

The Family Business Survey



2008/2009

Welcome



Contents

The Purpose of the Family Business	1
Decision Making and Governance Plans	2
The Next Generation and Communication	3
The Strength of Family Ties	4
What is Causing Sleepless Nights	5
A Cause for Celebration	6
About the Respondents	7
For More Information	8

Throughout 2008 and the early part of 2009 the following firms in partnership with The International Centre for Families in Business (ICFIB) sponsored and supported a large scale piece of research of UK family owned and run businesses.

- **Hawsons**
- **Hazlewoods LLP**
- **Garbutt & Elliott**
- **Menzies**
- **PM+M**
- **Lovewell Blake**

The firms, all of whom are members of Praxity, an alliance of independent accounting firms have, for a number of years worked closely with ICFIB to improve their knowledge and understanding of the complexities of the family owned business, so that they can better meet the needs of their clients. This research is the first undertaken by Praxity member firms and will add significantly to the growing body of knowledge about the real issues facing the family in business.

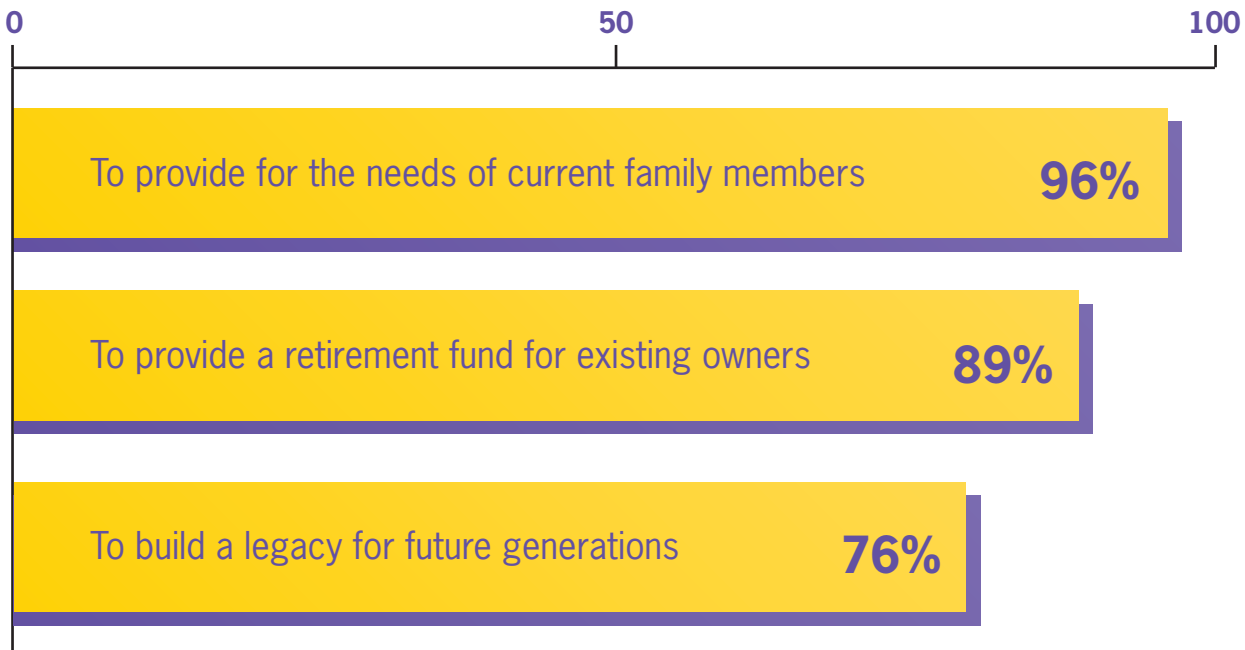
In the United Kingdom some 75% of all businesses in the private sector are family owned and/or run and they employ around half the entire workforce. Yet relatively few survive longer term, with only one in eight getting through to the end of the third generation in the ownership of the founding family. This research suggests that the family business client needs specialist support to meet their unique needs in order to maximise their chances of longer term survival.

