



BROWN BROTHERS HARRIMAN

Private Business Owner Survey 2023



Priate businesses in the U.S. are as diverse as the country itself in terms of size, sector, service, or product. While the experience of private business owners is equally varied, there are some striking commonalities in the challenges and opportunities they face. Governance structures, succession planning, long-term strategic objectives, capital needs, and in some cases complicated family dynamics all shape how business owners plan for the future – their future and the future of their business. We set out to unearth how business owners think and feel about those challenges and opportunities and how it shapes how they run their enterprises.



Inside

- 4 Who we surveyed
- 8 Communicating about your wealth and your business
- 12 Keeping the business in the family
- 16 Charting your course: Navigating today's economy
- 16 Charting your course: Eye toward the horizon



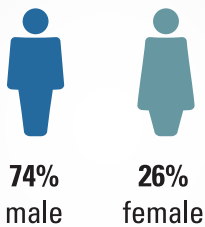
Who We Surveyed

The BBH Private Business Owner Survey was conducted among 400 U.S. private business owners, excluding institutionally owned businesses or those owned by a fund, with quotas set for 100 respondents from four enterprise value segments.

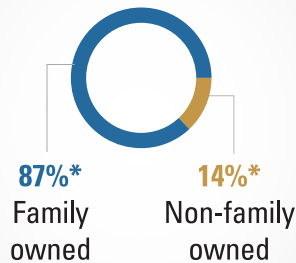
400 PRIVATE BUSINESS OWNERS



OWNER GENDER

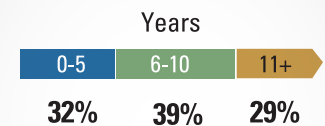


OWNERSHIP TYPE



*Responses may not sum to 100% due to rounding.

