

First Bank Center for Family-Owned Businesses

Family Business
Survey Findings

MacKenzie

12/12/2022



Project Overview



Situation:

First Bank is striving to be a thought leader by educating and inspiring current and future family business members.

Objectives:

- Gain a better understanding of the current state of U.S. family businesses
- Become the go-to authority on forward-thinking family business topics
- Contribute to the strengthening of family business ecosystems
- Develop resources and networking opportunities for family business members

Research Themes:

- Family business involvement and entrance
- Growing and evolving the family business
- Succession planning and support
- Optimism regarding the future of family businesses

Full list of survey questions included in the appendix



Methodology & Responses

Survey Distribution

An online survey link was sent via email invitation to personal networks, an online panel provider, and promoted on social media. Responses were gathered from 10/6/22 – 10/31/22.

Respondent Breakdown

A total of 581 survey responses were collected.

552 are qualified completes* and 29 are from non-family members or advisors.

In this report, we focus on the 552 qualified completes with segmentation analysis by generation:

G1-A: Business started less than 20 years ago	45%
G1-B: Business started more than 20 years ago	22%
G2+: All non-G1 respondents	32%

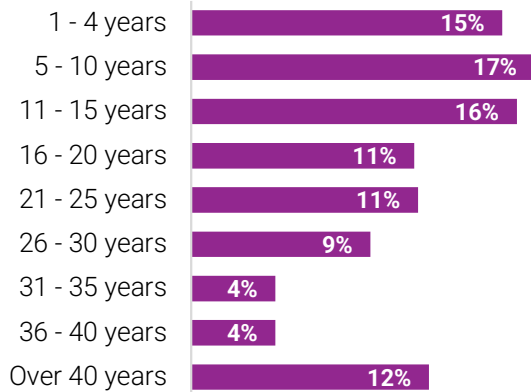
Non-family member and advisor open-text responses are included at the end.

**A qualified complete is a respondent currently involved with a family business AND is a family member.*

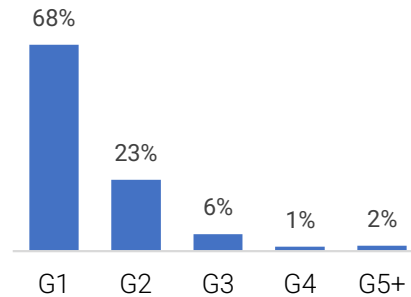
Respondent Overview n=552



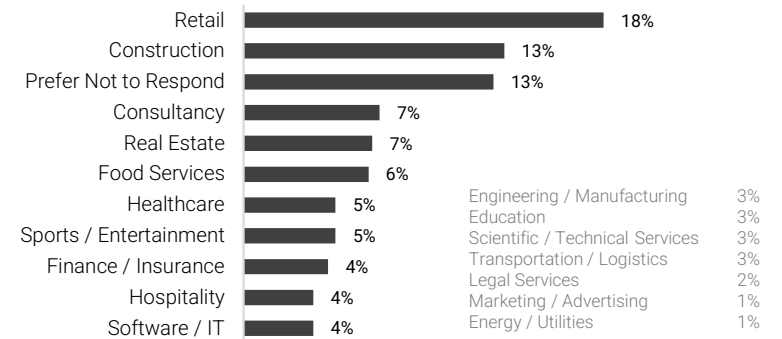
BUSINESS AGE



YOUR GENERATION



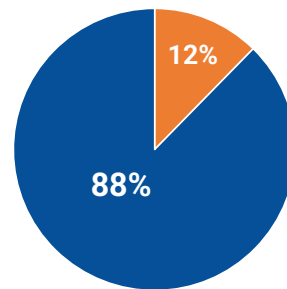
INDUSTRY



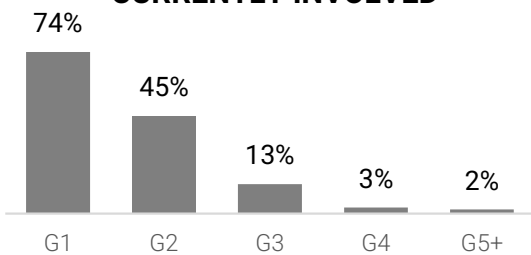
n=537 ; Question not required on personal network survey

YOUR INVOLVEMENT

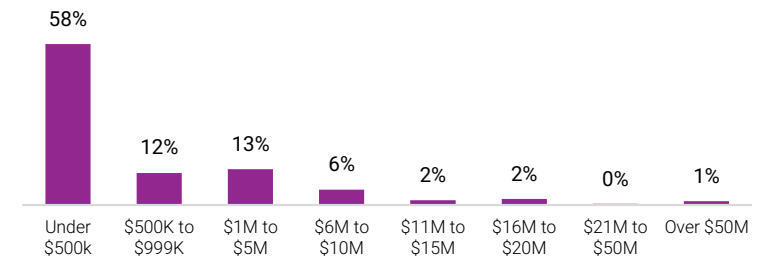
- Family Member and Employee
- Family Member and Owner