We would like to thank all of the family businesses that contributed to this research

The Purpose of the Family Business

Family businesses are in operation for many reasons, and as time goes on, the legacy of previous generations becomes more of a consideration as subsequent generations become more acutely aware of their responsibility for continuing the family name whilst at the same time running a profitable operation.

In terms of the survey, this is clearly evident with the three most cited reasons for the business being identified as:



Given the current economic climate it is not surprising that family business owners are concerned about their retirement provisions, and the need to provide for the current needs of the family. Providing a legacy is also important.

Many family businesses also seek to offer something back and many are deeply involved with the local community. As major employers take their responsibilities seriously. Family businesses recognise this involvement and many cite the intrinsic links with the local community as an important reason for the business to continue – an extension of the family in a broader context.



“Family businesses are an important source of employment and the overall positive contribution that they make to the UK economy should not be underestimated”

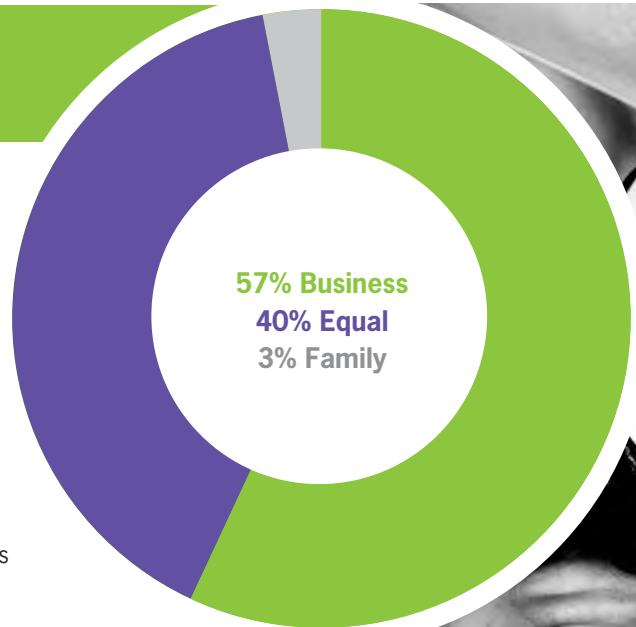
Craig Manson, Garbutt & Elliott – www.garbutt-elliott.co.uk

Decision Making

When considering a business decision, which comes first, family or business?

The research suggests that in over 50% of cases decision making is driven by what is best for the business. However, it also suggests that consideration is given to family in approximately 50% of cases. Decision making in a family owned and or run business is different from non-family businesses. The needs of the family are often as important as the needs of the business and they are not always compatible. When the dynamics of family relationships are factored in to the equation, often common and/or business sense can get out of the window.

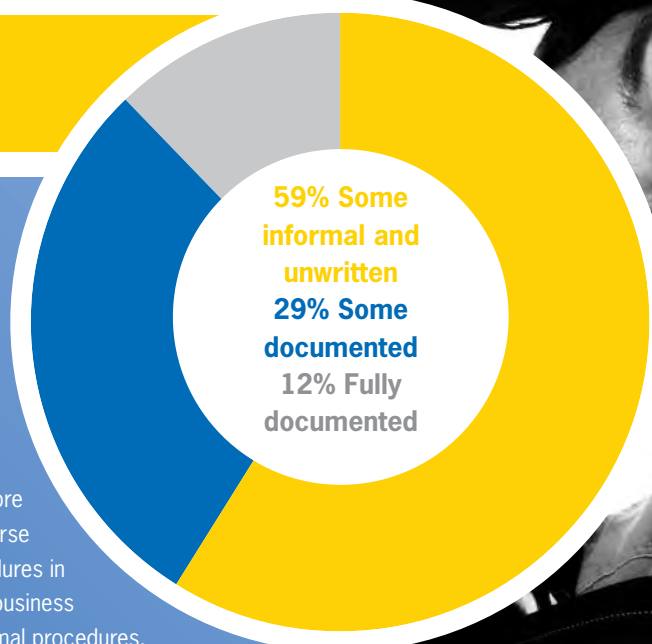
We see family businesses utilise ideas and concepts that come straight from the business textbook; often without an acknowledgement or understanding of the powerful emotional forces at work within the family unit. Clarity of thinking is often the first casualty when the business confronts the family dynamics. It is as if entrepreneurs and owners feel on safe ground when dealing with 'financial capital', but when confronted by the problems of dealing with their 'emotional capital', they lose their perspective. It is therefore heartening to see in this research that over 50% of those responding believe in putting the business first. Many of our clients understand that without the business as a sustainable, well functioning unit, the prosperity of the family is at risk.