OWNERSHIP TENURE

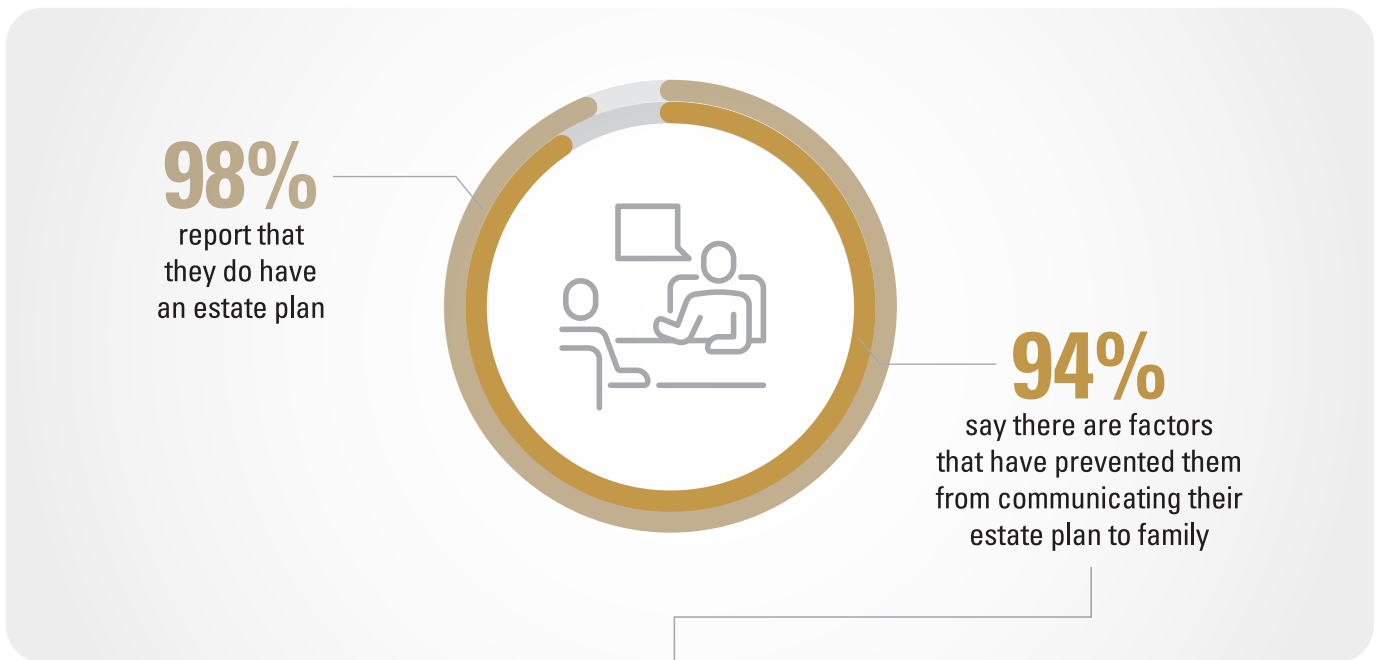




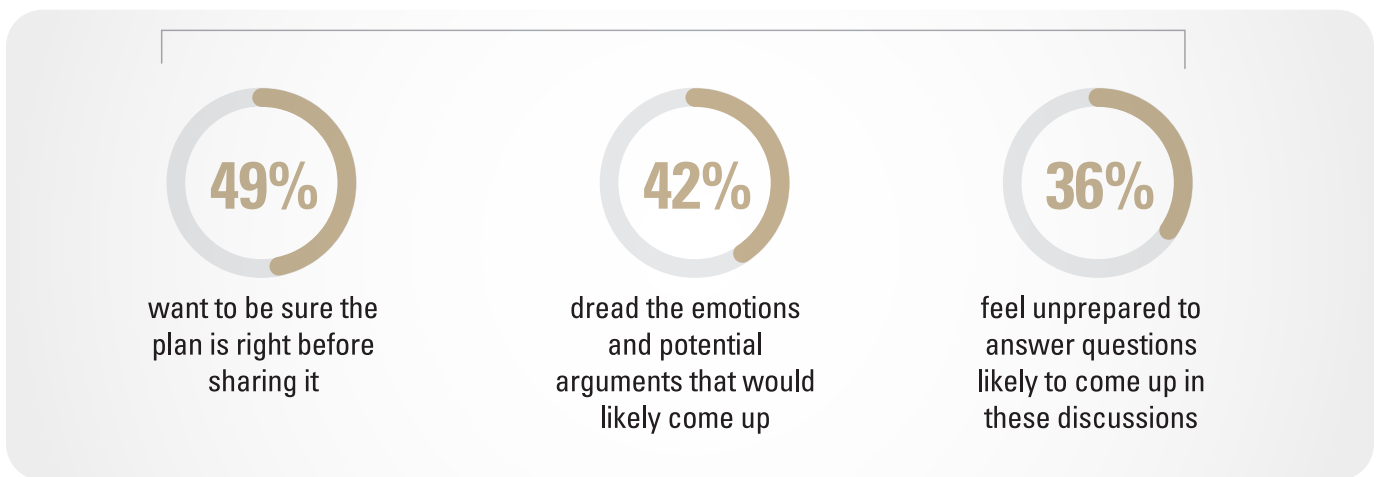
Communicating about your wealth and your business

Starting with articulating what is most important – to you, your family, and your business – provides a north star for decisions about wealth and planning.

Estate planning is important, but communication of those plans is just as critical. However, most business owners are daunted by starting conversations with their families about wealth planning.

