



The Family Business Survey 2020

Determining the UK family business agenda

“Identifying challenges and dealing with them is something that long-standing family firms have done for generations.”

John Stevenson, MP for Carlisle and Chair of the All-Party Parliamentary Group for Family Business

“As we move into 2021 and adapt to life in the ‘new world’, the family business sector will play a significant role in our economic recovery, so it is more important than ever that we can support the family business community and the valuable contribution they will continue to make in our societies.”

Natalie Wright, Head of UK Family Business and Director of Financial Planning, Mazars UK

Foreword

2020 has not been the year most businesses expected or planned for, and with the global Covid-19 pandemic affecting us all, family firms have had to learn and adapt. It hasn't been easy but many have shown resilience and strength by adapting their business models to the new 'normal', embracing change, investing in their processes and infrastructure to take advantage of new opportunities and taking time to reflect on their future strategic plans.

Family businesses play an integral part in the UK economy and will continue to do so through the provision of employment, generation of wealth and creation of income as the nation aims to recover. There will be challenges ahead but the skills, qualities and attributes that have already been shown by family firms in responding to the changing nature of the world show they are well placed to continue to make a difference.

Families and their wider teams have really come to the fore and the sense of community and support has never been more evident. The sense of place and belonging is strong, with many multi-generational

family firms across the UK still operating in the same locations in which they were founded, further binding them to their local community.

UK Family firms continue to demonstrate innovation, entrepreneurship and resilience across all sectors as well as overcoming adversity to build stronger and more sustainable businesses for the future. Successful family businesses are continually adapting and evolving over time and will continue to contribute locally, regionally and nationally to help build a better United Kingdom going forward.

The Family Business Survey is an important piece of research to take the pulse of the family business sector, and to identify challenges faced by family firms today and above all, in recognising the prevailing family business agenda.



Paul Andrews
Founder and CEO,
Family Business United

“Family firms are resilient and those that react and adapt to the challenges they face will give themselves the best opportunities to survive and flourish.”

Paul Andrews, Founder and CEO of Family Business United

About our sponsor

Research of this nature would not be possible without the financial support and assistance from our sponsor, Mazars UK.

Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory and tax services. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars’ integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

In the UK, Mazars has over 130 partners and staff serving clients from 17 offices. We believe in customised solutions, addressing our clients’ challenges with a dedicated team of experts combining local market knowledge and technical expertise.

Mazars’ entrepreneurial beginnings and spirit empowers us to truly understand businesses and contribute to their success. Working across industries, we understand that running a family business comes with its own specific challenges, opportunities and goals. Every family and every business are unique, which is why Mazars build relationships based on listening to clients, understanding their aspirations, and working together over the long term to turn them into reality.

“Family businesses are the bedrock of the UK economy and we are proud to support them during every step of their journey. We are delighted to have partnered with Family Business United in the production of our 3rd Family Business Survey.”

Natalie Wright, Head of UK Family Business and Director of Financial Planning, Mazars UK



Introduction

With around 5 million family businesses in the UK today, employing over 14 million people and generating more than £1.9 trillion in revenue*, it is easy to see why family businesses are often referred to as the engine room of the UK economy.

Family businesses operate in all shapes and sizes across all sectors, some new, whilst others have been around for multiple generations. They have a daily impact on the way we live our lives and help shape the nation, creating income, wealth and employment.

Family firms are also unique, partly because of the way they are owned, but also in the way they are managed, the way decisions are made and the culture that they create. Very much part of the fabric of the communities in which they exist, family firms face unique challenges, which we wanted to identify as part of the 2020 Family Business Survey, to help us understand the agenda for family businesses today.

The 2020 Family Business Survey not only sought to find out what keeps family business owners awake at night but also looked at some specific areas in more detail: family values, future leaders, leadership teams, growth and sustainability, barriers to going international and cyber security.

Collectively, we wanted to give family businesses a voice, to understand the state of the family business community and to better appreciate the concerns of this rich, vibrant, diverse sector of the economy.

*Source – The State of The Nation – The UK Family Business Sector 2019-2020 published by The IFB Research Foundation and Oxford Economics



The Family Business Survey Key findings

37%

of family firms expect more than 20% growth over the next three years

Having defined family values helps the business pass on through generations

30%

of family business have been the victim of a cyber attack

The economic climate is the biggest risk to long term family business sustainability

17%

do not expect the next generation to take over

Integrity, trust and quality are core family business values

24%

of family businesses are more optimistic about their future business prospects



What keeps family business owners awake at night?