Governance Plans

Do you have governance procedures and agreements in place to support the family business?

The question of governance is a subject finding more prominence amongst family owned businesses. The name above the door is a powerful and emotional demonstration of the family's commitment to a particular market place and or local community. The family business often carries the family name and therefore can be seen as a reflection of the family itself and of course the values the family espouses. Most governance procedures in a family business are informal and unwritten, with many business owning families believing they do not need written or formal procedures, simply because they are family, with all the positive criteria outlined in other sections of this research. Increasingly though we are seeing governance and the more formal aspects of managing and directing a business taking hold with families in business together. This can take the form of Partnership Agreements, Shareholder Agreements, Family Agreements and the growing use of Family Charters or Family Constitutions.



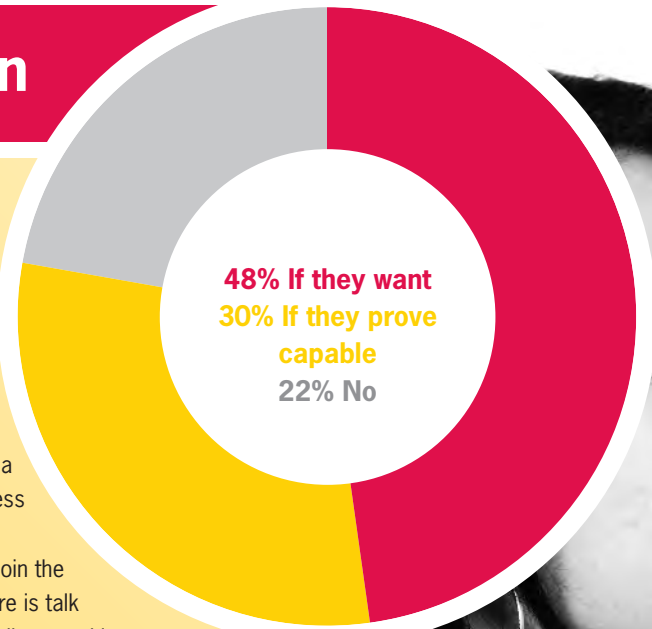
"The family business is alive and kicking and we are pleased to have contributed to this ground breaking research. Historically family owned businesses have been overlooked as being an important stand alone sector of the UK economy. This research shows the growing recognition of the contribution they make to the UK economy"

Graham Seddon, Menzies – www.menzies.co.uk

The Next Generation

Will the next generation of members of the family be able to work in the business?

Bringing in or allowing children to enter the family business is a major decision to be made by the incumbent generation. The research findings suggest just fewer than 50% of the respondents think it should be 'if they want to'. Could that be interpreted as, 'if they can't find another job'? or perhaps, 'I have a birthright to a job'? The motivation for children joining the family business is often unclear. Is it driven by the parents need for their children to be in the business or the children's desire to join the business? The question is often not raised and while there is talk about commitment, ability and a willingness, what is not discussed is legacy, responsibility and early years experience of hearing and knowing about the family business. Many of the pressures to join the family business are based on early years' experience. They are often subtle and non transparent and so it could be argued the notion of 'if they want' is a much more complex question than first thought?