GENERATIONS CURRENTLY INVOLVED



ANNUAL REVENUE



n=537 ; Question not required on personal network survey

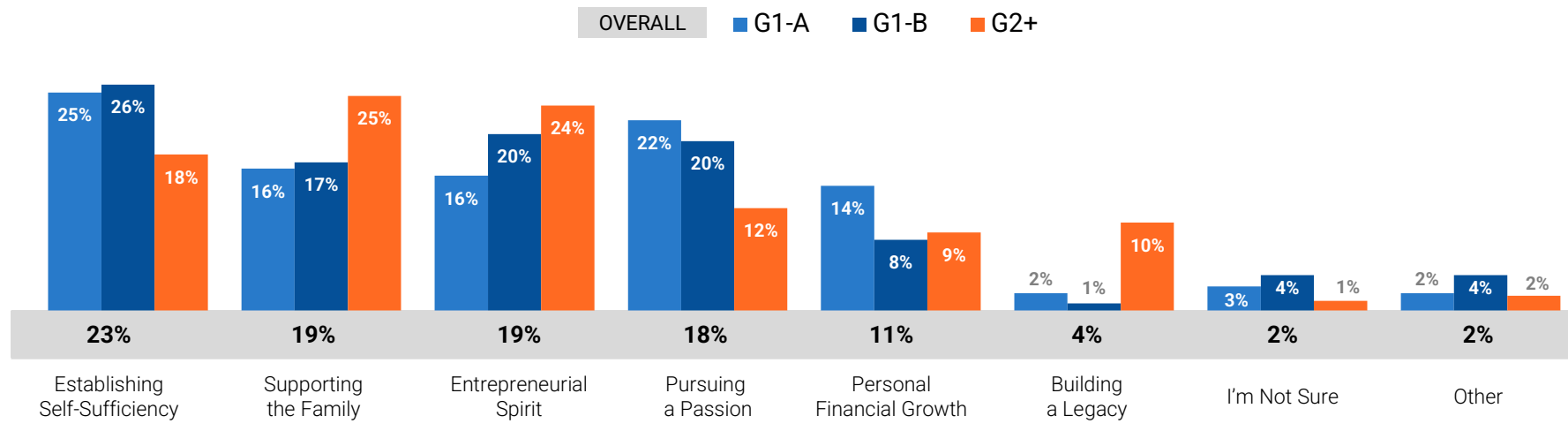
Survey Results Overview

Starting the Business

Understanding the history and foundation.



What do you feel best describes the motivation for starting the family business?



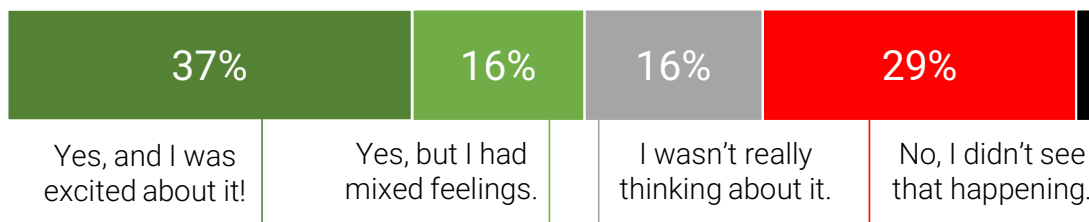
Overall n=552; ... G1-A: Business started less than 20 years ago; n=251 ... G1-B: Business started more than 20 years ago; n=123 ... G2+: All non-G1 respondents; n=178

NOTES & TAKEAWAYS: There are generational differences in perceived motivations for starting the business. Where G1 listed Self-Sufficiency and Passion as their top motivators, G2+ chose Family Support and Entrepreneurship.

Your Arrival

Thoughts and experiences of G2+ entering the family business.

When you were a teenager, did you picture yourself working full-time in your family's business?



G2+ n=178

Which of these best describes why you started working for your family's business?

I wanted to continue the family legacy

42%

I was asked to join the business

22%

I needed a job

15%

Someone had to fill the role

11%

It was always the plan

10%

G2+ n=178

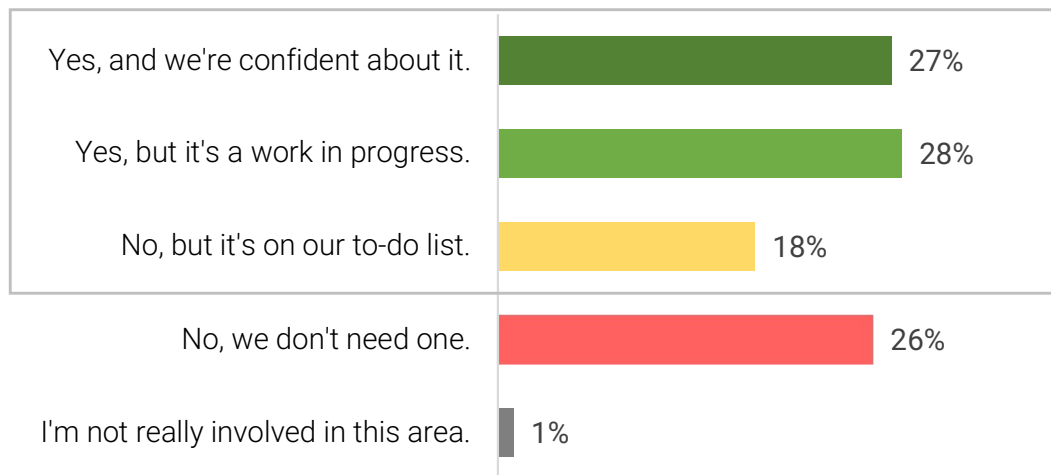
NOTES & TAKEAWAYS: As seen on the previous slide, G2+ indicated building a family legacy was second-to-last on their list of why the family business was started (10%), but it's by far their top reason for joining the family business (42%).

Succession Planning

Outlining plans for the family business' future leadership.

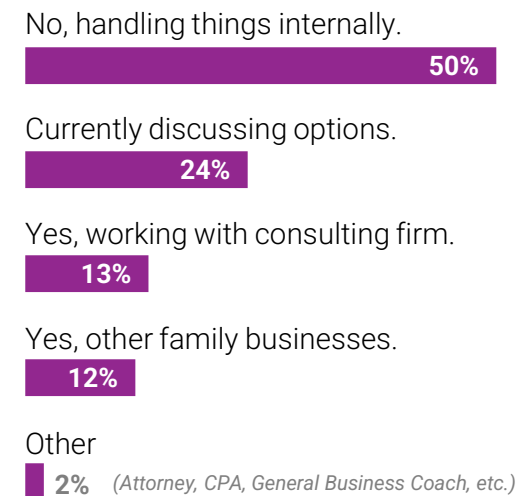


Does your family business have a structured/organized succession plan?



n=552

Did you have, or are you considering, outside succession planning support?