2020 has presented business owners with years of future uncertainty and it's no surprise, given the ongoing pandemic, that macro economic issues remain top of the family business agenda.

Uncertainty around Britain and EU exit, global political ambiguity, trading and new and changing restrictions due to Covid-19 are all contributory factors making the economy the biggest concern for family businesses.

Given the level of uncertainty on what the future holds, it is also unsurprising that profitability and sustainability are a key concern, with 36% citing this as a major issue for their business. All family firms will have been looking closely at their bottom line, focusing on credit control and making sure, wherever possible, that they are taking the right steps to secure the future of the business. Irrespective of whether the business is a first generation start-up or a multi-generational family firm; profitability and cash are key in these uncertain times. History and heritage provide a great narrative to help frame the business but will not guarantee long term sustainability on their own.

When it comes to the other challenges family firms are facing; regulation, red tape and legislation remain high on the agenda, along with concerns about supply chains, the changing face of the high street and consumer trends in the retail sector and rising costs of labour and raw materials.

Unlike in prior years, specific family business matters such as succession, identifying and developing the next generation, governance and balancing the needs of the family and the business have dropped down the agenda. This is far from surprising as business owners are having to take stock and really focus on the business, the changing environments and ensure the business is best placed to survive these unprecedented times. The running of the business has taken centre stage for everyone and any family matters or concerns have become less pressing.

Families and their businesses have demonstrated resilience over generations and will draw upon previous experiences to address and respond to current issues. They have responded throughout the pandemic and will continue to do so, embracing new ways of working and developing new business models to accommodate changes. However, succession planning, engaging and developing the next generation, bringing in the necessary digital skills and creating the right board leadership team for the future should not be ignored to ensure that the business is in the best position to maximise any opportunities that will inevitably arise from such a period of change.



The main concerns

Below we have ranked the top 20 concerns facing family firms and compared how they measure against sentiment from previous Family Business Surveys.

Rank	Concern	2020	2019	2018
1	The economic climate	78%	55%	33%
2	Profitability and sustainability of the business	36%	54%	45%
3	Global political uncertainty	35%	27%	19%
4	Issues associated with coronavirus	32%	n/a	n/a
5	Challenges associated with Brexit	30%	n/a	n/a

Other challenges

Rank	Concern	2020	2019	2018
6=	Regulation, red tape and legislation	29%	38%	30%
6=	Supply chain disruption	29%	n/a	n/a
8	The changing nature of retail and the high street	26%	20%	n/a
9	Survival of the business	19%	n/a	n/a
10	Rising costs of labour and raw materials	18%	n/a	n/a
11=	Recruiting, retaining and motivating staff	17%	48%	39%
11=	Access to finance	17%	23%	15%
11=	Improving customer engagement	17%	n/a	n/a
11=	Growth	17%	n/a	n/a
15	Balancing the needs of the family and the business	16%	26%	28%
16	Marketing, pr and social media	14%	40%	8%
17=	Cyber security	12%	n/a	n/a
17=	Taxation	12%	20%	9%
19=	Innovation, technology and the internet	12%	31%	10%
20	Succession/identifying and developing future leaders	10%	28%	27%

Please note that n/a refers to the fact that this challenge was not included in the survey in this year.



Family business values

Values are an important differentiator for family businesses and can be an integral part of their long-term sustainability and success.

Family businesses are recognised for taking a long-term view and planning for generations to come.

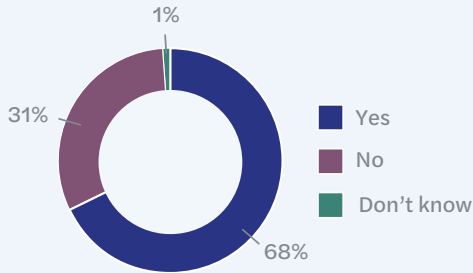
Despite the challenges posed by 2020 and the need for short-term planning to respond to the pandemic, it has been clear that values that have been truly ingrained into the fabric of the business have helped them not only survive, but also thrive.