48% If they want
30% If they prove capable
22% No

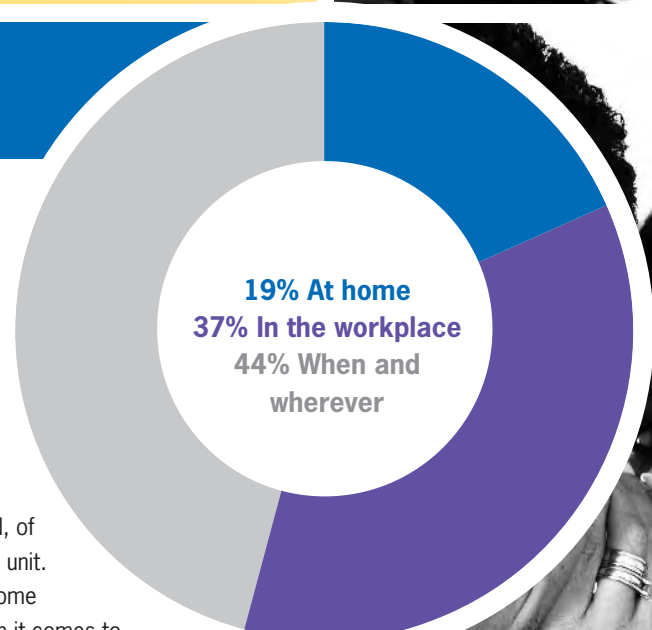
Response	Percentage
If they want	48%
If they prove capable	30%
No	22%

Communication

Where does the family talk about business matters?

It is clear the research results suggest the family talks about issues of the business on a regular and ongoing basis. Our experience of working with families in business together suggests it is considered OK to talk about the business anywhere and at anytime, be it at work or at home.

The business is often central to the life of the family and, of course, is the economic engine that supports the family unit. We often see the business invading the home and the home invading the business. This is particularly prevalent when it comes to boundaries of authority, power and control and is a significant factor for the founder of a family business, with comments like 'he was never there', 'he was always working', 'it was always business first' and 'I was only doing it for the family' common place when a family is in business. There is a clear link with the issues of Governance and the informality of approach taken by many families. The fact that families talk about the business whenever and wherever it is appropriate seems entirely consistent with the findings elsewhere in this research.



19% At home
37% In the workplace
44% When and wherever

Location	Percentage
At home	19%
In the workplace	37%
When and wherever	44%

"This research emphasises the importance of the family owned and run business. Bringing children into the family business is a major family decision and this shows that many family business owners are beginning to take this decision extremely seriously. It augers well for the health of the family business sector in the UK and the continuing prosperity of the huge numbers of family owned businesses"

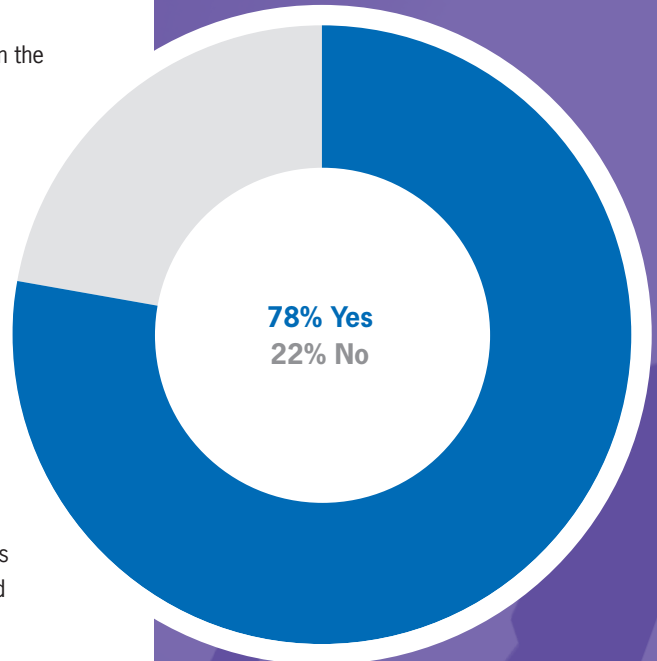
Steve Scarlett, Lovewell Blake – www.lovelwell-blake.co.uk

The Strength of Family Ties

Do you believe the business is stronger for having family members involved in its' activities?