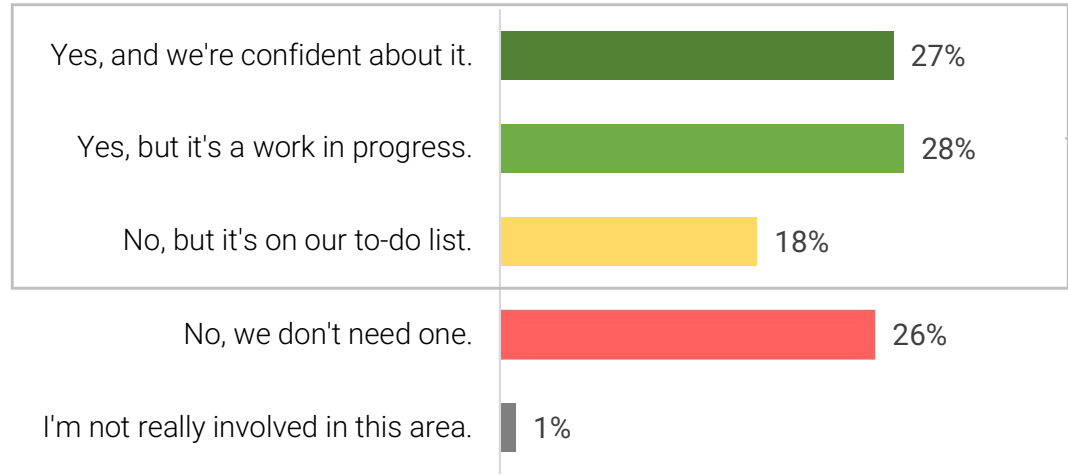
n=361

NOTES & TAKEAWAYS: Out of the 73% of family businesses who have (or are planning to create) a structured succession plan, there's a 50/50 split between seeking outside support and keeping the process internal.

Succession Planning

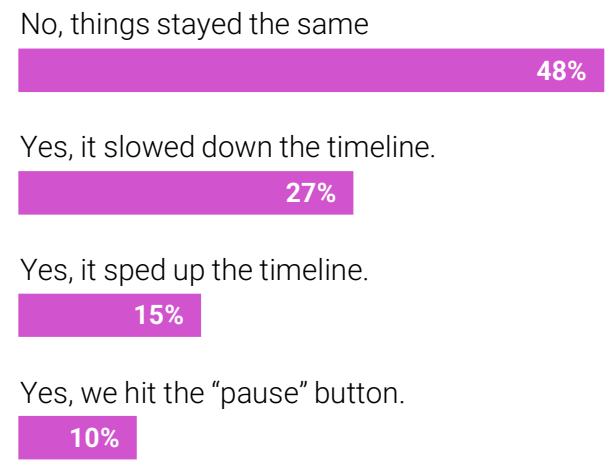
Outlining plans for the family business' future leadership.

Does your family business have a structured/organized succession plan?



n=552

Has the pandemic impacted your approach to succession planning?



n=361

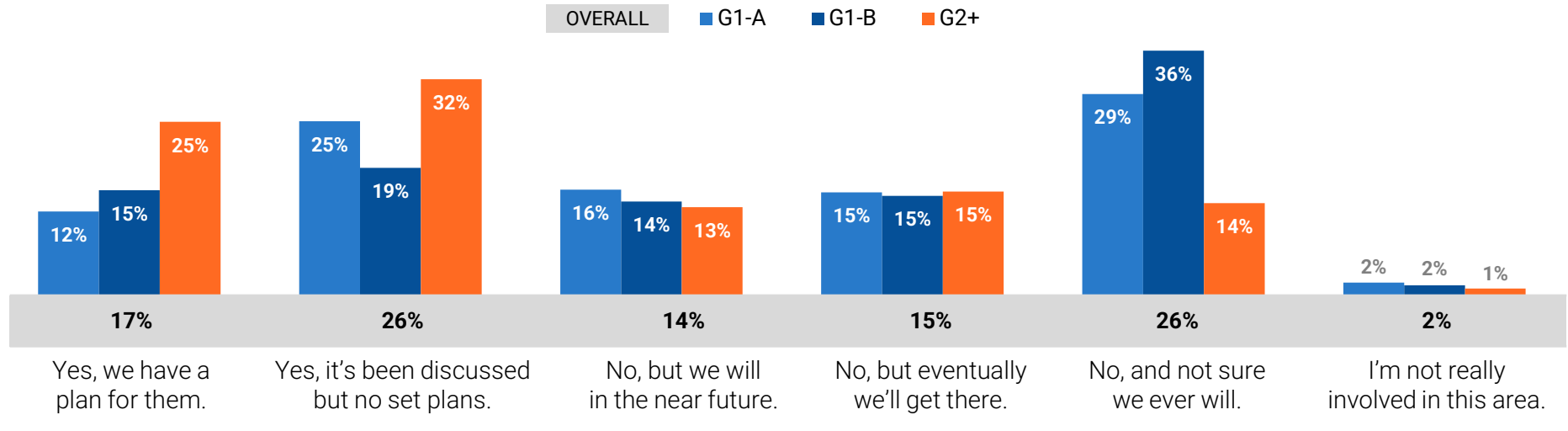
NOTES & TAKEAWAYS: Over half (52%) of family businesses who have or are planning to create a structured succession plan were impacted by the pandemic; with 37% seeing their efforts slowed down or paused.

Succession Planning

Outlining plans for the family business' future leadership.



Have you begun discussions regarding generations not yet involved in the family business?



Overall n=551; ... G1-A: Business started less than 20 years ago; n=251 ... G1-B: Business started more than 20 years ago; n=123 ... G2+: All non-G1 respondents; n=177

NOTES & TAKEAWAYS: The G2+ group is more likely than G1 to be discussing future generations not yet involved in the family business. Those having at least discussed involvement: G2+ (57%), G1-A (37%), G1-B (34%).