94% of respondents believe their values play an important role in defining the family business strategy and 86% believe their values help in the day-to-day running of the business. Add to the mix that 66% think these values help increase revenue, profitability and growth then it is more important than ever that values continue to have a prominent focus within family owned firms.

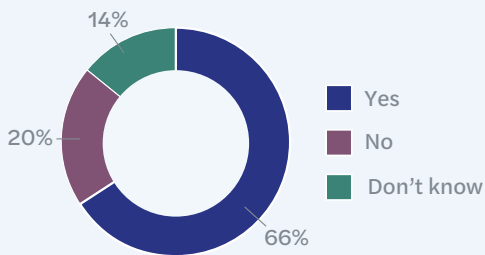
A characteristic of a strong culture is having a clearly defined set of values (Sorensen, 2014) and family firms with a strong culture tend to be built around a set of strong core values with succeeding generations reinforcing and further developing the values that were established by the founders when the business was created. It is often the case that defined and shared values and a shared purpose with aligned goals promote unity and cohesion as well as entrepreneurship and innovation.

Family firms by their very nature are rooted by purpose with core values such as integrity, trust, quality, passion, respect and fairness. These values can be extremely productive for the business when considered, documented and communicated throughout the organisation. It is also documented and echoed by 71% of UK family firms, that values help to reduce the potential for conflicts to occur.

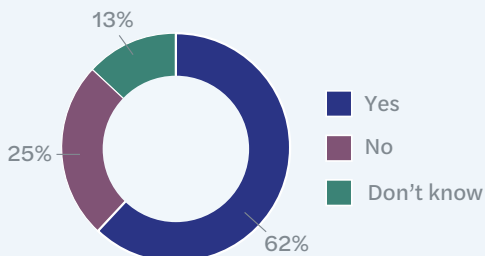
Do you have a defined and documented set of values for your family business?



Do you think values help to increase revenue, profitability and overall growth?



Do you think family values are best represented when there is a family member as the leader/CEO?



The values at the core of UK family firms

1	Integrity
2	Trust
3	Quality
4	Passion
5	Respect
6	Fairness
7	Long term perspective
8	Excellence
9	Entrepreneurial spirit
10	Social responsibility

94%

of respondents think values play an important role in defining the family business strategy

71%

of respondents think values help to reduce the potential for conflicts to occur

86%

believe that values help in the day-to-day running of the business

88%

believe that defined values help the family firm stand the test of time and successfully pass on through generations

Future leaders

One of the biggest challenges faced by family businesses is succession and the transition to a new leader.

Successful family businesses will know that in order to transition successfully from one generation to the next, it takes time to plan and action. However, even though a third of family businesses believe the next generation will take over, around half have confirmed that it is too early to tell. How do you plan for something that you are not sure will happen and is there a danger that some family businesses will leave it too late to effectively plan their succession?

One thing that is clear, is that family firms are operating in an ever-changing world and there is widespread appreciation with 77% of respondents believing that the future CEO will need different skills to those of the current CEO. However, somewhat of a concern is that 17% think the skills for the future CEO will remain the same as they are today.

Key requirements for future family business leaders are effective communication skills, adaptability, integrity and commitment to a clear vision.

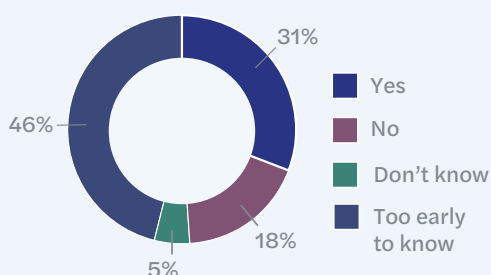
In terms of the development of future leaders, it is important to get the next generation on board with the family firm and to understand the culture and purpose of the business as early as possible to enable them to gain a voice, engender respect in their own

right and be able to appreciate how they can add value and help drive the business forward.