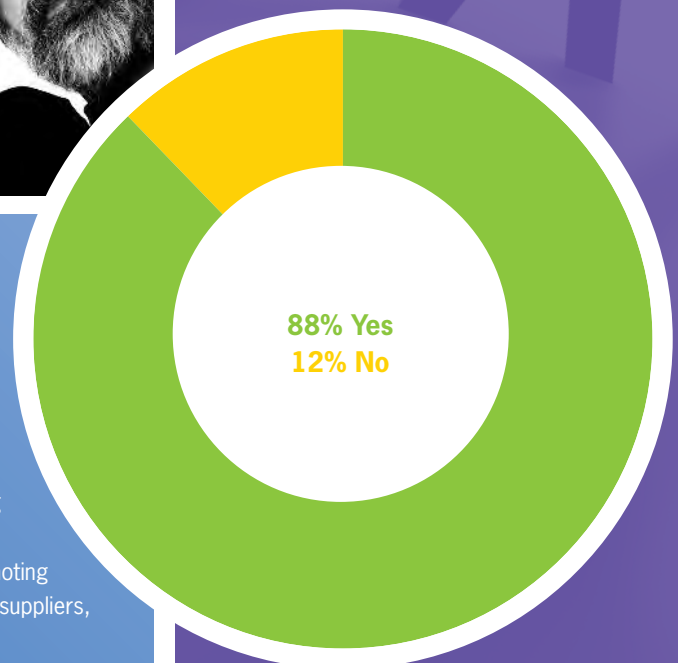
Whilst this could be seen as a very general question about family presence in the business; in order for there to be a more effective understanding of what 'stronger' might mean on an individual basis, a series of supplementary questions would need to be asked, Nevertheless, a 78% positive response to the general question does give a very clear indication about family involvement in the business. As the profile of family owned and or run business increases, through media exposure, education and government interest, so we are beginning to see many more businesses declaring their family origins and ownership.

Many more family businesses are taking their internal governance seriously and seeking to involve the wider family unit. Large well known family businesses are advertising their family roots and using 'family' as a real marketing tool suggesting family values of trust, integrity and longevity. Generally family owners believe their family members can be trusted, will work harder and care more. The downside for family members is that they will often be expected to work harder, make more commitment and perhaps get paid less than other employees in the family business.



Do you promote the business as being family owned?

There is a clear correlation between seeing family involvement as making the business stronger and the benefits of promoting the business as being family owned. Whilst 'being family' for some people can often be a negative experience, filled with some of the more difficult relationship issues that go with being in a family: for many promoting the business as family owned celebrates the more positive elements of being part of a family. It often plays on the positive attributes of trust, integrity, love, care and of course longevity. The response clearly shows that promoting the business as family owned gives this positive message to customers, suppliers, employees and the wider community audience.



"The International Centre for Families in Business is delighted to be involved with this piece of important research. The Praxity participating firms involved are showing a real commitment to this important sector of the UK business community and this research will add to their growing knowledge and expertise in ensuring their family business clients receive the best possible professional support from their business advisers"

John Tucker, The International Centre for Families in Business – www.icfib.co.uk

What Is Causing Sleepless Nights?

Having asked respondents to determine their greatest concerns about being a family business, we have been able to compile the following list which highlights the issues that causes family business members around the UK sleepless nights. We are aware that family business owners discuss business when they have to, at work and at home, so it is not surprising that they take their concerns home with them too.

Not surprisingly the biggest concerns surround the fact that family members can never get away from work and in the event of disagreements at work, personal relationships can become strained.

Rank	Nightmare	Respondents Citing As A Significant Concern
1	Family members can never get away from work	18%
2	Business disagreements can put strain on family relationships	17%
3	Emotional aspects can get in the way of important business decisions	16%
4	Transition to the next generation is more difficult than a third party sale	10%
5	There can often be conflicts regarding the fairness of reward for effort	9%
6	The business rewards are not necessarily based on merit	8%
7	Family members find it difficult to be an individual in their own right	5%
8	Difficulties arise in attracting professional management	5%
9	Children can be spoilt through inequitable rewards	4%
10	Outside shareholders do not contribute but take payouts from the business	3%
11	The family is always put before the business and therefore can be less efficient	3%
12	Past deeds are never forgotten and are brought up at inappropriate times	2%



