

2023 ANNUAL FAMILY BUSINESS REPORT

 **Family Enterprise USA**
Research Advocacy Legacy

**Advocating for
Family Business**



2023 Annual Family Business Report

Each year we reach out to America's family businesses to get a first-hand reading on what their critical issues are and how policies are affecting their businesses. Through this annual research we focus our initiatives, messages, and calls to our legislative leaders to help family businesses grow and prosper. The Annual Family Enterprise USA Family Business Survey tallied nearly 600 of respondents from 42 states, a record response.

In addition, this year marks the first year our teams have worked directly with the new Congressional Family Business Caucus, where we were involved in its formation. The bipartisan Congressional Family Business Caucus participated in three Capitol Hill meetings in 2023 and our Washington, DC team members held hundreds of meetings with Congressional leaders and staff members throughout the year. These efforts provide America's family businesses with a new and powerful voice on Capitol Hill.

This annual report is designed to provide an overview of both the Annual Family Enterprise USA Family Business Survey results and the Congressional Family Business Caucus, as well as other relevant information. I want to thank everyone on our team, our members, supporters, and donors for their support and encouragement in what has been a very exciting year.

Pat Soldano, President, Family Enterprise USA



2023 FAMILY ENTERPRISE USA ANNUAL SURVEY

Each year, Family Enterprise USA (FEUSA) conducts research on America's largest private employer, America's Family business.

This year, the study showed family businesses continue to be the anchor of America's economy, accounting for nearly 60% of private employment in the country. FEUSA's most recent research study showed family businesses continue to grow, prosper, and add jobs even in the face of inflation, burdensome tax policies, and pandemics.

The annual Family Business Survey, conducted in the first two months of each year, received 571 responses this year, a record, in 42 states.. The respondents came from family businesses and family business centers across the country. Multigenerational family businesses collectively are the "quiet giant" of the U.S. economy, yet few really understand this, especially those who represent their constituents on Capitol Hill.

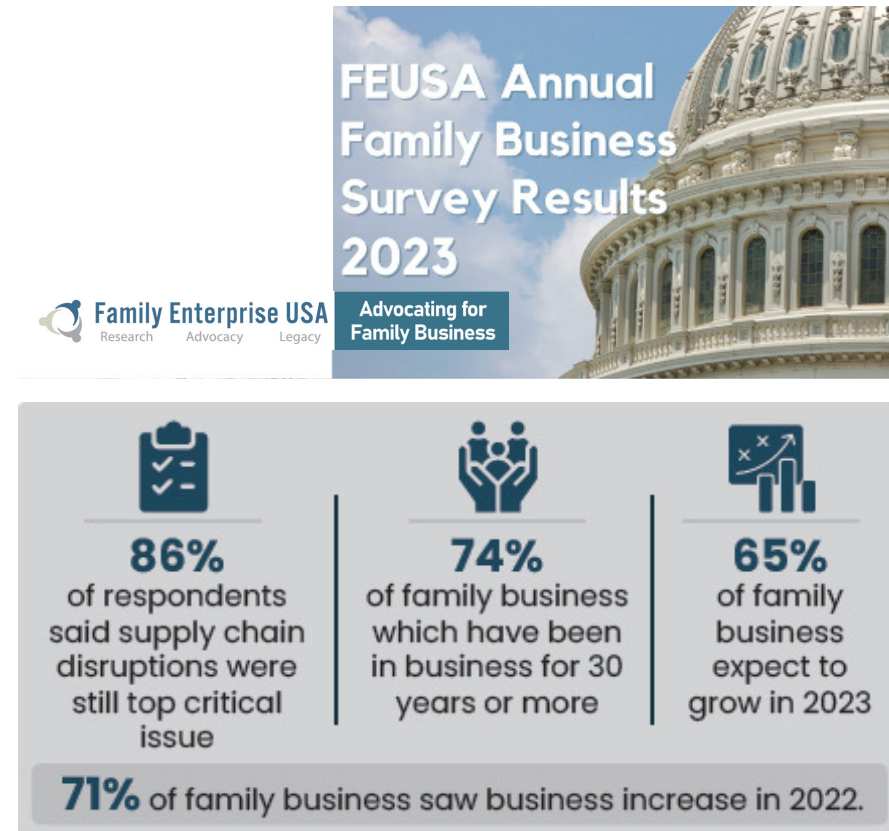
Here's a quick look at the key findings from the Annual Family Business Survey 2023.

Growth and Jobs

Despite the whipsaw economic environments of high inflation and hard-to-find labor, the most recent research found 74% of the multigenerational family businesses surveyed have been in business for 30 years or more, 65% expect to grow in 2023, and 71% saw their business increase last year.