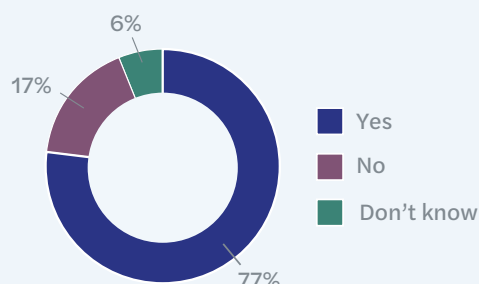
Critical skills for future family business leaders:

Effective communication skills	87%
Adaptability	77%
Integrity	69%
Commitment to a clear vision	62%
Honesty	61%
Ability to develop trust and earn respect	56%
Quick and continual learning	55%
Awareness of technological developments	54%
Listening	53%
Ambition	46%

Do you think the next generation will take over your family business?



Do you think the future family business CEO will need different skills to those of the current CEO?



Leadership teams

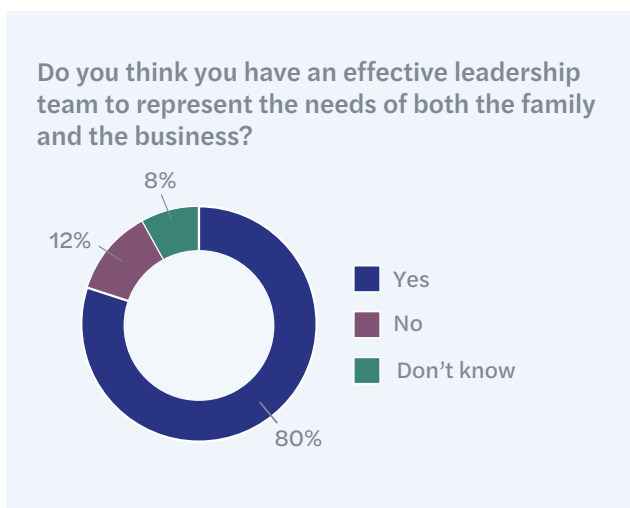
When it comes to creating a sustainable family business, it is important to have the right leadership team in place.

Over time, as a family business evolves and grows into a more complex organisation, new skills will be required to drive the business forward. As well as having the requisite skills, there will also need to be an appreciation of the values underlying the business too.

80% of UK family firms surveyed think they currently have an effective leadership team in place that represents the needs of both the family and the business. However, 12% of businesses do not agree and a further 8% are unsure as to whether their leadership team is effective in this regard.

When it comes to the leadership team and skills gaps on the Board, the most critical elements missing are identified as relating to IT and technology (40%), creative thinking (27%), strategy (25%) and PR, media and communication (24%).

To make up for any lack of skills, there are plenty of avenues open to business owners and the most likely sounding boards and sources of information for strategic business decisions are friends and family (67%), accountants (59%), peer groups (55%) and networking events and forums (43%).



What are the skills gaps within your leadership team?

IT and technology	40%
Creative thinking	27%
Strategic	25%
PR, media and communication	24%
Finance and economics	22%
Leadership	19%
Human resources	18%
Entrepreneurship	17%
Sales and marketing	15%
Public speaking	13%

Where do you source strategic input for business decisions?

Personal friends and family members	67%
Accountants	59%
Peer groups	55%
Networking events and forums	43%
Lawyers and legal advisers	37%
Online articles and reports	30%
Bankers	18%
Academic programmes	17%
Podcasts and webinars	16%
Marketing agencies	12%

Growth and sustainability

Building a sustainable family business is a key goal, with owners often describing themselves as stewards of the business with the express desire to pass the business on to the next generation in a better position than when they inherited it.

This can put pressure on family business owners and with the challenging trading environment, this is an ongoing concern for many.

However, when looking at growth forecasts there was a clear degree of optimism going forward with 85% of respondents predicting some level of growth over the next three years, and over 17% expecting growth in the next three years of more than 20%.

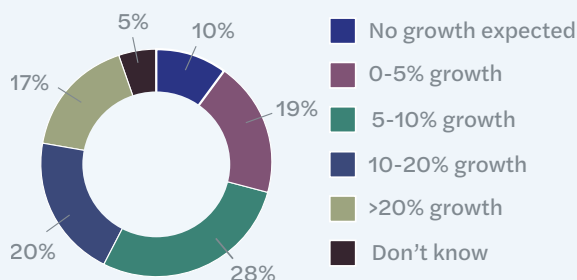
Many family businesses are making forecasts considering the ongoing uncertainty around Brexit and with 57% exporting products/services or sourcing materials and labour from outside the UK, the degree of optimism is all the more encouraging.

