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# Second Annual Private Business Owner Survey



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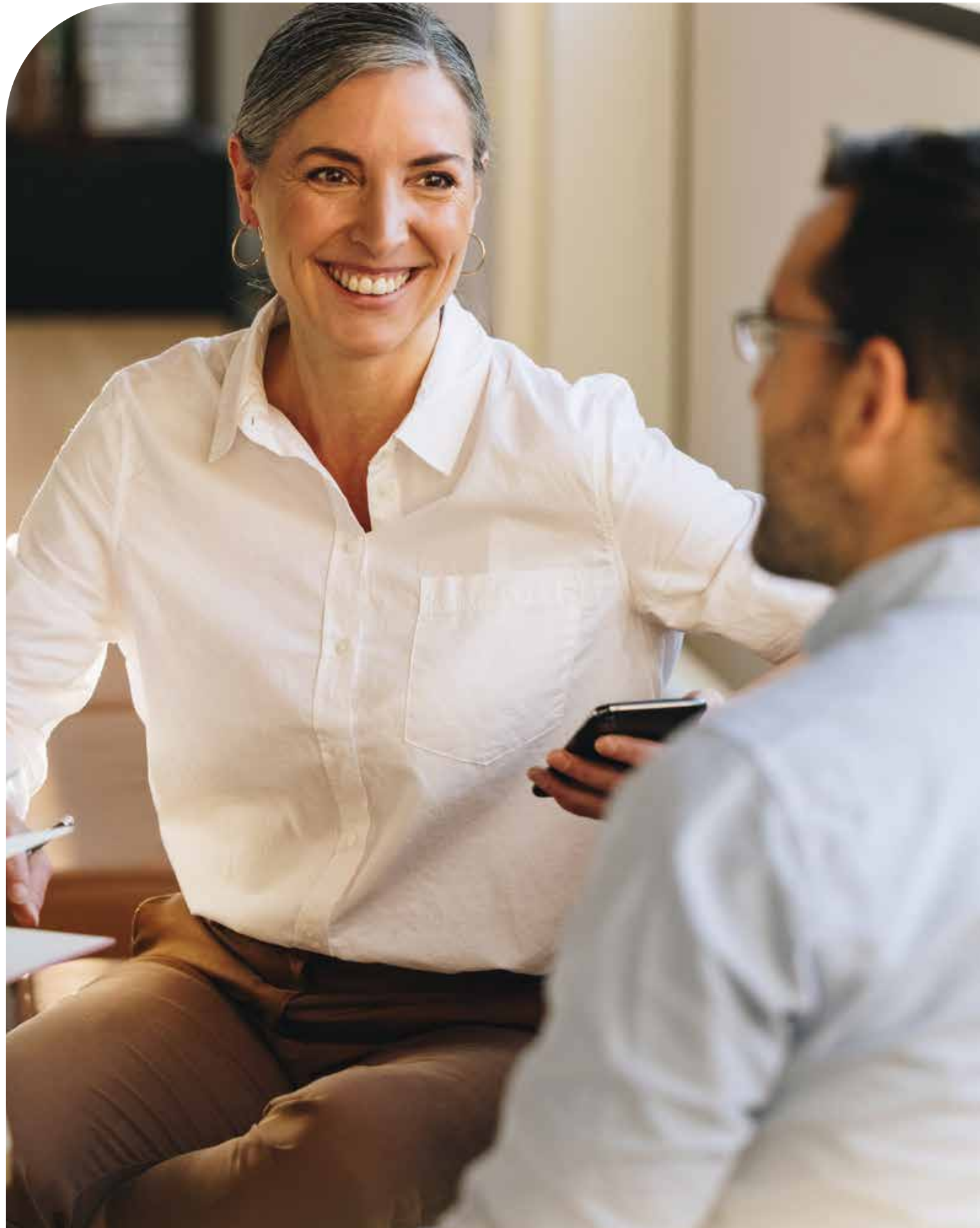
## OUR APPROACH

Private 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. Many factors shape how business owners plan for their future and the future of their business, including governance and succession, long-term strategic objectives, capital needs, regulation and technology, and, in some cases, complicated family dynamics. 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.