Each annual survey assesses a cross-section of America's multigenerational, family-owned businesses, which in total contribute \$7.7 trillion annually to the U.S. gross domestic product. Additional research (1) shows Family businesses account for 83.3 million jobs, or 59% of the country's private workforce. We conduct this research over a broad range of industries. This year found a quarter of the survey participants (26%) operate in manufacturing, 14% in construction/facilities, 7% in real estate and 5% in agriculture.

(1) SOURCE: Update 2021: Family Businesses' Contribution to the U.S. Economy, by Torten M. Pieper, Ph.D., Franz W., Kellermanns, Ph.D., and Joseph Astrachan, Ph.D..

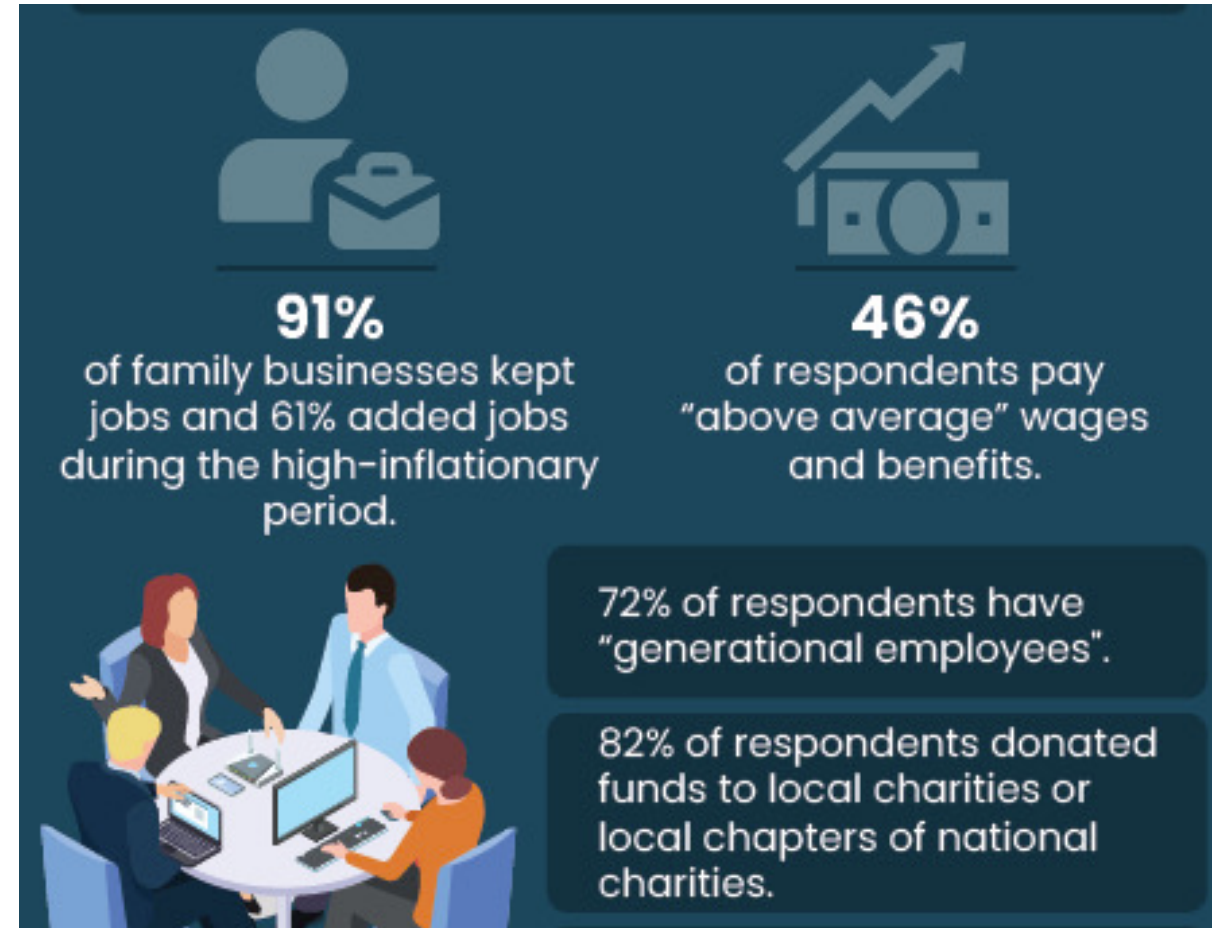


Friendly Places to Work

The 2023 survey found family businesses are a different kind of workplace. The vast majority (91%) of the family businesses, the survey found, said they kept jobs and 61% added jobs during our recent high-inflationary period, while only 9% of the family business respondents cut jobs.

It was also found that nearly half (46%) said they pay “above average” wages and benefits, and 72% said they have “generational employees.” The term refers to multiple generations of the same family (not related to the business owners) who work or have worked for the family-owned company. In addition, 82% of survey respondents donated funds to local charities or local chapters of national charities.

