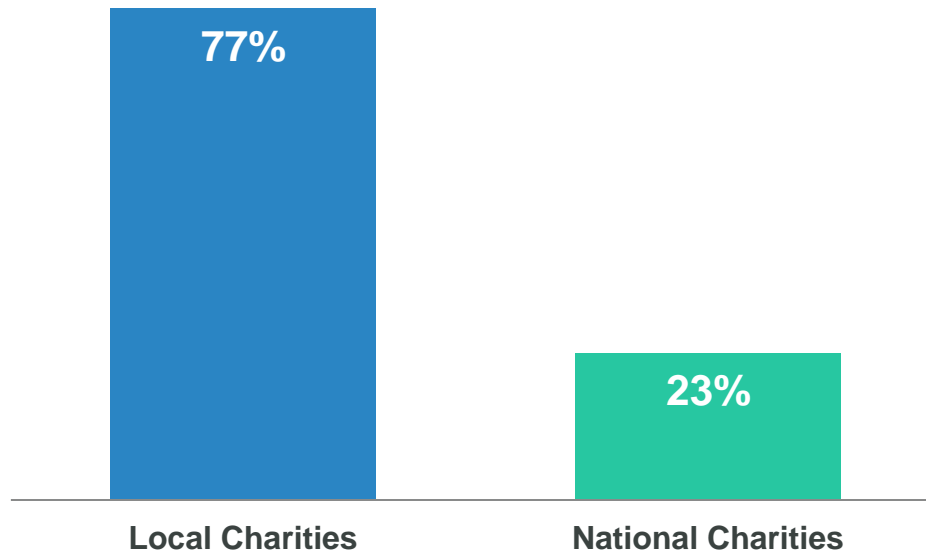


Philanthropy

Bulk of Charitable Contributions Allocated Locally

Average Allocation of Contributions to Charities: Local vs. National

Among those who contribute to charities: n=148



About Family Enterprise USA

Mission and Approach

[Family Enterprise USA \(FEUSA\)](#), (501.c3) is dedicated to educating the public and legislators about the implications of public policy upon closely held and family-owned businesses. FEUSA conducts non-partisan research that highlights the contributions of family enterprise to the American economy and the challenges these businesses face, which is then used to educate legislators, policy makers and the public on the important role of family businesses in the economy and local communities.

FEUSA's membership consists solely of, and supported by, family businesses with the single purpose of promoting family business in America, so they can continue to grow, thrive and add jobs.

Impact; FEUSA Annual Family Business Survey

Through its annual Family Business Survey, FEUSA has distinguished itself as an expert in data collection on family business across the United States.

Focus

- In the US, family firms generate 64% of GDP or \$5.9 trillion and 82 million jobs or 62% of domestic employment
- 78% of new job creation stems from family owned firms
- 35% of Fortune 500 companies are family-owned or controlled
- Family firms have higher employee retention rates than non-family firms

For more information visit www.familyenterpriseusa.com

About Family Office Exchange

A community for peer networking, objective guidance, and continuous learning.

Founded in 1989, FOX was the first membership organization to bring together family members, family office executives, and trusted advisors. Today, we remain the industry leader with over 370 families spanning 27 countries.

FOX is the premier network for enterprise families who are pursuing best practices for managing their family enterprise and growing their family wealth. Working every day with the world's leading families, FOX has become a thought leader on family enterprise strategy, family governance, family office best practices, family learning, investment strategy, and philanthropy.

For more information visit www.familyoffice.com.



THANK YOU!

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Family Enterprise USA
Research. Advocacy. Legacy.

**Advocating for
Families in DC**

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