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## INSIDE

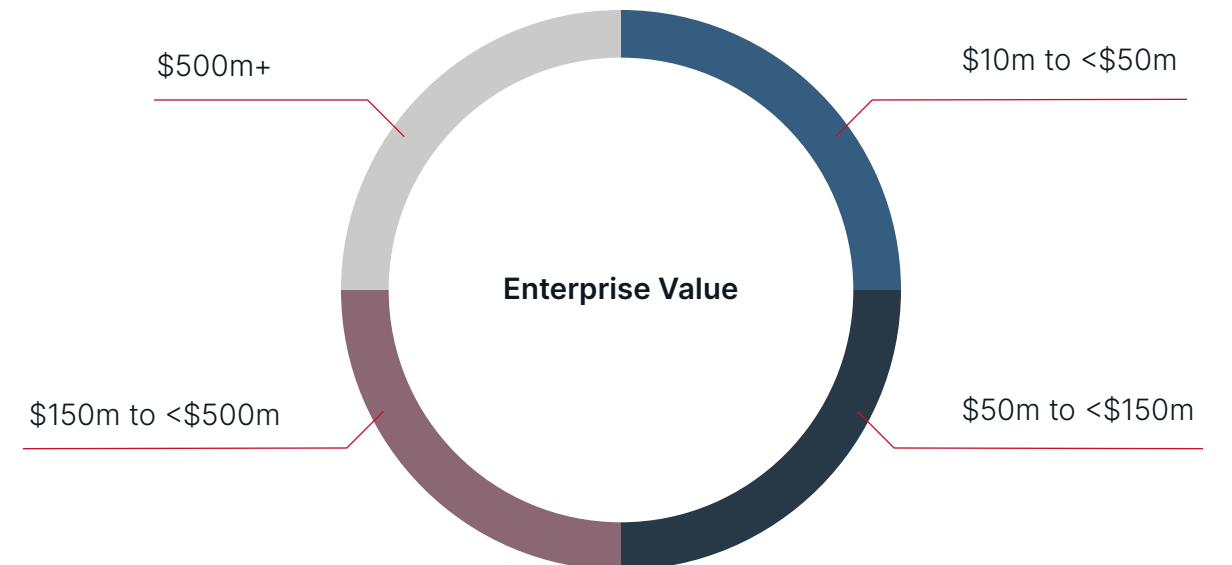
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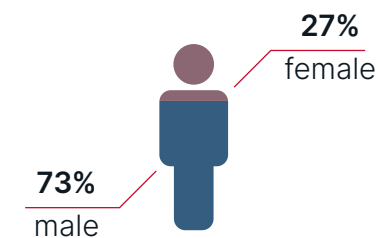
# Who we surveyed

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 for each of the following enterprise value segments.

## 400 Private Business Owners



## Gender Breakdown



## Ownership Tenure



# The state of the private business owner

America's private businesses are crucial to the economy, serving as the catalyst for driving innovation, creating jobs, and fueling economic growth. From startups to large corporations, private businesses provide essential goods and services, contribute to local economies and communities, and generate wealth. They also exist at the intersection of many of the country – and world's – most pressing issues.

In 2024, private businesses have had to grapple with geopolitical unrest in pockets of the world, volatility in the market, potential changes to the regulatory environment, an unprecedented presidential election season, and the evolution of how business is conducted and by who – or what. They face all this and keep their focus on the health and the future of their business.

When asked about their top three challenges, private business owners identified:

Economic instability and inflation

The rise of artificial intelligence

The political environment in the U.S.