"Family businesses are weathering the difficult economic climate with a degree of optimism and confidence about the future. The results inevitably highlight the major concerns of the family in business, particularly the issues keeping people awake at night. Managing and owning a family business can be extremely stressful and professional advisers need to appreciate the impact that these areas have upon their clients"

Jackie Fisher, **PM+M** – www.pmm.co.uk

A Cause for Celebration

We were also interested in understanding the greatest positive attributes associated with being a family business, from the family business members themselves. We can all see the successful family businesses and working within one can be extremely rewarding too. It is generally felt that family members work harder in a business, possibly due to the pressures brought on by the business having been passed down the generations, and there is an overwhelming belief that there is a collective responsibility and commitment to making the business a success.

Rank	Benefit Of The Family Business	Respondents Citing As A Cause for Celebration
1	Members of the family share a commitment to the business	16%
2	Family members work harder in a business than non-family members	14%
3	There is a greater willingness to reinvest profits back into the business	14%
4	A family shares the same values and can develop a strong culture within its business	10%
5	There is limited bureaucracy in a family business	9%
6	A family business can provide for the current needs of the family	8%
7	A family working to the same goal strengthens business performance	8%
8	Family members see themselves as continuing a legacy for the next generation	7%
9	A family business is easier to control than a non-family business	6%
10	There is a better continuity of leadership through family members	4%
11	A family business can provide support for the retired generations	4%



“Despite tales of the demise of the family business it is still the most prevalent business model in use today. This research acknowledges the unique and difficult issues faced by the family in business and highlights the concerns that need to be addressed by their professional advisers”

Richard Frost, [Hawsons](http://www.hawsons.co.uk) – www.hawsons.co.uk

About the Respondents

Family businesses come in all shapes and sizes and our survey encompasses a broad spread of businesses across the UK with 389 people completing the survey. The majority of the respondents were the controlling owners, those at the helm and currently responsible for leading their family business through the current economic turmoil, with 55% of them having already passed to the second generation and beyond.

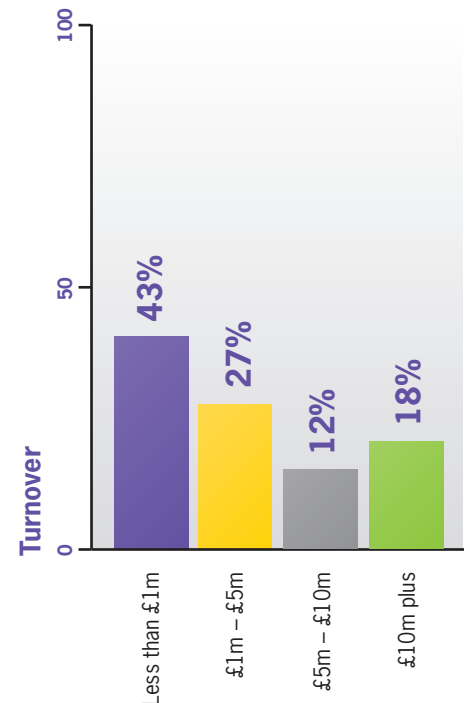
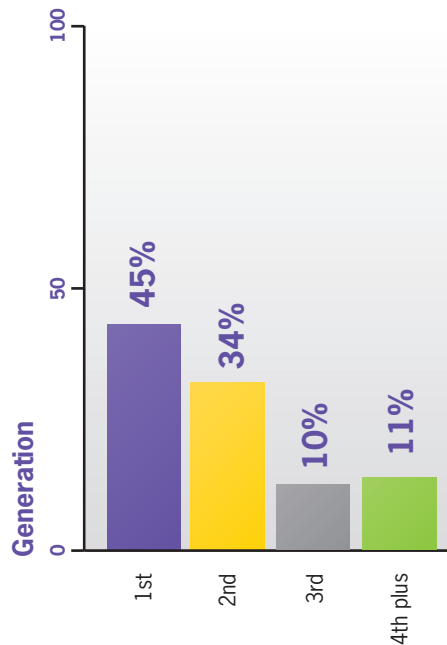
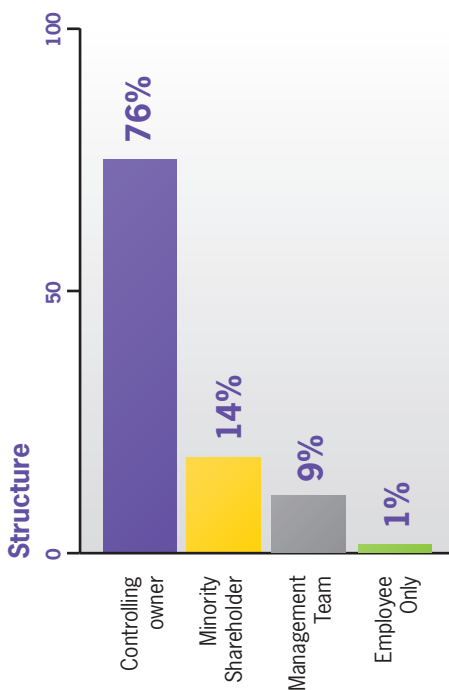
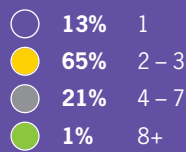
In terms of size, family businesses are often perceived as small operations but 30% of the respondents are from family businesses with turnover in excess of £5 million and 44% employing more than 21 staff. The survey therefore encapsulates the issues at the core of the UK family business community.