Growth can come from domestic or international markets and when questioned about doing international business, there were clear concerns and barriers identified as to why overseas trade can be a challenge. Key areas of concern for business owners related to legislation, trusting other parties, currency fluctuations and red tape.

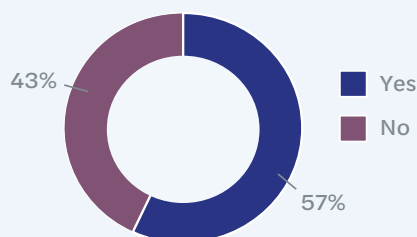
Family firms are recognised for taking the long-term view but when asked about long-term sustainability of their business, the key concerns cited were the economic climate, lack of strategic planning, failure to appropriately engage the next generation and family disputes.

There are challenges ahead for family firms but many have used the time this year to really focus on their business, to consider their current and future needs and make, in some cases, difficult decisions as they look to the future. Sustainability and stewardship remain on the agenda and family firms are tackling these challenges in order to be in the best position to remain sustainable for years to come.

Annual revenue growth forecast for the next three years:



Do you sell or export products/services or source raw materials/labour from outside of the UK?



The main challenges to doing international business	
Legislation	34%
Trusting other parties involved	30%
Currency fluctuations	30%
Red tape	27%
Issues to do with Covid-19	26%
Choosing the right countries	25%
Cultural barriers	17%
Communication	16%
Language	14%
Physical distance	12%

Major risks for long term sustainability of the family firm	
The economic climate	66%
Lack of strategic planning	43%
Failure to appropriately engage the next generation	23%
Family disputes	22%
Poor investment decisions	21%



Technology

Technology and innovation are continuing to provide businesses with opportunities to introduce efficiencies to their operations, but with more people now having and wanting to work from home, there are also increased threats and risks posed by technology too.

Due to prevailing restrictions associated with the pandemic, technology is becoming increasingly important and therefore, it's not surprising to see more and more family firms using technology for areas of the business including marketing, communications, supply chain management, outsourcing of systems and data analytics. However, technology and cyber security need to be given enough recognition to minimise risks in terms of security breaches, cyber-attacks and disruptions to business.

Family businesses are not exempt from the challenges posed by technology with 75% of family firms appointing someone to manage the risk associated with cyber threats. 84% also regularly look at technology and innovation to improve the efficiency of their family firms. However, given that

31% of survey respondents have been the victim of a cyber-attack and a further 15% don't know if they have been a victim of a cybercrime, cyber security needs to be improved.

Areas of security breaches that family firms are most aware of include hacking, phishing, malware attacks and ransomware. There are others that family firms are significantly less aware of such as birthday attacks, drive-by-attacks and eavesdropping attacks and therefore, are potentially vulnerable to these rapidly growing threats.

With more people working remotely on potentially less secure devices and networks, these areas should be further reviewed to minimise the risks associated with them.

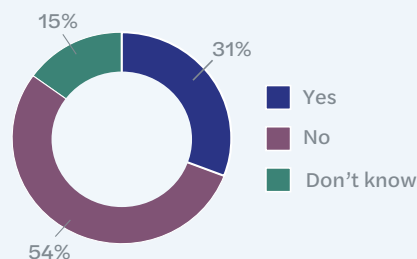
74%

of UK family firms have appointed someone to manage the risks associated with cyber threats

84%

regularly look at technology and innovation to improve efficiencies

Has your family business ever been the victim of a cyber-attack?





Most common technology used for improvements

Marketing and CRM systems	70%
Data analytics	67%
IT outsourcing and IT effectiveness	58%
Cloud accounting software	55%
Data visualisations and dashboards	43%
Robotics and process automation	15%

What cyber-attacks are family firms aware of?

Hacking	95%
Phishing	90%
Malware attack	84%
Ransomware	81%
Data breach	77%
Insider threats	46%
Single factor passwords	45%
Denial-of-Service (DoS) attacks	39%
Shadow systems/websites	26%
Cloud abuse	23%

But more importantly, what cyber-attacks are family firms least aware of?

Birthday attack	5%
Drive-by-attack	10%
Eavesdropping attack	13%
SQL injection attack	14%
Cloud abuse	23%

Conclusion

Family businesses make a significant contribution to the UK economy and it is apparent that they have a lot to consider and contend with in the current environment.