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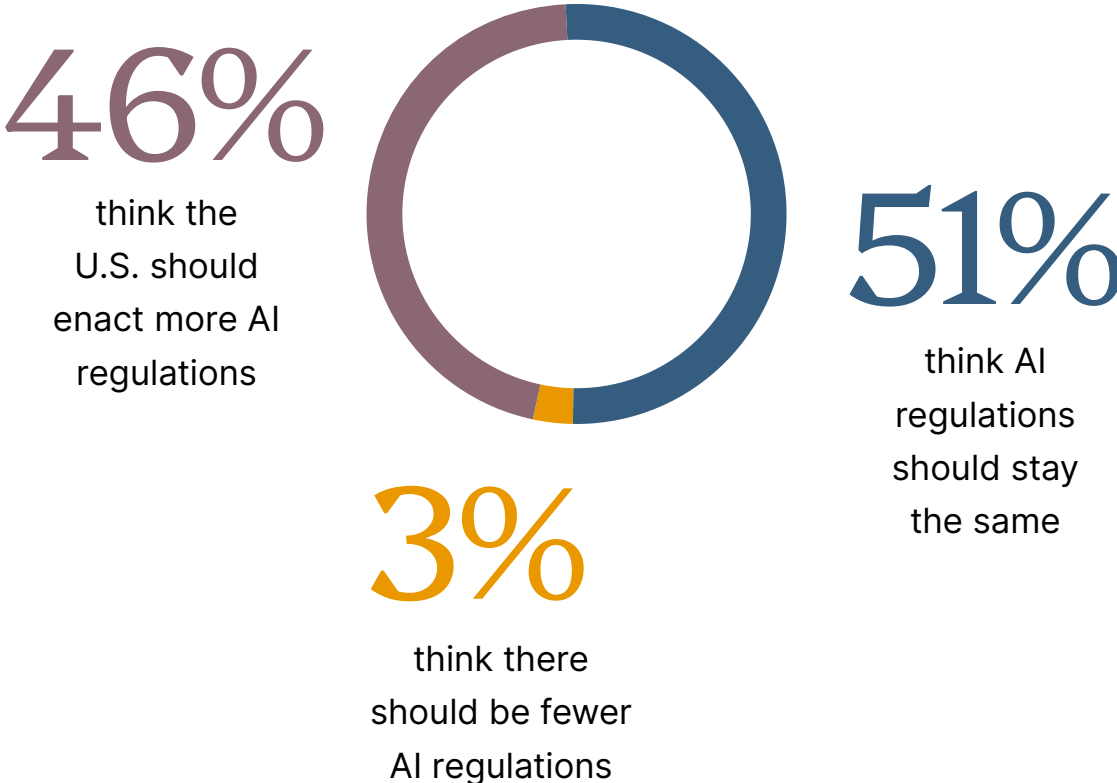
Economic cycles come and go, interest rates rise and fall, and presidential elections happen every four years. Artificial intelligence, on the other hand, is a paradigm shift, and the pace of progress in this area poses opportunities, challenges, and risks to businesses of all sizes.



**Scott Clemons**  
Partner and Chief  
Investment Strategist



Business owners are split as to whether there should be more AI regulation.



Despite citing the rise of AI as a challenge, 99% are currently using AI for business purposes, including:

Automating processes **47%**

Supply chain and inventory management **47%**

Marketing/content creation **45%**

Security and fraud prevention **45%**

Customer service **45%**

Data and predictive analytics **42%**

Recruitment and retention **42%**

And adoption will continue to grow, with business owners expecting to use AI in the following areas in the next 12 months:

Data and predictive analytics **49%**

Marketing/content creation **47%**

Automating processes **46%**

Customer service **45%**

Security and fraud prevention **45%**

Recruitment and retention **44%**

Supply chain and inventory management **41%**

# Family businesses' unique challenges

Family businesses face a complex set of issues specific to both family and family business ownership. While most business owners wish to keep the business in the family, many have yet to tackle the myriad complex issues around succession directly. For those who may believe a full or partial sale is a better option, there are still factors – a key one being the loss of identity – that prevent them from looking ahead. Planning for the future of a business can be both challenging and emotionally charged; however, proactive preparation and open communication are the keys to setting up the business and family members for long-term success.

One of the most challenging issues that many leaders face, especially owner-operators of private businesses, is the eventuality that one day their role as the leader will end. That shift could come as a result of a sale of their business(es), a deliberate transition of leadership to the next generation, illness, or death.

Preparing for this transition is one of the most difficult hurdles family businesses must work through. Having challenging conversations with competing successors, making leadership choices, and preparing a successor for the role or pursuing an outside sale are points in the journey that often leave leaders feeling overwhelmed. While these elements are not easy to address, one of the most overlooked yet crucial steps of succession planning is helping the departing leader learn how to transition out of their role in the business.

Why is this issue so important? Many of the most successful business leaders weave their entire identities into the businesses that they run. While some departing leaders look at legacy and stewardship as an increasingly important focus over time, others just can't see a fulfilling future in which they aren't running the business. However, the long-term cost – both financial and personal – of not facing this challenge, and not devoting meaningful attention to it in advance of a transition, is significant.

## 45%

**say the top reason they would not consider selling some or all of their business in the next 12 to 24 months is that they identify with their business too much to give it up**

## 91%

**of private business owners say that it is important for their business to remain in the family for the next generation**