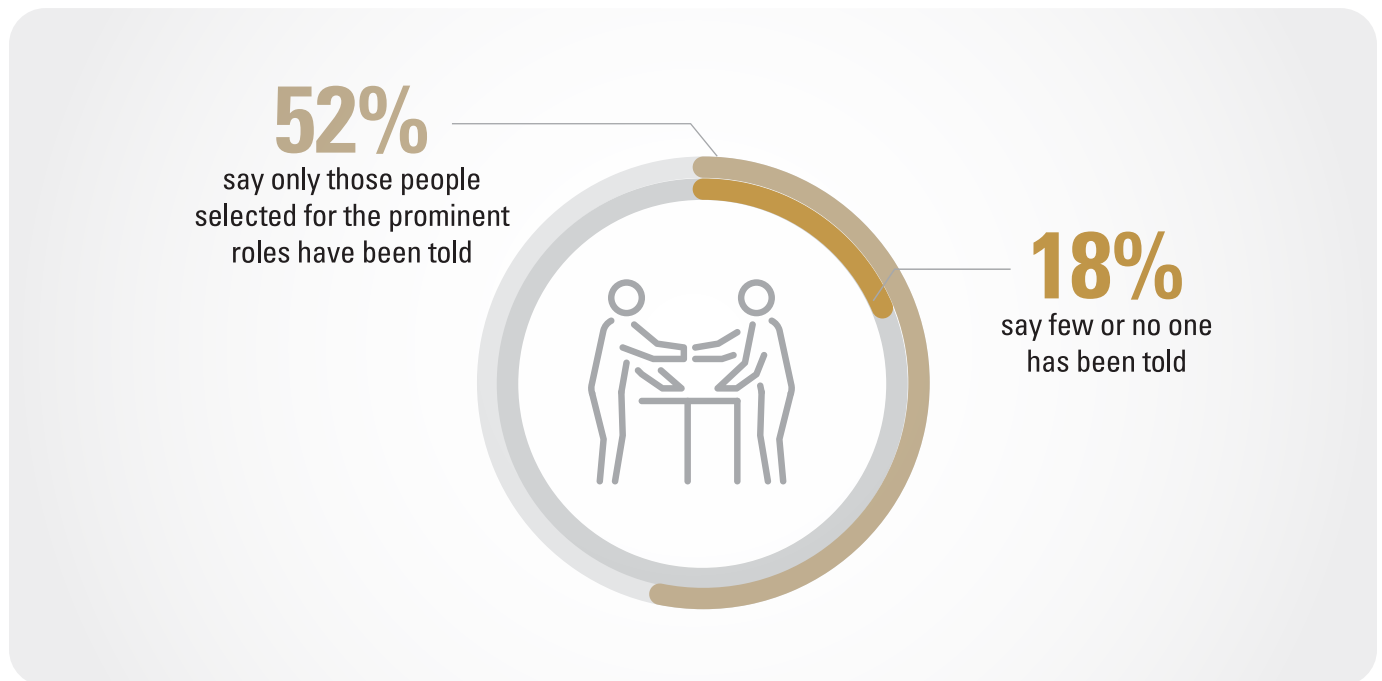


These factors include:



Communicating about your wealth and your business

When specific family members are expected to take on a prominent role in the future of a family business, business owners have often not communicated that decision widely.



Values are your north star as you think about how and when to distribute your wealth; they are also an excellent starting place in talking with next generation family members about wealth and estate planning. While these conversations can be intimidating, preparation is your best ally. Creating a robust communication plan helps families feel more comfortable wading into these discussions, and ultimately will make the family and the business more successful.

Adrienne Penta, Managing Director, Center for Women & Wealth

Signing estate planning documents is merely the beginning of the process of creating a resilient estate plan that will allow both a family and a business to thrive. Too often families focus only on tax savings, to the exclusion of other priorities. While tax planning is essential, knowing the “why” – or said differently, the values – that underpin how money is spent and allocated is critical to creating a wealth plan that meets a family’s objectives and allows for long-term success.

Starting with articulating what is most important provides a guide for decisions about wealth and planning. Our values are inherited from parents and grandparents, so they tend to provide common ground and bring families together, rather than drive them apart. For many, an additional benefit of spending time articulating and understanding the values behind planning decisions is that communicating with the next generation becomes more approachable – you now have the answer to the question: “why?”

After values are examined and estate planning documents are inked, the next step is communication planning. The most important factor in successful wealth planning is communication among family members. Information about wealth planning should be shared in a thoughtful and age-appropriate manner. Think first about the likely reactions and questions based on each person’s current circumstances and perspective. Everyone fears the question: “How much money do you have?” In our experience, it is rarely asked. However, if it is, be ready with an answer that feels genuine to you; for example, “I’m not ready to share that information with you.” Use your advisors to prepare for challenging questions and to create a multi-step plan to help you deliver information alongside education in right-size bites.