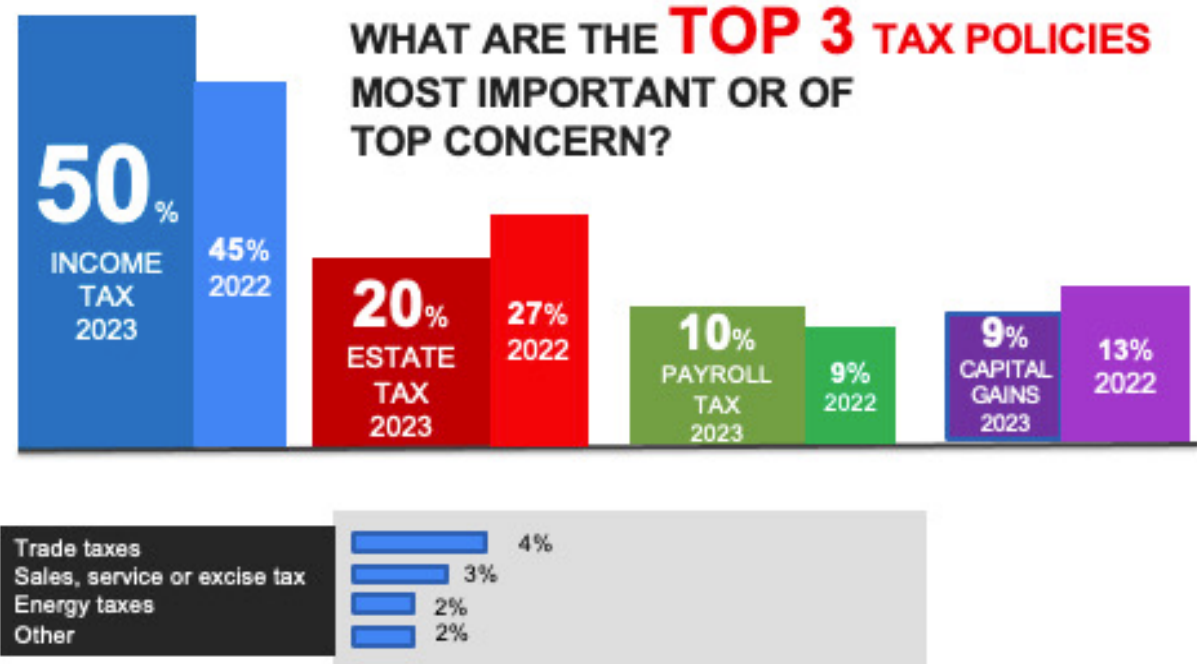
Simply put, family businesses have deep, deep roots in America’s communities. They are more likely to keep jobs, add jobs, pay better than average wages, and give back to their communities.



Top Family Business Worries

Income taxes and labor worries are the top economic hurdles America’s family businesses foresaw for this year and into 2024, the research found. It showed the biggest worry was the country’s tax policies, with 50% of respondents saying high personal income taxes were the number one concern, up from 45% a year ago.

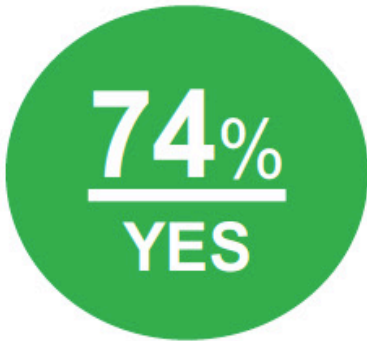
Finding, training, and keeping employees was also cited by 31% of family businesses and family offices as a critical concern. Shifting market conditions were also a key worry, identified by 30% of respondents as a main hurdle to navigate in the coming year.



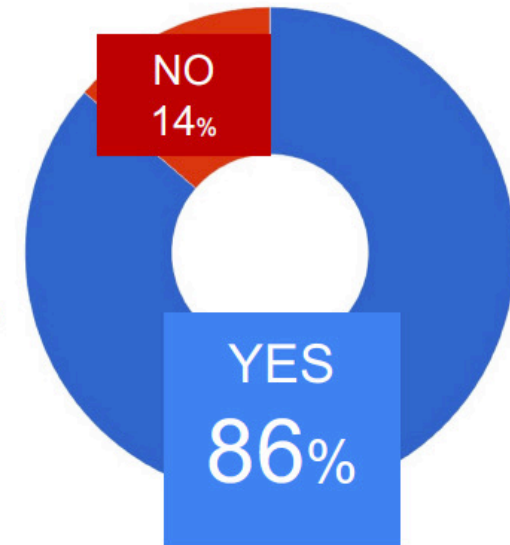
Economic Issues

FEUSA research also uncovered increased inflation worries, recession fears, and supply chain bottlenecks as critical issues. Nearly three-quarters of family businesses (74%) said inflation “hurt profitability,” and 86% said supply chain disruptions were still top of mind as a critical issue.