**but**

## 29%

**are still struggling to pick a successor**

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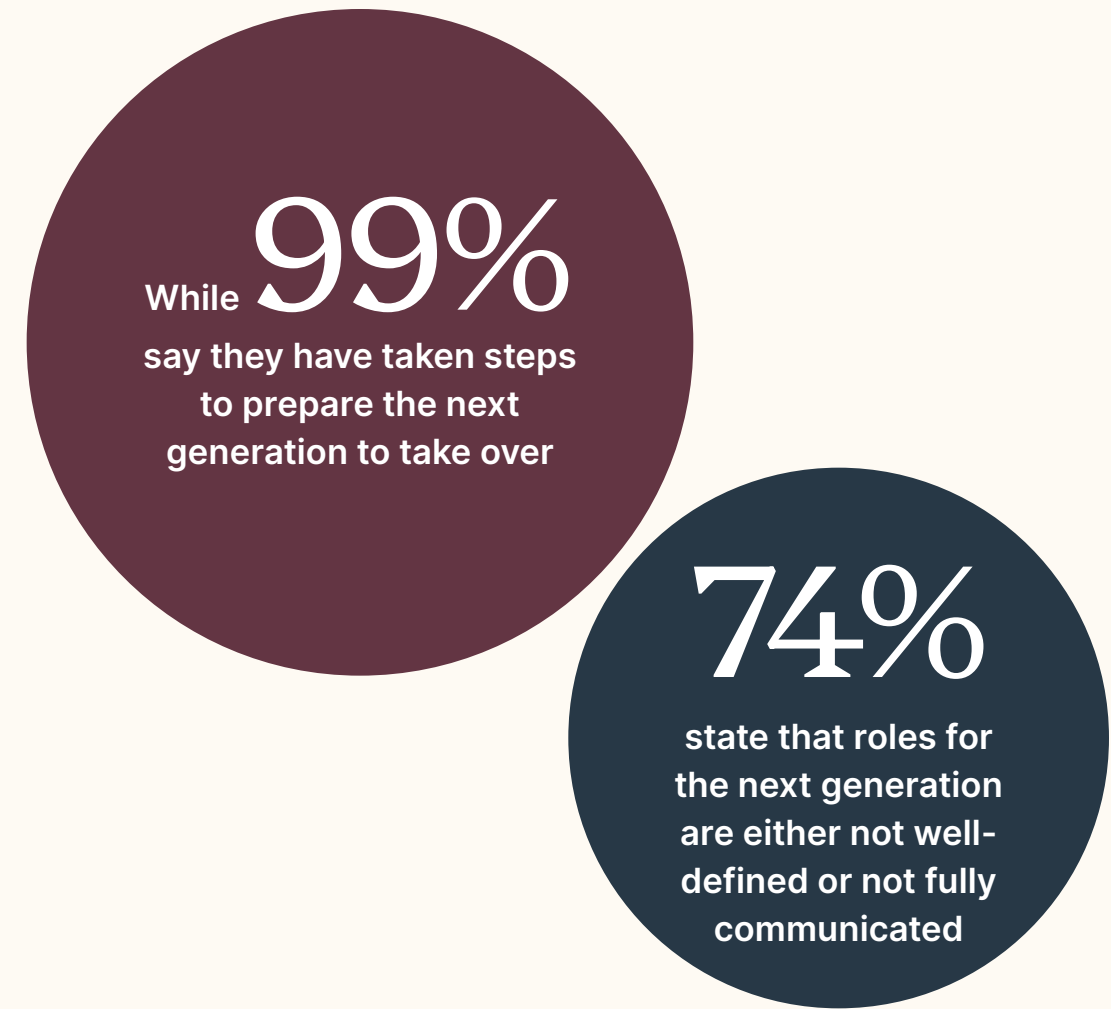
When it comes to succession, we help leaders not only acknowledge the impending major transition in their lives, but also focus on the journey ahead. By default, many focus on the destination, but it is important that the focus be set on how the transition is done. This is true whether business ownership is staying in a family or will be sold to a third party.



Kathryn George  
Partner

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.

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, the departing leader must identify whether their role is fillable as presently designed. A successor may not (or need to) have the same portfolio of responsibilities given the evolution of the business. Therefore, responsibilities often require division and delegation across several roles (some new) rather than simply handing them down to a successor. This redeployment of responsibilities can take time and planning, so start early.



For the second year in a row, to maintain dividend payments





# The business of running a family

The decision to establish a single family office to manage your wealth and investments is multifaceted. Often, it comes down to the services needed and the desire to devote time and money to building and running a sustainable family office – essentially a business – that will last for generations. Families should also consider their level of interest and involvement in investing, which is in many ways the reason many individuals even begin to consider creating a family office.

Those who don't begin the process by defining the family's goals and investment philosophy may struggle to find long-term success when it comes to the simplest requirements of a single family office – investment and manager selection and estate planning. In cases where single family offices are struggling to endure and facing challenges, looking outside for best-in-breed services and advice could help a family augment its solutions and set itself up to thrive for generations. The best path forward for a single family office is unique to each situation.