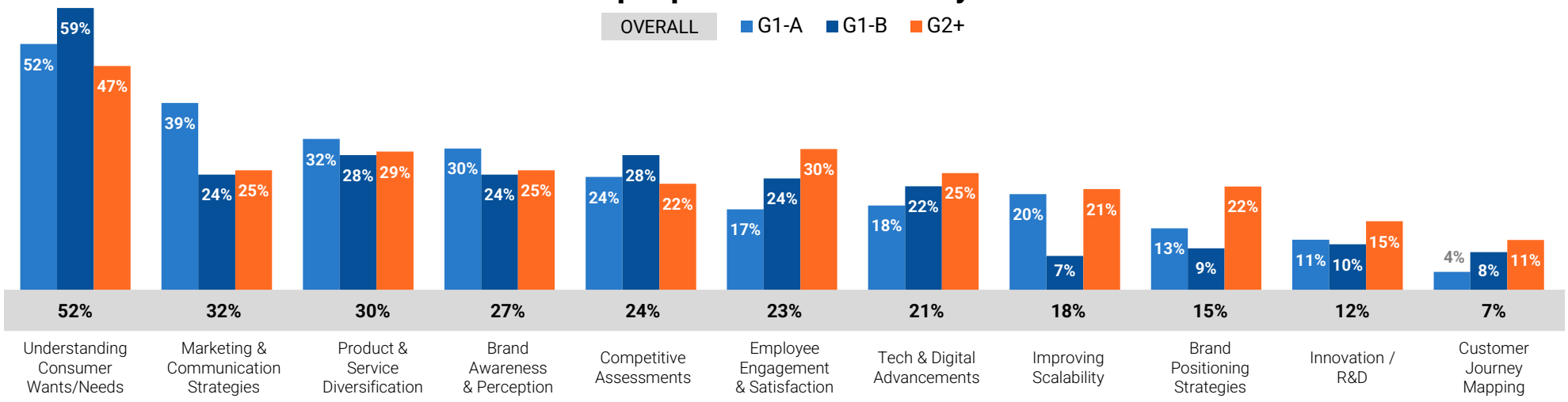
Business Growth & Evolution

Capturing insights regarding the past, present, and future strategic intent of family businesses.



Aside from sales and revenue, what are the business' Top 3 priorities as of today?

OVERALL G1-A G1-B G2+



Overall n=552; ... G1-A: Business started less than 20 years ago; n=251 ... G1-B: Business started more than 20 years ago; n=123 ... G2+: All non-G1 respondents; n=178

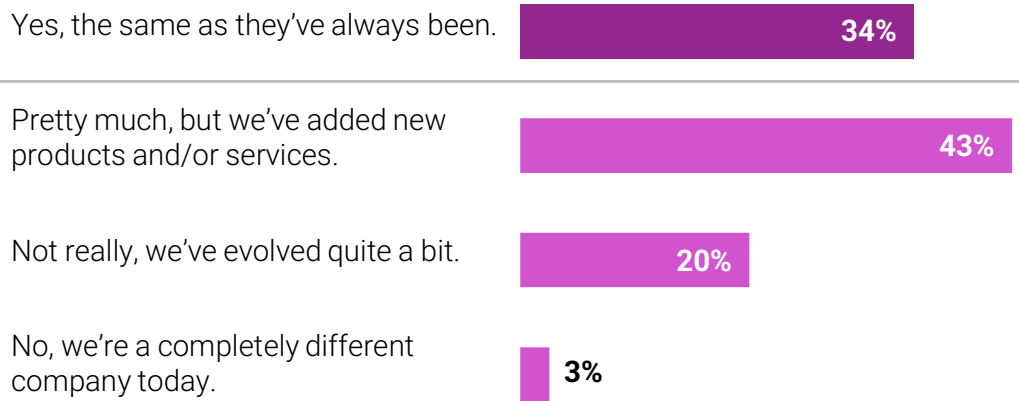
NOTES & TAKEAWAYS: Understanding consumer wants and needs is the top priority for all family businesses. While employee engagement and satisfaction is #6 overall, it is the second-highest priority for G2+ members.

Business Growth & Evolution

Capturing insights regarding the past, present, and future strategic intent of family businesses.

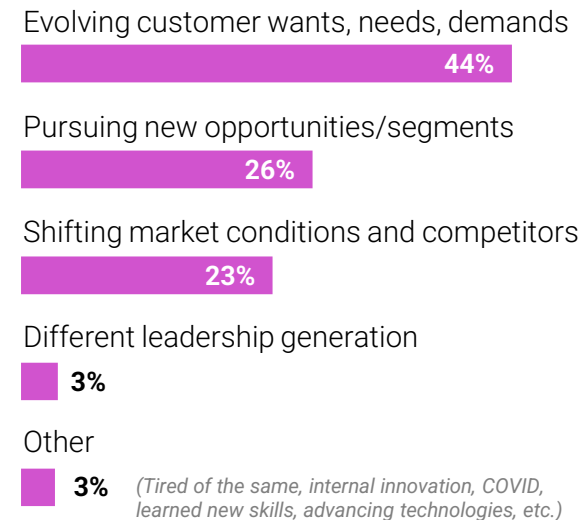


Are your offerings and value props the same today as when the business first started?



n=549

What was the primary driver of changes to the business' offerings?



n=360

NOTES & TAKEAWAYS: 66% of family businesses have changed their offerings since the business first started; with evolving customer wants and needs being the primary reason (44%).

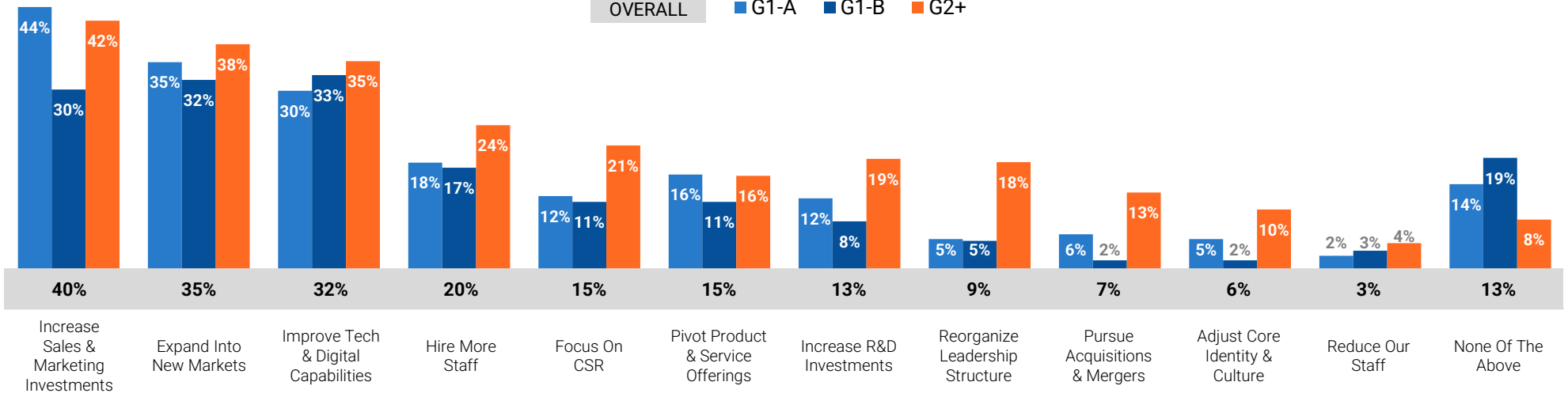
Business Growth & Evolution

Capturing insights regarding the past, present, and future strategic intent of family businesses.