HAS **INFLATION** REDUCED THE PROFITABILITY OF
YOUR BUSINESS?



HAVE **SUPPLY**
CHAIN ISSUES
AFFECTED YOUR
BUSINESS?

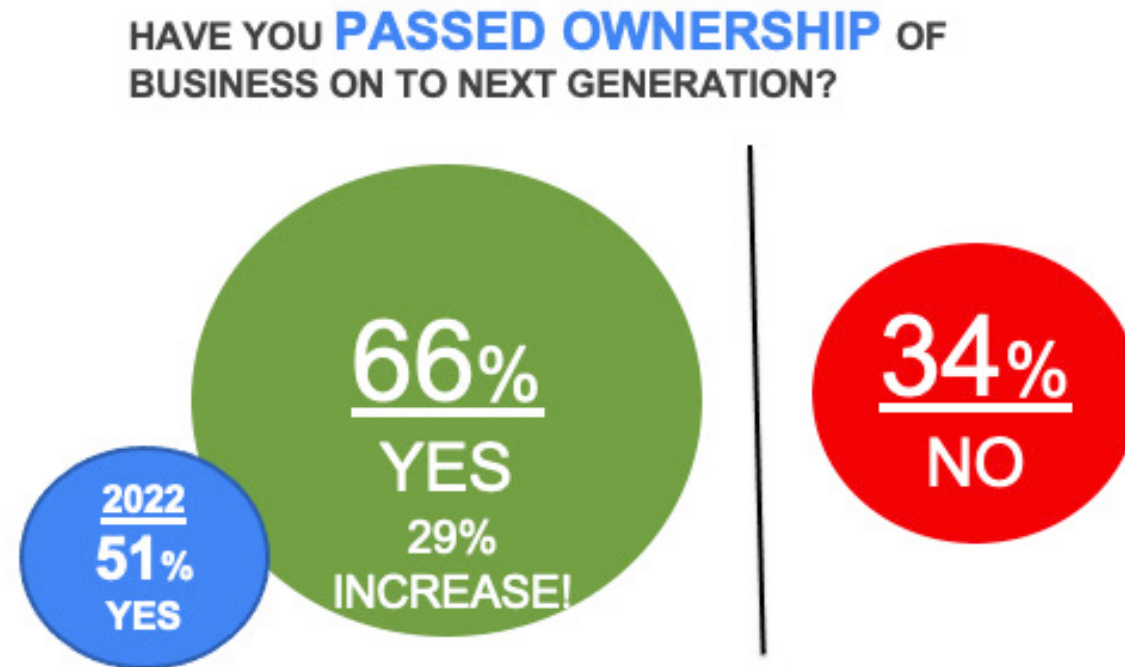


Transition to Next Generation

When it comes to passing down the family business to the next generation of family operators, 86% of survey participants said it is important to keep the business in the family to “create and sustain jobs.” Most (79%) believed their family business is important because it’s part of the “family legacy.”

The study also revealed that 66% have passed on ownership to the next generation, compared with 51% who reported this in last year’s study.

The Family Enterprise USA Annual Family Business Survey 2024 will be sent to family businesses, family offices, and family business centers starting in late this year. The results will be made available in early March 2024.





THE CONGRESSIONAL FAMILY BUSINESS CAUCUS

The New Bipartisan Congressional Family Business Caucus

In December of 2022, the bipartisan Congressional Family Business Caucus was formed with four co-chairs consisting of Representatives Jodey Arrington (R-TX), Henry Cuellar (D-TX), Claudia Tenney (R-NY), and Brad Schneider (D-IL).

A major accomplishment of the last 12 months, the Congressional Family Business Caucus is the first congressional caucus focused solely on the critical issues facing generationally-owned family businesses of all sizes and industries across the United States, and in educating Congress on the importance of family businesses to the country.

The Congressional Family Business Caucus co-chairs and sponsors met for the first time in February 2023 and attended a second meeting in May. The caucus' third similar meeting was held September 20 of this year. The caucus will meet regularly and with the added mission of connecting members of Congress with America's family businesses in their home states and districts. As of this writing, the caucus has 27 members of Congress signed on in support.



Congressional Family Business Caucus Mission Statement

- The Family Business Caucus seeks to educate Members of Congress about the contributions of family businesses, the backbone of the American economy, to the nation and local communities. This includes small to large sized businesses from diverse industries that are located throughout the nation.
- The Caucus seeks to create awareness within the Congress about the issues impacting family businesses, including workforce challenges, tax policy, economic issues, and community development.
- The Caucus supports a regulatory landscape that is less burdensome and promotes entrepreneurship and free enterprise.
- The Caucus will connect Members of Congress with family businesses in their district/home state and create a dialogue that promotes a productive exchange of ideas.

Goals

- To promote the role of family businesses as community economic drivers, job creators, and significant donors to charitable and local needs, while also strengthening the national economy and contributing to government revenues.
- There is no legislative agenda.