22 is the average age private business owners believe that children should be brought into strategy and performance discussions about the business

A wooden boardwalk with railings winds through a dense forest of tall, thin trees with vibrant green foliage. The path is made of weathered wooden planks and leads into the distance, surrounded by a thick canopy of leaves and branches. The lighting is soft and natural, filtering through the trees.

Keeping the business in the family

While most business owners wish to keep the business in the family, few have tackled the myriad complex issues around succession of ownership and management directly. Planning for the future of a business can be both challenging and emotionally charged; however, proactive planning and open communication are the keys to setting up the business to succeed long term.

Family dynamics can complicate operating a business

85%

feel it's very or extremely important that their business remains in the family for at least another generation



80%

say they have had to criticize, demote, or fire a family member



84%

say a business decision or discussion has led to severe disagreement within their family

Keeping the business in the family

One of the most challenging issues that many business leaders face, especially owner-operators of private businesses, is the eventuality that one day their role as the leader will end. For family businesses, the connection between the family legacy and the ownership of the business is often one of the most common reasons business leaders want the company to stay in the family.

When thinking about engaging the next generation in succession planning, there's an inclination for family businesses to focus on management succession, or who is going to run the company. However, the first area of focus should be ownership succession. Executives are replaceable; owners of a family business are not.

Once everyone has adopted the mindset of prioritizing ownership over management, it is important to have planning conversations and ultimately make decisions about how to achieve the best outcomes as owners. This involves developing the next generation with intention, as successor readiness is a common concern among business owners. To the extent that family business owners want family members to fill critical company positions, they must decide what needs to be done in order to ensure the next generation is prepared to fill those roles. This is an exercise in working together to determine how the current generation can encourage and mentor the next generation so that they are eventually fully prepared to assume leadership.

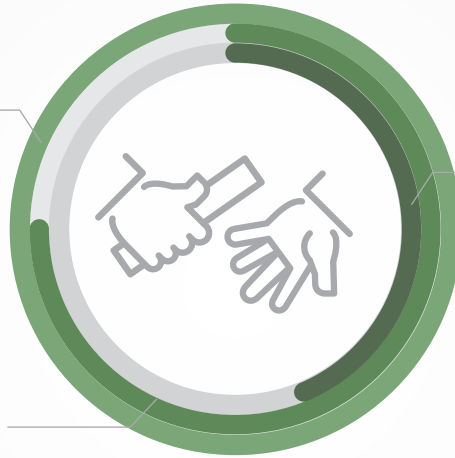
Creating – and communicating – a succession plan is key to long-term success and family harmony, including having a clear plan for cultivating family (and, when deemed necessary, non-family) member leaders.

When there is friction – or the expectation of friction – family business leaders often choose to limit family involvement altogether, which limits the contribution of an often committed and engaged group. For those that do involve family members, this highlights the need to have sound systems to keep family members from harming the business.

No matter the situation, these decisions require careful thought and planning, and it is key to approach them in terms of what will deliver the best outcome for owners, particularly when there are multiple family members who have an interest in active employment.

100%

have taken steps to prepare the next generation to take over

**43%**

say it's a challenge to choose a successor knowing it will cause conflict within the family

75%

say the roles are either not well defined or fully communicated



nearly **2 in 5** anticipate a family member will take over leadership of the business when they're ready to step away

97%

who anticipate a non-family member will take over have experienced a business decision or discussion that led to a severe family disagreement



There are many reasons why family business owners find themselves wishing they were further along on succession planning. Sometimes it's not knowing how to choose leaders. Other times it's struggling to let the next generation take risks. The generation in charge can also have a hard time letting go of doing what they love. Helping families come to terms with the real issues standing in the way of progress is a first step in the work we do to ensure the multi-generational success of our clients' businesses and families.

Kathryn George, Partner



Charting your course: Navigating today's economy

Private businesses are at the heart of the U.S. economy. Three years after COVID-19 shut down our economy and disrupted many industries, and in the current environment of decades-high inflation and months of talk of an imminent recession, private businesses – and their owners – continue to prove their resilience.