Furthermore, many of the businesses who took part in the survey are representative of true family businesses with 22% employing more than 4 members of the same family in roles within the business.

Number of employees



Number of family members in the business



"This research clearly indicates the areas causing the most concern for families in business together. The positive attributes of trust; integrity, love, care and longevity are emphasised and are positively promoted in many family owned businesses. Many of the issues facing the family business are unique and this research will add further knowledge and understanding to support our work with family business clients"

David Pierce, **Hazlewoods LLP** – www.hazlewoods.co.uk

For More Information

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www.icfib.com

ICFIB is committed to ensuring the most up-to-date and relevant professional support and advice is available to family businesses. Our major purpose is to offer family businesses consultancy services to cover the issues that are of concern to them as well as a safe place for learning and education and a place where the family and other key personnel can gain access to information, attend workshops, seek advice, and above all, meet and share information and best practice with other families in business.

ICFIB also offers a range of programmes for professional advisers and intermediaries who work with family businesses. These programmes will give professionals working with family businesses the opportunity to learn more about the nature and the dynamics of the family business and enhance their own skills and experiences through a series of programmes designed to support their own personal development.

We have a passion about family business and take the family business seriously

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Praxity AISBL, is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its administrative office in London. As an alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The alliance does not constitute a joint venture, partnership or network between participating firms. Because the alliance firms are independent, Praxity does not guarantee the services or quality of services provided by participating firms.

A list of UK firms specialising in family businesses and contact details are set out on the next page.



Look no further for professional advice from leading experts in the field of family business across the UK.

As independent firms of chartered accountants, all of whom are members of the Praxity alliance across the country, we have spent many years servicing the needs of family businesses. More recently, we have been working closely with the team from The International Centre for Families in Business to ensure we really understand YOUR needs.

Services available:

- Estate Planning
- Business Planning
- Succession Planning
- Audit & Accountancy
- Personal Financial Planning and Taxation
- Corporate Finance
- And much more besides...



Independent firms working with family businesses

If you would like to find out more in your region, please contact:

North and West Yorkshire
Garbutt & Elliott
Craig Manson
Tel: 01904 464100

South Yorkshire &
East Midlands
Hawsons
Richard Frost
Tel: 0114 266 7141

Lincolnshire &
East Yorkshire
Forrester Boyd
Steve Fields
Tel: 01724 863105

East Anglia
Lovewell Blake
Steve Scarlett
Tel: 01603 663300

South West & Midlands
Hazlewoods LLP
David Pierce
Tel: 01242 680000

London
Mazars
Fiona Hotston Moore
Tel: 020 7063 4355

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