Structure

- Scope: Bipartisan and bicameral.
- Leadership: One Democratic and one Republican Co-Chair in the House of Representatives and one Democratic and one Republican Co-Chair in the Senate. Additional leadership positions, as needed, will be developed and appointed by the Co-Chairs.
- Membership: The Caucus is open to all Members of Congress interested in promoting family-owned enterprises and in the issues impacting family businesses.

Giving Voice To Family Business on Capitol Hill

“Family businesses and farms are the lifeblood of our upstate New York economy. As a longtime small business owner of my family’s printing and manufacturing company, I am honored to launch and co-chair the first-ever Congressional Family Business Caucus.”

Congresswoman Claudia Tenney (R-NY)

“I am proud to co-lead the Congressional Family Business Caucus to promote policies that will help family-owned businesses – including our farmers, ranchers, and energy producers – thrive for generations to come.”

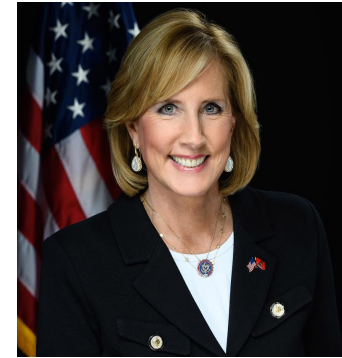
Congressman Jodey Arrington (R-TX)

“In speaking with family businesses from all parts of our country, they feel our current economic policies place them at a disadvantage, impede their capacity to grow, and put at risk their ability to pass on ownership of the business to the next generation. As such, it is time for Congress to take a closer look at and better understand the needs of America’s family businesses.”

Congressman Brad Schneider (D-IL)

“Establishment of the Congressional Family Business Caucus – which is long overdue – will go a long way toward keeping our family businesses at the forefront of policy making and foster an environment that helps them thrive for generations to come.”

Congressman Henry Cuellar (D-TX)



Supporting the Caucus

Over the years, Family Enterprise USA has been a key driver in the formation of a family business caucus focused solely on educating our leaders in Congress. The year 2023 marks the first full year of the caucus in operation.

FEUSA applauds this development and looks forward to working with the caucus to help bring the importance of family businesses front and center to the many issues facing this country.

FEUSA will continue our work in adding new congressional members to the caucus and in organizing meetings on Capitol Hill for our members to address legislators on critical issues. In addition, through regular visits to congressional offices, and other calls to action, FEUSA will encourage and educate our legislators on the need to create policies that promote and sustain family businesses in the country.



2023 Edelman Trust Barometer Report

The 2023 Edelman Trust Barometer is the firm's 23rd annual trust and credibility survey. The research was produced by the Edelman Trust Institute and consisted of 30-minute online interviews conducted between November 1st and November 28th, 2022. The 2023 Edelman Trust Barometer online survey sampled more than 32,000 respondents across 28 countries.

Family Business Considered “Most Trusted”

One of the relevant findings related to Family Business was the data provided on trustworthiness of businesses. It was found that when respondents were asked about “Most Trusted Business” type, the family business ranked highest in trustworthiness, at 67%. Publicly-traded businesses were ranked lower, at 55%, when asked if those businesses would do “what is right.”

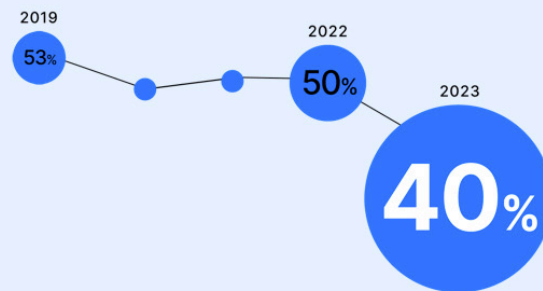
Overall, the Edelman Trust Barometer study showed a lack of faith in societal institutions triggered by economic anxiety, disinformation, mass-class divide and a failure of leadership. This has brought, the study says, to where we are today – a deeply and dangerously polarized world. Here are some snapshots of the report.

- Business is the only institution seen as competent and ethical.
- Fifty-three percent of respondents globally say that their countries are more divided today than in the past.
- CEOs are obligated to improve economic optimism and hold divisive forces accountable.



Economic optimism collapses

People now fear for their economic future without a trust safety net. Only 40% of respondents say they and their families will be better off in five years, a 10-point decline from 2022.



For the full report go to: www.edelman.com/trust/trust-barometer

Economic Anxieties



Economic optimism is collapsing around the world, with 24 of 28 countries seeing all-time lows in the number of people who think their families will be better off in five years.

Institutional Imbalance



Business is now the sole institution seen as competent and ethical; government is viewed as unethical and incompetent. Business is under pressure to step into the void left by government.