Political and economic uncertainty remain of concern and families across the UK continue to watch prevailing events unfold, while trying to plan for all eventualities.

From the results of the 2020 Family Business Survey, it is clear that business comes first and without a profitable and sustainable business, there is no family business. Time is currently being spent on short-term priorities focused on the immediate needs of the business. Many family firms have had to react almost immediately to the changes they have been faced with throughout 2020 and for many, plans that had been in the pipeline for the next few years have been expedited due to critical need.

For those multi-generational family firms, the current challenges are similar to those that they will have endured in the past, which will undoubtedly stand them in good stead for the future. Family businesses across the UK have pulled together through difficult times and have demonstrated their strength and resilience this year by sharing ideas, resources and support to each other and the communities in which they operate.

There's a lot on the agenda for family firms as they look to the future and try to decipher what it may hold; but there is also resilience, desire, optimism and passion to succeed and grow. It has not been an easy year and the future is far from certain, but families in business are addressing the challenges they face directly by putting plans in place to navigate the 'choppy waters'. Family businesses know what the challenges are and it is in their DNA to keep going and face these challenges head on.

Those with a clear purpose, aligned values, good communication and appropriate governance will be well placed going forward. We hope that research such as this will help to create and prioritise resources to help them in their quest to respond to the needs of the business now, and for many years to come.

“We truly believe that being a family firm is something that enhances our brand”

Adrian Maxwell, Fracino

Respondents

Respondents were asked to complete a questionnaire during Summer 2020 which resulted in 132 national family firms sharing their views and helping us to determine the UK family business agenda. Respondents represent a diverse mix of family firms across regions from various sectors and generations.

Respondents by sector

Sector	% Respondents
Manufacturing	22%
Food and drink	15%
Retail	13%
Property and construction	12%
Other sectors	11%
Hotel and leisure	8%
Transport and logistics	6%
Professional and financial services	5%
Creative industries	3%
Education	2%
Health and welfare	1%
Homes and gardens	1%
Agriculture, forestry and farming	1%

Respondents by turnover

Turnover	% Respondents
Less than £1 million	12%
£1-5 million	25%
£5-10 million	22%
£10-20 million	18%
£20-50 million	9%
£50-100 million	9%
More than £100 million	5%

Respondents by oldest generation of family involvement

Generation	% Respondents
First	33%
Second	26%
Third	14%
Fourth	10%
Fifth	7%
Sixth	5%
Seventh	1%
Eighth	0
Ninth	0%
Tenth or older	4%

Respondents by region

Region	% Respondents
Scotland	20%
North West	18%
Midlands and Central	17%
London and South East	17%
Yorkshire	10%
East and East Anglia	9%
North East	4%
South and South West	3%
Wales	2%

Respondents by employee numbers

Employees	% Respondents
Less than 10	13%
11-50	33%
51-100	19%
101-250	17%
More than 250	18%

About Family Business United

Since being founded in 2011, Family Business United (‘FBU’) has become an award-winning magazine, resource centre and events organisation championing the contribution that family firms make to the global economy.

FBU is an innovative community with family businesses at the heart of all we do, irrespective of their size, age or sector, and was formed out of the passion of Paul Andrews who has over 20 years experience of working with, and in, various family firms and advisory organisations with family business clients.

Unlike other organisations, FBU is a resource for all, family businesses and their advisers, helping to raise the profile of the contribution that family businesses make, and sharing insights, research and tools to help family firms deal with the unique issues they face.

FBU is a non-advisory organisation and as such works with professional advisers and academic institutions around the world to source content and share articles, insights and events to enhance the knowledge available to the family business community.

FBU is a recognised force for good for the family business sector on social media and Paul was recognised as one of the Top 100 Family Business Influencers Globally by Family Capital in 2020.

Our network and reach continues to grow and open up more opportunities to fly the flag for family businesses here in the UK, to dispel the myths around family firms and to continue to celebrate the contribution they make.

Family business is at the heart of all that we do so if you are interested in getting more involved and want to find out more please do not hesitate to contact us.



www.familybusinessunited.com

“UK family firms make a tangible contribution each and every day”

John Stevenson, MP

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*Where permitted under applicable country laws

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