Recognizing the changing environment and adapting one's business in the short term for what could be a more prolonged recovery is critical. Private businesses are often in a strong position to respond quickly. The past few years have shown us what we can accomplish when we focus and take proactive steps to adapt. It's all about staying one step ahead of the game.

**71%**

say their business is mostly or fully recession proof

**95%**

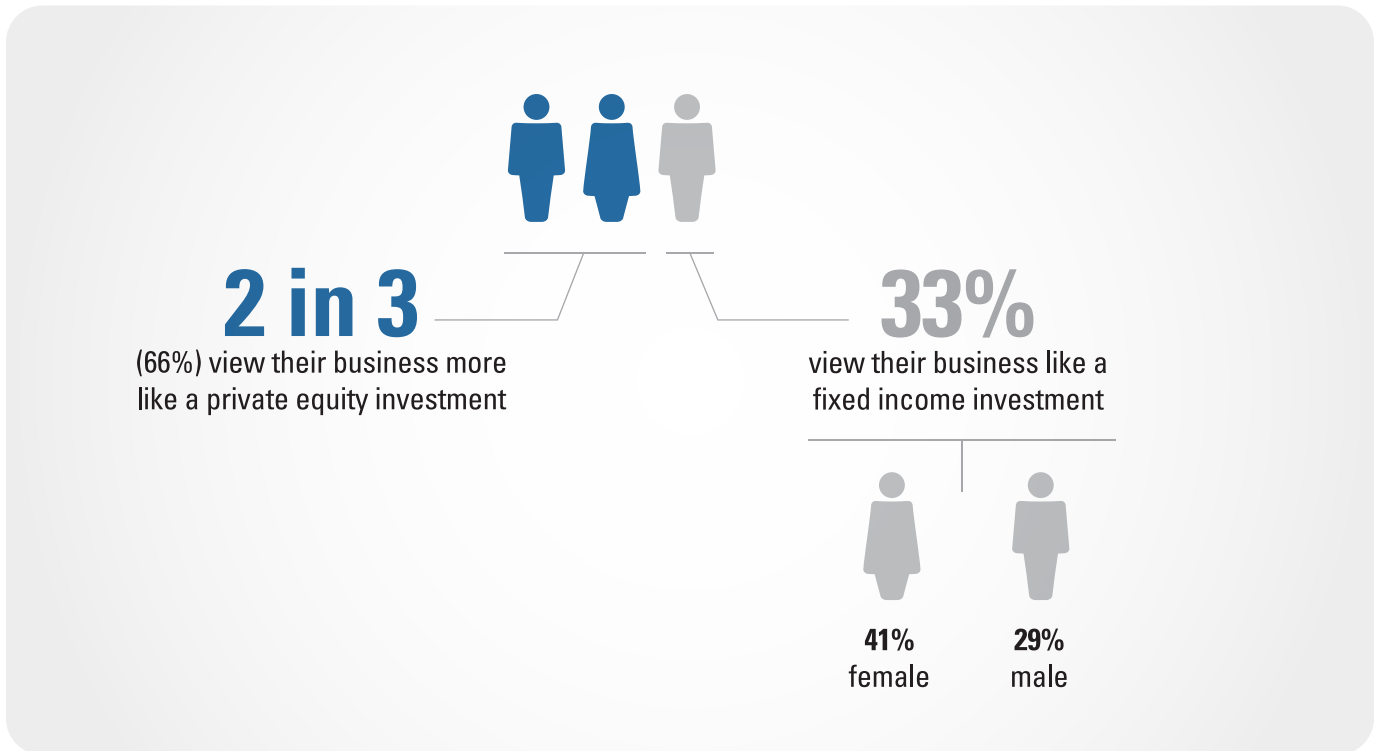
say their business is at least somewhat recession proof

**82%**

say economic uncertainty has influenced business strategy

Charting your course: Navigating today's economy

Businesses can represent many different things – and types of investment – depending on the owner.





Private businesses are, in many ways, the backbone of the U.S. economy. They have the opportunity to be truly long term in their planning and our results highlight that even in challenging economic conditions and uncertainty, private business owners have a steady hand and lean into opportunities to reinvest in their companies.