Mass-Class Divide

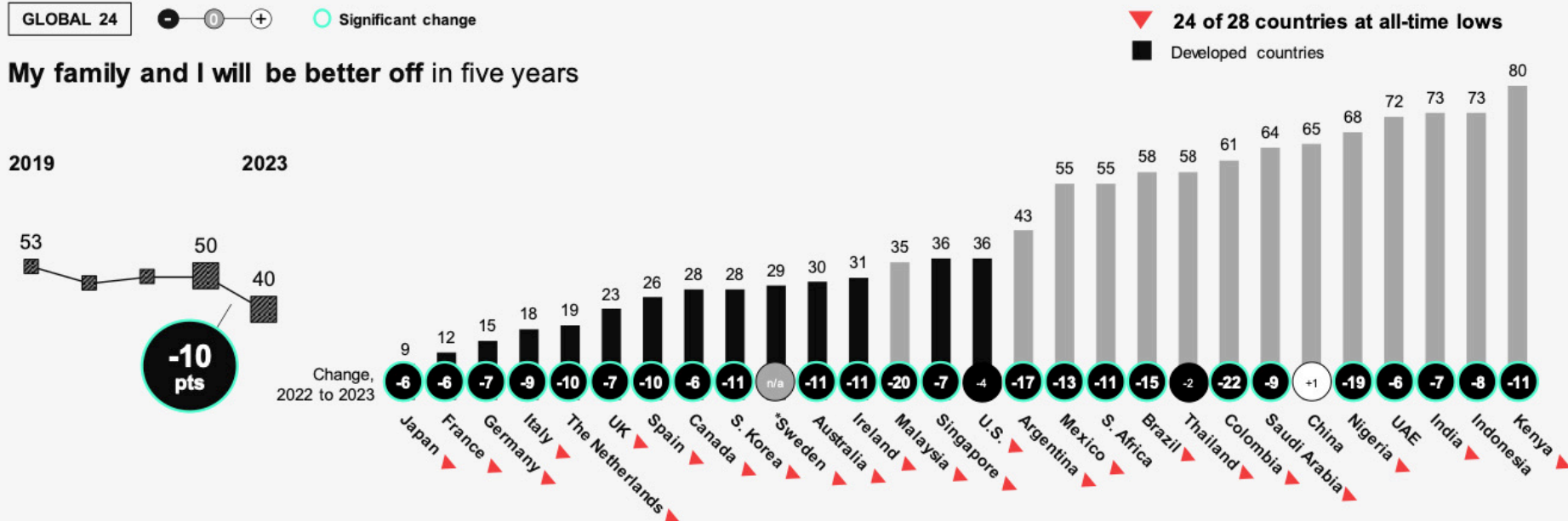


People in the top quartile of income live in a different trust reality than those in the bottom quartile, with 20+ point gaps in Thailand, the United States, and Saudi Arabia.