How do you see your strategies and/or needs changing over the next year?

OVERALL G1-A G1-B G2+



Overall n=552; ... G1-A: Business started less than 20 years ago; n=251 ... G1-B: Business started more than 20 years ago; n=123 ... G2+: All non-G1 respondents; n=178

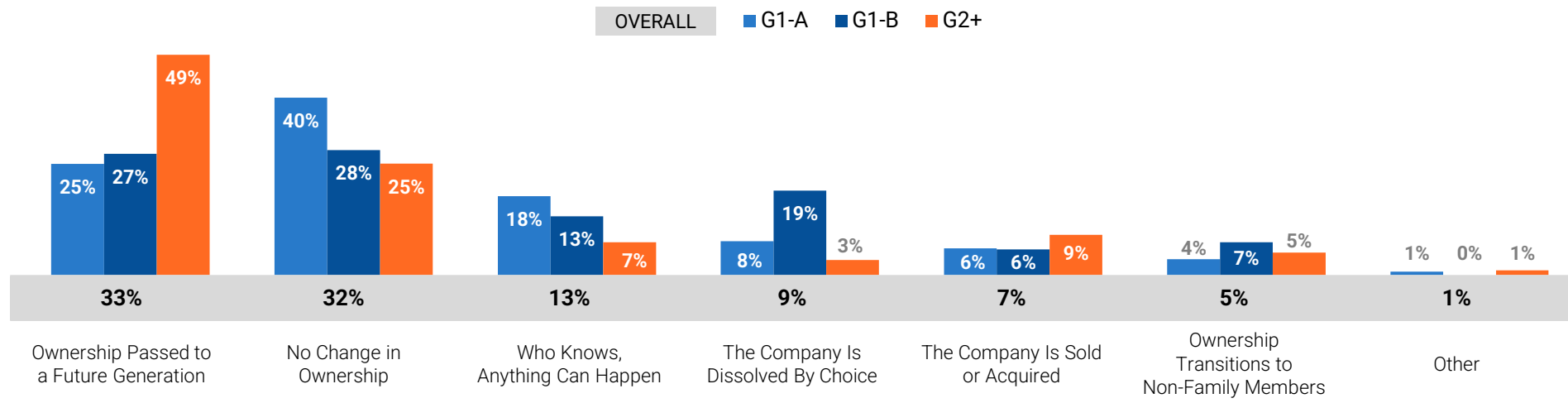
NOTES & TAKEAWAYS: There are considerable gaps between generations where G2+ is more likely than G1 to focus on CSR (+9 pts), increase R&D (+9 pts), and hire more staff (+6 pts) over the next year.

Business Growth & Evolution

Capturing insights regarding the past, present, and future strategic intent of family businesses.



Thinking about your business 10 years from now, What do you feel is most likely to happen?



Overall n=549; ... G1-A: Business started less than 20 years ago; n=250 ... G1-B: Business started more than 20 years ago; n=122 ... G2+: All non-G1 respondents; n=177

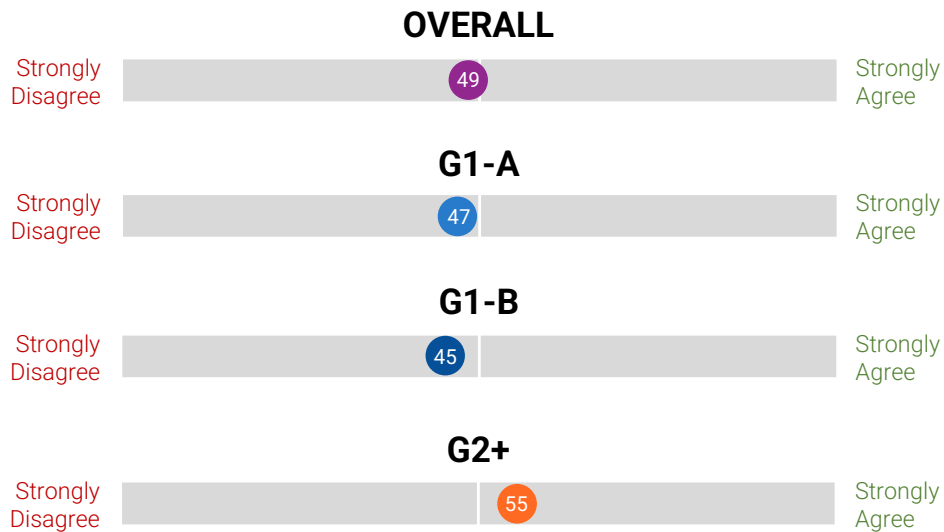
NOTES & TAKEAWAYS: There is a 23-point difference between generations regarding ownership being passed to a future generation, with G2+ seeing that outcome as much more likely than G1.

