



DEPARTMENT OF BUSINESS

2013 Family Business Confidence Survey

Executive Summary

A total of 278 business representatives responded to the survey, most of them holding senior leadership or ownership positions in their organizations. A large number of the businesses in our sample operate in the agriculture industry (61 percent dairy and 28 percent other than dairy). Since dairy farmers represent a large proportion of our sample, we allocated a separate section of this report to dairy farming.

The average age of the businesses is 43 years. The majority of our respondents are registered as either sole proprietorships or partnerships (59 percent), 14 percent are S-corporations and 18 percent are LLCs. The majority of businesses are family-owned and operated (94 percent), while the remaining six percent are non-family. On average, the businesses surveyed employ 51 full-time equivalent (FTE) employees.

On average, about three generations have held control or ownership of the business. A majority of family businesses are in the first, second and third generations. The majority of businesses (81 percent) have less than 10 employees and 15 percent have between 11-100 employees. The remaining four percent have over 100 employees. A majority of family businesses (55 percent) expect that the current family is somewhat or extremely likely to control the business in the future.

Key findings

- 1. Optimism about the future:** The majority of our respondents are somewhat or very pessimistic about the future of the U.S. economy (67 percent). Only 17 percent are somewhat or very optimistic about the future. These pessimistic expectations about the state of the U.S. economy translate into grim projections of their own future. About a third expects their net income to increase and about 11 percent plan to hire more employees in the next year. More than a third plan to increase their prices and 15 percent plan to take on more debt to finance their operations. Eighty-seven percent do not plan to expand the business beyond core products or services.
- 2. Strategic and succession planning:** Fifteen percent of our respondents have a written strategic plan or a formal management succession plan. About a quarter have a formal ownership transition plan, outlining how shares will be passed to the next generation, but only 17 percent have a buy-sell agreement in place. While a majority of family businesses expect to retain family control over the business, their strategic and succession planning seem intuitive and informal rather than deliberate and intentional.
- 3. Human resource practices:** More than half of our respondents (53 percent) do not have any professional HR practices in place. About a quarter of businesses have written job descriptions outlining responsibilities, minimum qualifications and reporting structure for every position in the business. Only 16 percent conduct formal performance reviews for their employees and 19 percent have a standard bonus structure in place.
- 4. Internal challenges:** About a third of our respondents indicated that the next generation is not interested in owning and managing the family business. Qualitative comments from the farmers indicated that the young generation perceives work on the farm as too hard for the amount of income it generates. Lack of family unity and lack of managerial competence of the next generation were not important concerns.
- 5. External challenges:** The three greatest external challenges to the growth and survival of family businesses were government regulations (55 percent), taxes (43 percent) and costs of supplies/inventories (41 percent). Energy prices and health care costs followed closely (38 and 35 percent, respectively).