## 34%

of private business owners rely on a single family office to manage their investable assets

But single family offices are falling short of private business owners' expectations, with the two biggest areas of concern being:

## 44%

Investment and manager selection

## 30%

Estate planning

“

Single family offices are navigating increasingly complex financial and personal landscapes, and even highly customized solutions can fall short of expectations. It's a reminder that the evolving needs of families require a more holistic, adaptive approach – one that combines not only investment expertise, but also thoughtful planning across tax, estate, and philanthropic matters. We are increasingly seeing that the role of the family in the single family office is also an important consideration.



**Tom Davis**  
Partner and Head of  
BBH Multi-Family Office

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Private business owners have a unique opportunity to leverage the \$13.61 million gift tax exemption by transferring interests in their business to beneficiaries, either directly or through trusts. Gifts of a noncontrolling business interest are often subject to valuation discounts, meaning a business owner can transfer more value for less gift tax exemption. The future growth on the business interest also occurs outside the owner's taxable estate. Leveraging the gift tax exemption to make gifts of private business interests is not only good tax planning, but can help ensure a successful business transition to the next generation if that is a goal.



**Anne Warren**  
Managing Director and  
Senior Wealth Planner

How are private business owners responding to the year-end 2025 expiration of the current federal gift and estate tax exemptions?

**74%**

plan to engage in additional estate planning in order to take advantage of the higher exemptions



**16%**

plan to do nothing, citing their belief that the higher exemptions will not be reduced



# Communicating about your wealth and your business

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

An estate plan with clear values lends directions and purpose to the decision-making process. While all private business owners have an estate plan, most haven't shared the plan with family. Their hesitancy results from concerns around timing, difficult conversations, or the plan's – and their own – readiness. Yet avoiding these hard conversations in the short term will only hurt family harmony and success in the long term. This is why knowing the underlying values of your plan and business, the limits of what you're ready to discuss, and how and when to initiate the different stages of conversations is essential.

A good starting point in overcoming these hurdles is understanding the values, or "why," underpinning the estate plan. Starting with articulating what is most important provides a guide for decisions about wealth and planning, creates common ground among family members, and gives direction and purpose to decisions. Values are critical in creating a plan that meets a family's objectives and allows for long-term success – and leading with values can even ease tensions and establish opportunities for close agreement, if not consensus, during difficult conversations.

## 100%

**of private business owners say they have an estate plan**

and

## 91%

**say their plan is aligned with their values**

but

## 97%

**report there are factors that have prevented them from communicating their estate plan to family**

The top two reasons are concerns if their plan is right and discomfort with emotions surrounding communicating their wishes

“

When starting the conversation about wealth and estate planning with the next generation, focus first on what you care most about – not the dollars and cents, but your family’s values and what motivates you. It’s a much easier entry point, but also more engaging for everyone. Most families share common values passed down through generations. This common ground, along with a commitment to robust and ongoing communication, is the cornerstone for long-term success.

Most business owners have estate plans aligned with their values but may face challenges of their family having differing values as it relates to the company’s mission. Before communicating the plan, think first about the likely reactions and questions based on each person’s current circumstances and perspective. Spending time in advance putting yourself in their shoes might help you sidestep any potential issues and anticipate questions. Thoughtful communication of the “why” behind the plan builds a foundation of trust and cooperation and can mitigate or even avoid conflict among family members and stakeholders.



**Adrienne Penta**  
Principal and Executive Director of  
the BBH Center for Women & Wealth

And while their estate plans may align with their values ...

36%

of private business owners say they have faced the challenge of family members having differing values as it relates to the company’s mission



Throughout all of this, it is important to keep in mind that families who run successful businesses often worry about next generation members being taken advantage of due to their wealth. Here, it can be helpful to communicate with the next generation and establish boundaries for responding to requests from contacts or nonprofits for financial assistance. Having clear family guidelines and open conversations around the topic will help ease the stress and burden that often emerge during these situations.



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The best way to engage the next generation early is to figure out where their passions and interests lie and then explore areas of the business to apply these passions. If the next generation feels a genuine connection to the business, they're more likely to find purpose and meaning within it.



**Ben Persofsky**  
Managing Director and Executive Director of the BBH Center for Family Business



# Methodology

The Private Business Owner Survey was conducted by Wakefield Research 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 LT \$50m, \$50m to LT \$150m, \$150m to LT \$500m, and \$500m+, between July 22, and August 2, 2024, 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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