Perception & Perspective

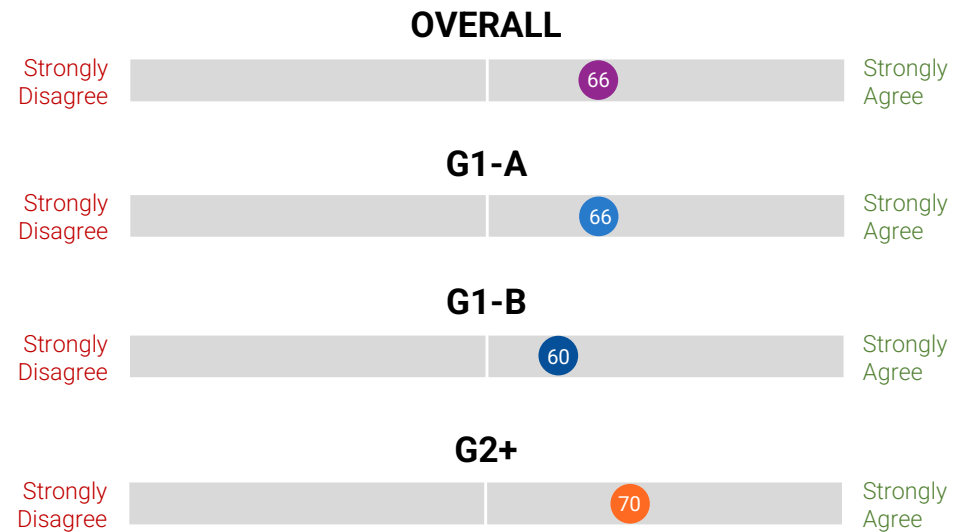
Gathering introspective thoughts and opinions regarding the family business sector.



"The economy will rebound over the next year."



"I see our business and revenue growing over the next five years."



n= 552

NOTES & TAKEAWAYS: Despite uncertainty about the economy rebounding over the next year, family businesses are moderately optimistic about their revenue growing over the next five years; with G2+ recording highest agreement for both.

Perception & Perspective

Gathering introspective thoughts and opinions regarding the family business sector.



"Our current business model can withstand continued economic uncertainty."

OVERALL



G1-A



G1-B



G2+



"We'll need to pivot or evolve our products/services to survive long-term."

OVERALL



G1-A



G1-B



G2+



n = 552

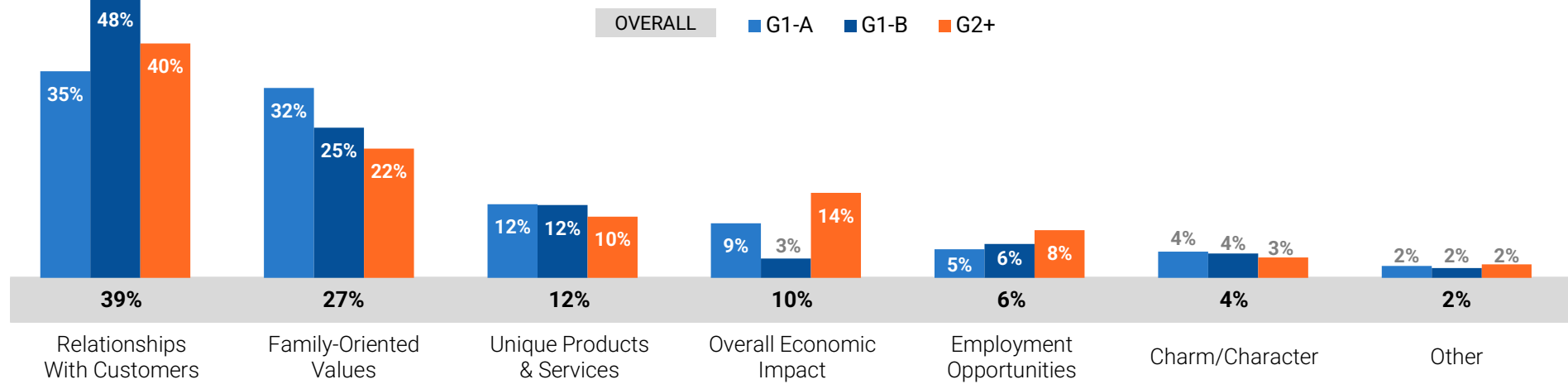
NOTES & TAKEAWAYS: While G2+ is most confident about its current business model withstanding economic uncertainty, that group also recorded the highest agreement regarding the need for a pivot to achieve long-term success.

Perception & Perspective

Gathering introspective thoughts and opinions regarding the family business sector.



What do you see as the biggest contribution family businesses make to their local community?



Overall n=545; ... G1-A: Business started less than 20 years ago; n=259 ... G1-B: Business started more than 20 years ago; n=122 ... G2+: All non-G1 respondents; n=174

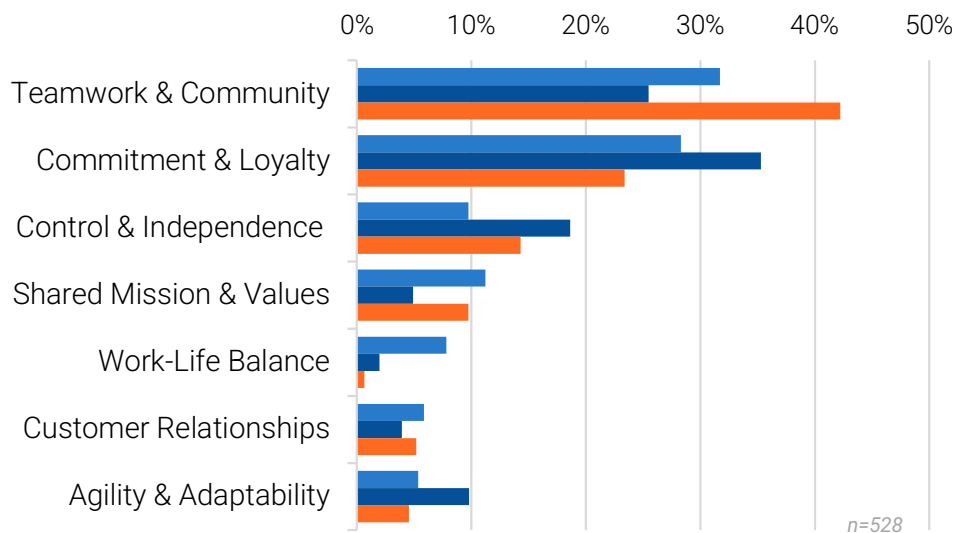
NOTES & TAKEAWAYS: Intangible contributions, such as customer relationships (39%) and family values (27%), are seen as much bigger community contributions than economic impact (10%) and employment (6%)

Family Business Strengths & Advantages

Open-Text responses sharing family business member thoughts and opinions.

Top Response Themes

■ G1-A ■ G1-B ■ G2+



"We work together better as a team."