The Battle for Truth

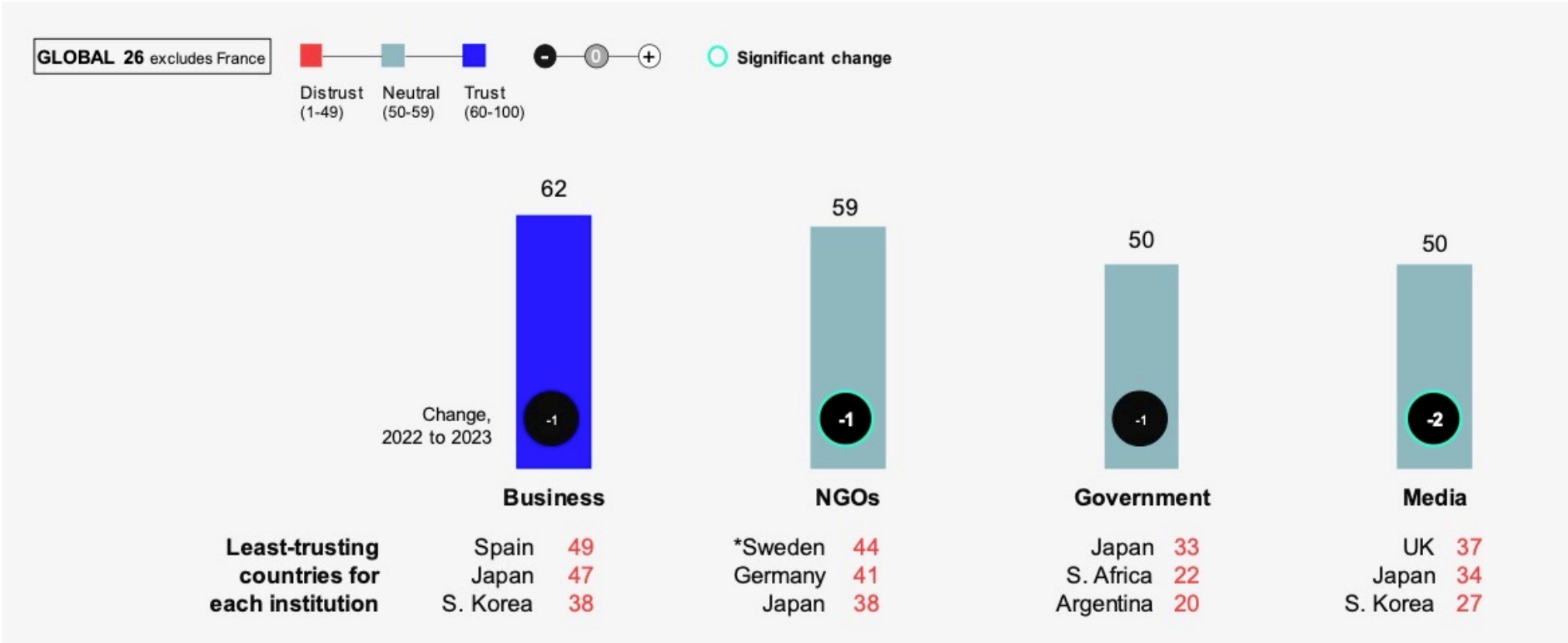


A shared media environment has given way to echo chambers, making it harder to collaboratively solve problems. Media is not trusted, with especially low trust in social media.



Business Only Trusted Institution

Percent trust

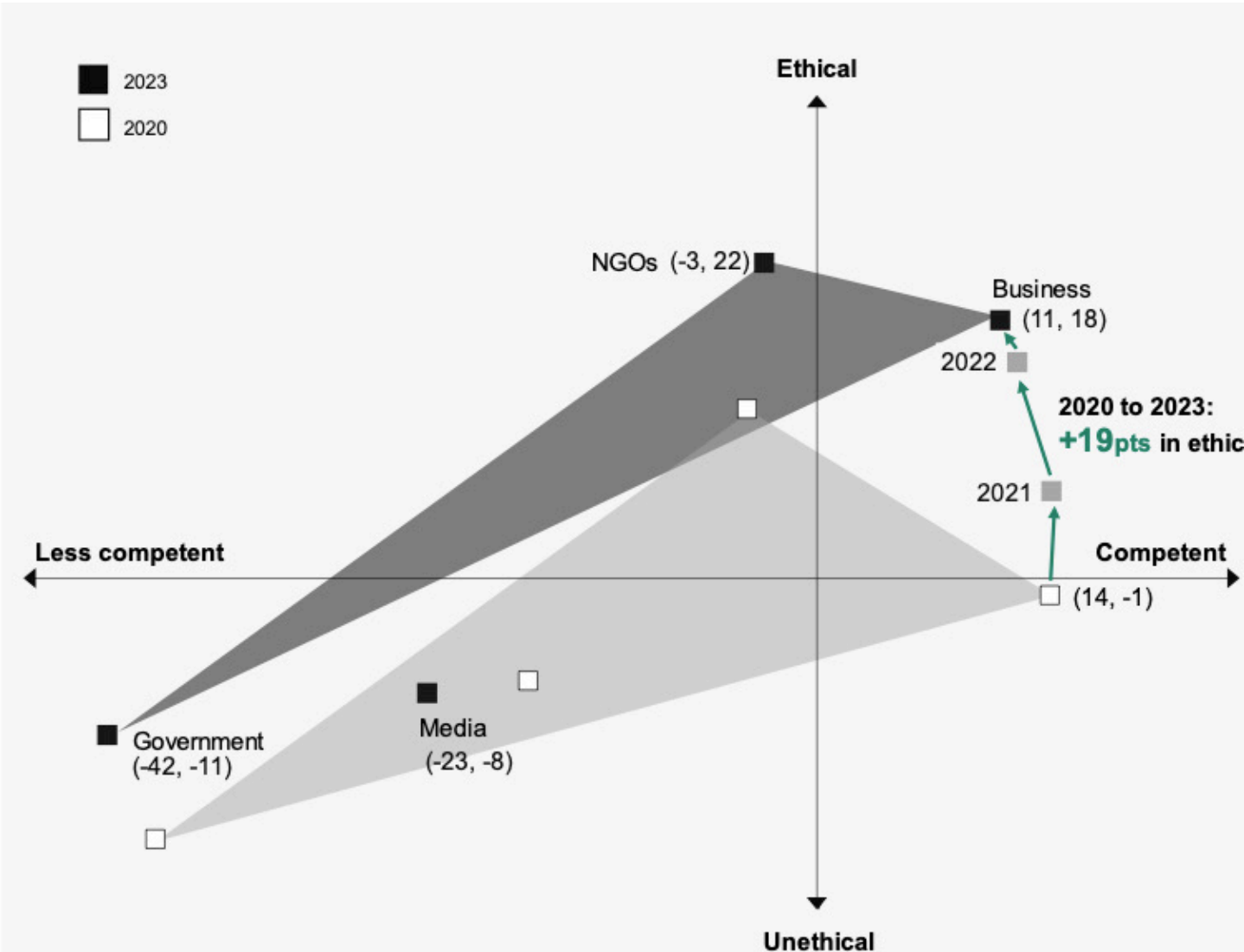


Only Business is Competent and Ethical; Sustains Rise in Ethics for Third Year

(Competence score, net ethical score)

