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Profile of FEUSA Family Firm Respondents

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As in past FEUSA surveys, the overwhelming majority of respondents are from well-established firms—40% have been in business 30-60 years, 22% have been in business 60-100 years, and 10% have been in business over 100 years.

These are stable family enterprises. One characteristic of stable family businesses is consistent leadership.

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— CEO of South Dakota manufacturing company

“Taxes are a major issue for us. Not knowing leads to an inability to plan, which causes difficulties in conducting business. We pull back, which means less growth.”
— Owner of Ohio technology company

“The uncertainty of all the policies and regulations is really the primary issue - particularly related to taxes. As long-term planners, we can plan ahead if we know what’s coming. Not knowing is worse.”
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Survey of Family Firms

In the Family Enterprise USA Annual Survey of family firms, 230 family enterprises responded to questions about their business and government policies.
“While 75% of respondents believe their revenues will grow in 2013, only 45% believe they will add workers.”

**More Sales in 2013, Less Hiring**

FEUSA’s survey measures basic attitudes toward business growth looking at trends over time. Actual data from 2011 and 2012 along with projections for 2013 show growing confidence in family firms’ ability to increase revenue on a year-to-year basis. But, while the pace of hiring was trending upward from 2011 to 2012, job growth projections are now down for 2013. Based on other survey responses, we believe this reluctance to hire is tied directly to government policy.

70% of respondents report revenue growth in 2012, a figure that’s up from 50% in 2011. As a result, we saw more hiring. A full 54% of respondents indicate that they grew their workforce in 2012 in response to increased business. The rate of hiring in 2012 increased over 2011, commensurate with revenue growth. General attitudes toward a 2013 business outlook remain slightly optimistic, measured by expected revenue growth, but companies are reluctant to add workers. While 75% of respondents believe their revenues will grow in 2013, only 45% believe they will add workers. This is a reversal from last year’s survey where reported revenue growth inspired confidence to add jobs.

FEUSA survey findings suggest that this dip is likely due to anxiety about the public policy. One of FEUSA’s survey benchmark questions is what a respondent believes to be a greater threat to the future of their business: internal factors such as disagreements between family members about operations, the strategic direction of the business, or conflict in general, or external factors such as the general economic climate, tax policy and government regulation?

**Government Policy and Uncertainty Causing More Anxiety**

Last year, 82% of FEUSA survey respondents said that external factors were a greater threat to the future of their family business. This year that figure has grown to 91%. This indicates an even more heightened sensitivity to the role government policy and uncertainty is playing in business planning and development.

**Family Firm Values Drive Policy Preferences**

In order to understand what is most troubling to family firms, survey respondents were asked to rank the importance of various public policy issues. The issue that got the strongest response was “reducing the deficit and debt.” Successful family firms embrace a sense of stewardship and fiscal responsibility, and they expect our government to do the same. Interestingly, looking more closely at this issue, the level of concern over the country’s debt and deficit increased with company longevity; a full 60% of respondents from businesses with over 100 years of operation ranked it as their number one or two concern. The tax code is also a major frustration for family firms. Reforming it even slightly beat out elimination or reduction in the estate tax in the order of importance.

In the context of debate about increasing individual income tax rates, the question often comes up about how this will impact businesses that are organized as S-Corps or LLCs. FEUSA’s survey indicates a strong plurality (47%) “will disburse additional funds to owners to ensure that they receive distributions sufficient to pay their taxes resulting in less money available for capital investments and other company expenditures” to deal with this issue. This is significant because of the survey respondents that predicted that they would add employees in the next 12 months, 70% are either S-Corps or LLCs.

**What’s the most important public policy issue for you?** (respondents ranked the following in order of importance)

1. Reducing the deficit and debt
2. Reforming the tax code
3. Eliminating or lowering the estate tax
4. Reducing regulations
5. Maintaining 15% rate on capital gains and dividends

**What should Congress do about the estate tax?**

1. Reduce it for every estate, regardless of size
2. Eliminate altogether
3. 28% Make permanent today’s policy
4. 10% Don’t know / Other

“More family businesses than last year identified the economic climate and government policy as the biggest threat to the future of their business.”

“The core value of stewardship that family businesses embrace—leaving the company in a better place than when you took it over—drives their internal attitudes and behaviors, and their expectations of government policy.”
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5. Maintaining 15% rate on capital gains and dividends

What should Congress do about the estate tax?

- 41% Eliminate altogether
- 21% Reduce it for every estate, regardless of size
- 28% Make permanent today’s policy
- 10% Don’t know / Other

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On the Minds of Family Enterprise Owners

Family firms are increasingly anxious about government policies, and the uncertainty is impacting hiring.

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Years in Business

- 40% 31-60 years
- 23% 21-30 years
- 22% 11-20 years
- 19% 10-11 years
- 13% 5-9 years
- 8% 1-4 years
- 5% less than 1 year

Number of Employees

- 29% 101-500 employees
- 23% 26-100 employees
- 19% 11-25 employees
- 13% 1-5 employees
- 8% 501-1,000 employees
- 10% over 1,000 employees
- 10% over 100 employees

Years with Current Top Executive

- 27% 11-20 years
- 21% 5-10 years
- 20% 21-30 years
- 18% over 30 years
- 13% less than 5 years

5% 1-10

Family Enterprise USA (FEUSA)

Enterprising families. Working together.

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