"More supportive by family members, Assistance when times are tough."

"hard work, more invested in the business as it is a large part of their total life"

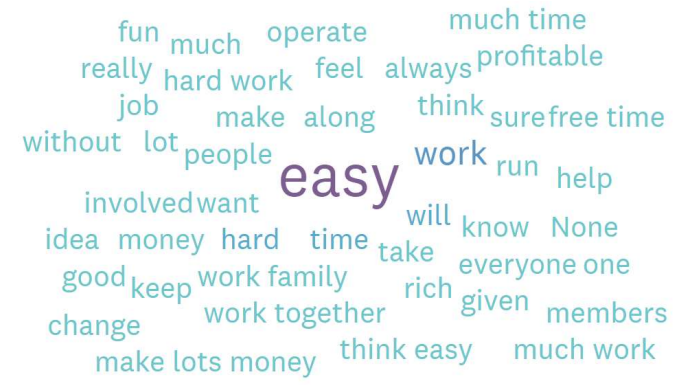
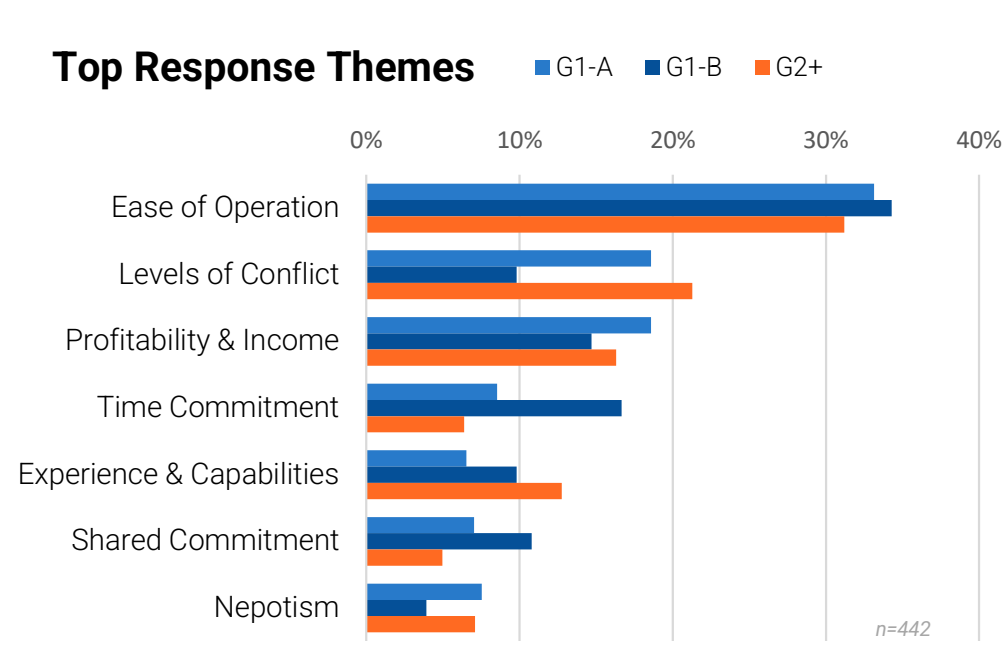
"A family business has the entire control and leadership of the business!"

"A deeper core connection to the mission"

NOTES & TAKEAWAYS: The most common themes in these open-text responses are centered on internal relationships, family dynamics, and the benefits of working together as a team.

Misperceptions About Family Business

Open-Text responses sharing family business member thoughts and opinions.



"It's supposed to be easier somehow! You somehow don't have to work as hard."

"That family cannot work together without lots of friction"

"that everyone gets along all the time"

"That we make a lot of money and are rich just because we own a business."

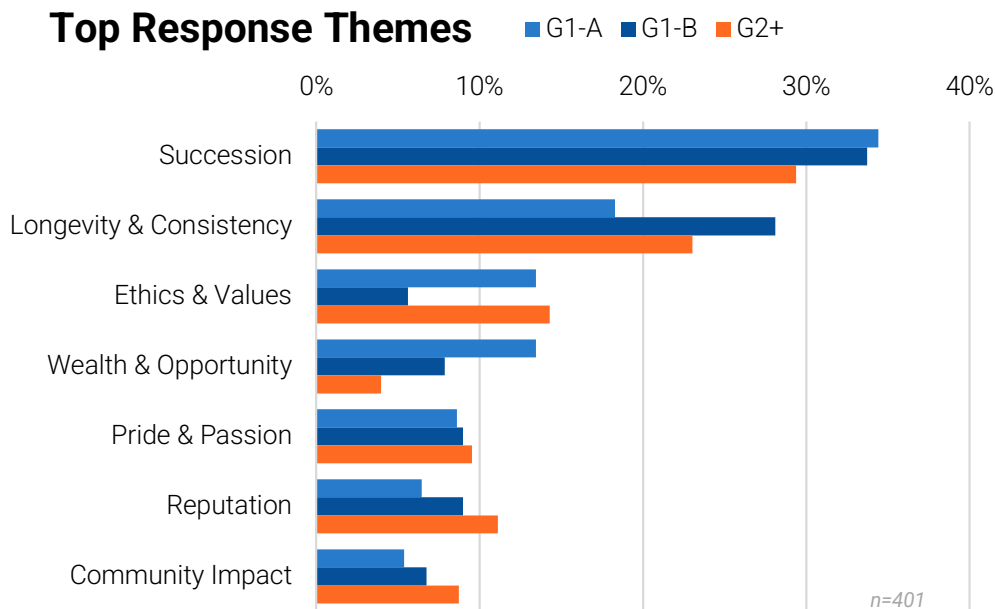
"Lucky you, you get to do what you want. No bosses."

NOTES & TAKEAWAYS: The most referenced misperception is that family businesses are easy to operate; mostly due to the freedom and flexibility of owning one's own business and having extensive family member support.

Defining Family Business “Legacy”

Open-Text responses sharing family business member thoughts and opinions.

Top Response Themes



handed think clients kids great proud things
 growing next generation run know values years want
 sure future generations good built work
 help community **Passing** continue gone
 name keeping
 time family generations will company
 customers carry strong leaving one provide
 one generation Making survives

“Being able to pass it down to future generations.”