GLOBAL 23 Excludes China and Thailand

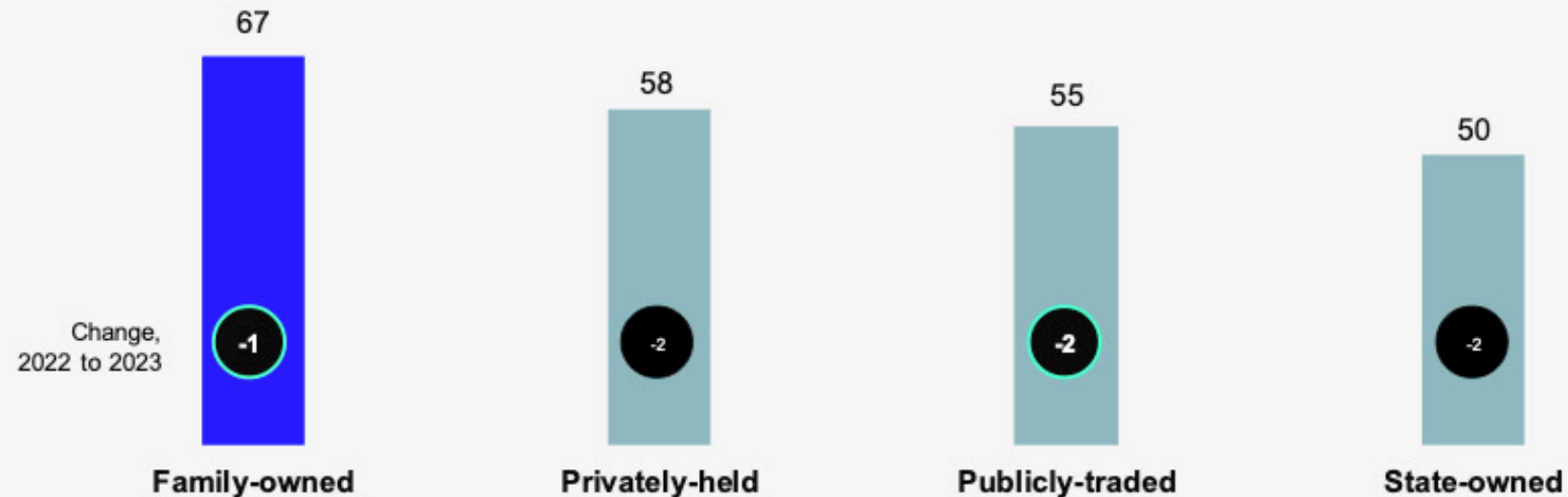
2023 Edelman Trust Barometer. The ethical scores are averages of nets based on [INS]_PER_DIM/1-4. Government and Media were only asked of half of the sample. The competence score is a net based on TRU_3D_[INS]/1. Government and Media were only asked of half of the sample. General population, 23-mkt avg. Data not collected in China and Thailand. For full details regarding how this data was calculated and plotted, please see the Technical Appendix.



Family-Owned Businesses Most Trusted

Percent who trust each type of business to do what is right

GLOBAL 27



2023 Edelman Trust Barometer. TRU_ORG. Thinking about different types of businesses, please indicate how much you trust each type of business to do what is right. 9-point scale; top 4 box, trust. Question asked of half of the sample. General population, 27-mkt avg. Year-over-year changes were tested for significance using a t-test set at the 99%+ confidence level.

Going Into 2024

Like many, we see 2024 as a pivotal year. Right now, FEUSA is preparing for our 2024 Family Enterprise USA Annual Survey. In addition, we are going into our second full year of working with the Congressional Family Business Caucus, with close to 30 new congressional leaders joining our cause.

Next year, the FEUSA annual survey will delve deeper into the critical issues of multigenerational family businesses, from tax issues to transitions to the next generation to workforce development. The goal is to gather more respondents across all industries, and to reach businesses in all 50 states. We are compiling our questions and outreach plan right now. Next year's survey will be the most thorough and comprehensive one to date.

We at FEUSA also look forward to working even more closely with the Congressional Family Business Caucus. We see the results of this new caucus already, as more and more legislators learn of the power of family business for our country, and in their own districts.

The voice of family business growing steadily, and stronger, today and will be in 2024.

Thank you for your support.

Pat Soldano

President, Family Enterprise USA

