In the Family Enterprise USA (FEUSA) Annual Survey of family firms, 300 executives responded to questions about their businesses and government policy.

On the Minds of Family Businesses

Family firm respondents sounded off on the top policy issues confronting their business right now:

- “Increasing regulatory responsibilities are costing us all too much money and reducing productivity.”
- “Runaway regulation whether Healthcare, Labor, EPA, or taxes. We need government to acknowledge that excess, duplicate and/or conflicting regulations prohibit businesses from rebuilding the economy.”
- “We sold the largest corporate entity in our family’s holdings in 2010 due to uncertainty in capital gains. Now it is the soft economy in general.”
- “Uncertainty is driving caution and slows major business investment. Major customers have postponed some major capital expenditures.”
- “Corporate tax rates and rate uncertainty for future investments.”

SURVEY OF FAMILY FIRMS

In the Family Enterprise USA (FEUSA) Annual Survey of family firms, 300 executives responded to questions about their businesses and government policy.
Stable Leadership

One of the bedrock principles of family firms is their focus on long-term, sustainable growth and workforce stability. As a whole, leadership tenure in family firms is four to five times longer than their shareholder-controlled counterparts. This stabilizing dynamic is borne out in FEUSA’s 2012 survey.

Of the 300 company executives who responded to the survey, 77% represent companies that have been in business for more than 30 years and 44% have been in operation for over 60 years.

In these well-established firms, 58% have had the same executive running the company for more than 10 years, with 35% showing leadership tenure of over 20 years.

Other Issue Priorities for Family Firms

The estate tax is the main issue that family businesses care about, with 65% of survey respondents ranking it the most important issue for them. Beyond estate tax, tax reform that would eliminate loopholes and reduce rates ranked second, while reducing regulation ranked a close third.

Finally, a majority of respondents (61%) say they anticipate that the new health care law will result in higher premiums that will make it harder to pay for the health care of their employees. There is more support for this belief, however, among larger employers. Businesses that have fewer than 100 employees believe this to be the case, but the sentiment is strongest among larger employers. A full 70% of employers with more than 100 employees believe that the new health care law will drive up premiums for their workforce.
Family Firms Optimistic About Hiring, Hold on to Employees

Because family firms maintain a strong commitment to their workers, they are generally slower to reduce their employee base during a recession. Even though the recession had a devastating impact on employment in the country, FEUSA’s survey results indicate that family firms’ tendency to retain employees was reinforced.

Although 50% of the respondents indicated that they have either experienced flat or lower revenue as a result of the recession, only 34% have reduced their workforce. In fact, many older family firms demonstrated core strength in the face of a tough recession - 32% of businesses with between 60 and 100 years of operation actually increased their workforce over the last couple of years.

In a sign that the prospect of more jobs may be on the horizon, 54% of respondents indicated that they intend to hire more workers in the next 12 months, while only 8% said they were still looking to reduce their workforce.

Do you intend to add workers or reduce your workforce over the next 12 months?

United by one common factor

Family Owned
Economy and Government Action a Major Concern for Family Firms

It is not uncommon for family firms to struggle due to disagreements among family members about the direction of the company. So, it is noteworthy that FEUSA’s survey reveals more anxiety about the health of the economy and the status of government action.

82% of survey respondents said that external forces such as the general economic climate, tax policy and government regulation are a greater threat to their future than internal forces such as disagreement about the direction of the business.

Contrary to what one might expect, family businesses are not interested in special tax breaks or short-term stimulus. In fact, when presented with a choice about long-term predictability in the tax code versus more favorable short-term tax policy, a clear majority (53%) of respondents said they’d prefer long-term predictability. As long-term contributors to our economy, this preference increases for businesses that have thrived for multiple generations. The support for long-term predictability versus short-term benefit ran highest among businesses that have more than 30 years in operation (61%).

Respondents’ concern over the predictability of government policy is impacting job generation. A strong plurality of survey respondents (44%) said that businesses aren’t hiring because of the uncertainty in the tax code and in government regulation. Again, sentiment about lack of predictability ran strongest among well-established businesses that have been around for generations. Of those that are more than 100 years old, 53% say this uncertainty is a drag on job creation. 48% of family firms between 60 and 100 years agree with this position as well.

Survey Data

The 2012 Annual Family Enterprise USA survey received 300 responses from executive-level officials from family firms between November 2011-January 2012. 48% of respondents hold the title of CEO or President, 26% are owners of the company, and the balance hold senior leadership positions. The respondents also represent all sizes of business – 29% are from businesses with fewer than 100 workers, 31% have more than 100 and fewer than 500 workers, 27% have more than 500 and fewer than 1000 workers, and 15% have more than 1000 workers. Responses were received from businesses in 33 of the 50 states and represent over a dozen different industry sectors, including manufacturing, finance, construction, retail and wholesale trade, restaurants, and agriculture.