“One that would be stable enough to last and grow for generations”

“that they will always be trustworthy and honest”

“Handing down financial security to the next generation”

“the sense of pride and integrity building up a family business through the years”

NOTES & TAKEAWAYS: The term “Legacy” is most commonly defined by the act of succession; followed by a business’ ability to remain successful and relevant over time.

Non-Family Business Respondents

Open-Text responses sharing outside thoughts and opinions.



Strengths & Advantages

- Shared mission and vision
- Higher levels of commitment
- More strategic agility
- Sense of togetherness
- Dedicated and resilient

Common Misperceptions

- It's easy; All fun and no work
- Slow to adapt and evolve
- Only small businesses
- Family involvement is automatic
- There must always be harmony

Defining "Legacy"

- Passed to next generation
- Family/Community impact
- Reputation and values
- Relationships (Internal/External)
- Family wealth

NOTES & TAKEAWAYS: Across each open-text prompt, non-family members reference the same themes as family members.

Top 5 Findings & Takeaways

MOTIVATIONS FOR STARTING THE FAMILY BUSINESS



There's a disconnect between generations when asked about the roots of their family business.

A family business' history and origin story can be a powerful asset for brand identity development, customer relationship building, and competitive differentiation.

But where G1 points to “Establishing Self-Sufficiency” and “Pursuing a Passion” as their top motivators for starting the family business, G2+ selected “Supporting the Family” and “Entrepreneurial Spirit.”

With that, First Bank has a value-add opportunity in providing guidance/resources that help family businesses craft a compelling story about their history while ensuring alignment between generations.



SUCCESSION PLANNING STATUS & APPROACH



A substantial amount of family businesses are choosing to keep their succession planning internal.

A 2021 Family Business Survey by [PWC](#) found that 65% of family business leaders selected “Ensure the business stays in the family” as a top long-term priority.

So, it’s no surprise that our study found 73% of respondents already have, or intend to develop, a structured succession plan. Within that group, there is an even split between external support and keeping those efforts internal.

With 50% of family business succession planning occurring without external guidance, there is a sizeable audience for content focused on self-guided succession planning tips, skills, and strategies.



FAMILY BUSINESS LIST OF PRIORITIES AS OF TODAY



Customer Journey Mapping is a missing link for family business' strategic development.

According to a 2021 CXPA report*, 67% of customer experience professionals are using customer journey mapping, and 90% of those have seen increased customer satisfaction and lower churn.

But while "Understanding Consumer Wants & Needs" (52%) is the top priority for family businesses today, "Customer Journey Mapping" (7%) is at the bottom.

So, by educating family business leaders on the benefits and processes of Customer Journey Mapping, First Bank can empower those businesses to be more effective and efficient in achieving their top priorities.

*Source: "What Is A Customer Journey Map And Why Are They Important?", LinkedIn Blog, 2021



CHANGING STRATEGIES OVER THE NEXT YEAR



Generational transition brings increased focus on people and social responsibility.

A 2021 study by [Great Place to Work](#) found fair pay, personal meaning, and organizational equity to be the most sought-after workplace benefits for Millennials. These priorities are not only important for employees, but they are important for next-gen employers as well.

As of today, “Employee Engagement and Satisfaction” is a higher priority for G2+ (30%) than it is G1 (20%). And over the next year, G2+ family business members will be more focused on CSR than G1 (24% vs 12%).

So, providing resources focused on social equity and impact can help family business leaders prepare for attracting and retaining next-generation talent.

HOW “LEGACY” IS VIEWED WITHIN FAMILY BUSINESSES



For many family businesses, their “Legacy” is in relationships and cross-generation dynamics.

Only 2% of G1 respondents selected “Building a Legacy” as their motivation for starting the family business. However, the top reason for G2+ joining the family business was to “Continue the family legacy” (42%).

And many respondents defined “Legacy” in terms of family dynamics and interactions rather than business assets and tangible benefits.

So, these findings imply that relationship development and inter-personal skills can be just as valuable in strengthening a family business’ legacy as business development and professional skills.

Survey Question Outline

Survey Questions



Your Involvement:

Qualifying respondents and determining question track.

- As of today, are you directly involved in a family business?

Starting the Business:

Understanding the history and current family business makeup.

- How long ago was your family business started?
- Which generations are currently involved in the business?
- Which family business generation are you part of?
- Thinking back to the beginning, what do you feel *best describes* the motivation for starting the family business?

Survey Questions



Your Arrival:

Shown only to non-G1 respondents to understand the thoughts and conditions regarding their initial family business involvement.

- When you were a teenager, did you picture yourself working full-time in your family's business?
- Which of these best describes why you started working for your family's business?

Succession Planning:

Outlining plans for the family business' future leadership.

- Does your family business have a structured succession plan?
- Did you have, or are you considering, outside succession planning support?
- Has the pandemic impacted your approach to succession planning?
- Have you begun discussions regarding generations not yet involved in the family business?

Survey Questions



Business Growth & Evolution:

Capturing insights regarding the past, present, and future strategic intent of family businesses.

- Aside from sales and revenue, what are the business' top three priorities as of today?
- Are your offerings and value propositions the same today as when the business first started?
- What was the primary driver of changes to the business' offerings and/or value propositions?
- How do you see your strategies changing over the next year?
- Thinking about your family business 10 years from now, what do you feel is most likely to happen?

Thoughts About The Future:

Gauging forward-thinking optimism and expectations through "level of agreement" responses.

- The economy will rebound over the next year.
- Our current business model can withstand continued economic uncertainty.
- We'll need to pivot or evolve our products/services to survive long-term.
- I see our business and revenue growing over the next five years.

Survey Questions



Perception & Perspective:

Gathering introspective thoughts and opinions regarding the family business sector.

- What do you feel is the most common misperception people have about operating a family business? (Open Text Response)
- What strengths and/or advantages do you feel family businesses have that other businesses may not? (Open Text Response)
- How would you define the “legacy” of a family business? (Open Text Response)
- While there are many, what do you see as the biggest contribution family businesses provide in their local communities?

About Your Business:

Collecting demographics for analytic and results segmentation purposes.

- Number of Employees
- Industry
- Annual Revenue