Val Carlotti, Partner



Charting your course: Eye towards the horizon

After years of building a business, the mere thought of selling can feel unsettling. While inertia or sentimentality can often lead to maintaining the status quo, there are many reasons why selling may be the best decision for a business owner or family.

The decision to sell a business is complex and requires careful consideration; a key question for business owners is how to maximize value in a sale. The answer is multifaceted, as many factors drive value, such as size, profitability, growth potential, market conditions, and industry dynamics, to name a few – but ultimately, there are no “silver bullets” or shortcuts. The situation demands you look at the financial, technical, and personal sides of the business.

The best way to maximize value in a sale is to take a long-term approach to building value in the business well before taking steps toward selling. This strategy is rooted in basic business-building initiatives: implementing structure, investing in the team, planning for the future, understanding the key value drivers, and engaging with advisors.

The fact that 76% of respondents lean toward selling the business when they have to navigate economic uncertainty shows just how taxing it is on business owners to navigate these conditions. The good news is that when economic uncertainty occurs in the businesses owned by families in many cases it brings the families closer together.

76%
agree that every time they have to navigate through economic uncertainty, they lean more toward selling their business



21%
anticipate selling at least part of their business when it is time to step away

Charting your course: Eye towards the horizon

To sell or not to sell? That is the question.

75%
say leadership-related
reasons may lead them
to consider selling
their business

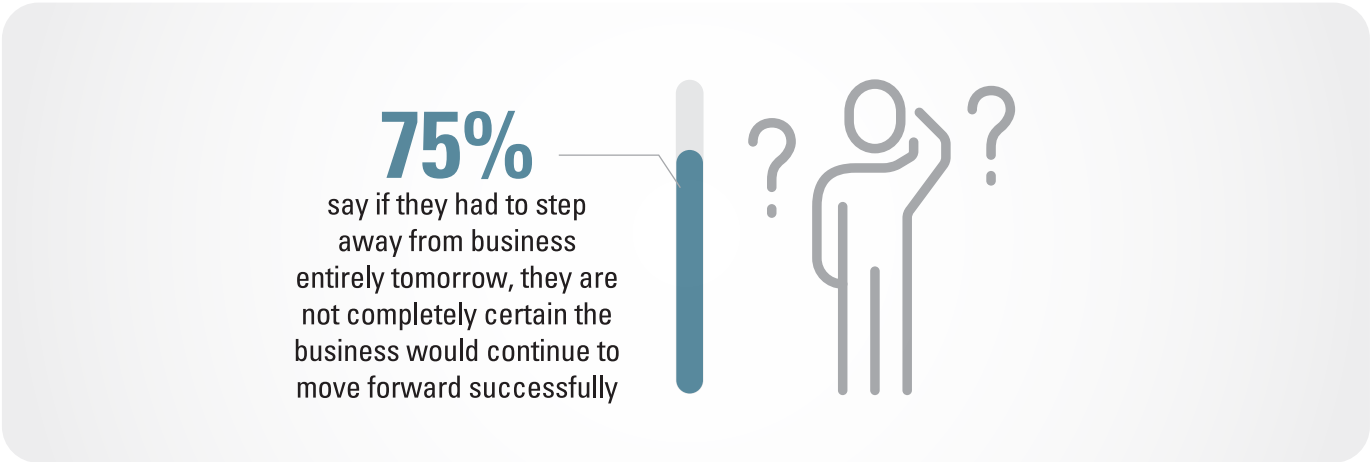


this includes:

36%
who say there is a
lack of talent/strong
leader to take over

26%
who say their children
aren't interested in
running the business

26%
believe that, as current
owners, they are not
the right leader to
guide the business
through its next chapter



Uncertainty can bring families together or drive them apart.







Methodology

The BBH Private Business Owner Survey was conducted among 400 U.S. private business owners, excluding institutionally owned businesses or those owned by a fund, with quotas set for 100 respondents for each of the following enterprise value segments: \$10m to less than \$50m; \$50m to less than \$150m; \$150m to less than \$500m; \$500m+. Fielding was conducted by Wakefield Research between March 14 and March 26, 2023, using an email invitation and an online survey. Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 4.9 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.



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