During a time of economic growth, 65 percent of family business owners think the national economy has either gotten worse or merely stayed the same since Bill Clinton became president. Only 32 percent feel it has improved.

Family businesses are estimated to account for well over half the U.S. gross domestic product. These findings suggest increased pessimism among family business owners, say members of MassMutual’s advisory board of family business experts.

“It could be that people are taking a look at passing their businesses on at the same time they are starting to deal with changes in the income tax and estate tax laws,” says Dr. Bonnie Brown, director of the Institute for Family Business at Baylor University. “That combination may be giving them reason to think that they may be better off to sell.”

The family business owners’ assessment of how family businesses have fared overall under the Clinton Administration also tended to be negative: 53 percent believe business
conditions have gotten worse for family businesses.

**More Have a Written Succession Plan**

The survey also found an increase in the number of owners who have prepared a written succession plan. Overall, 28 percent say they have completed a written succession plan, compared to only 21 percent in the 1993 survey.

“In an environment of rising taxes, owners are almost forced to do more financial planning,” says Francois de Visscher, president of de Visscher & Co., a family business consulting firm in Greenwich, Conn.

Of the three quarters of owners who intend to pass on the business to another family member, only 45 percent intend to name a family member as successor have an unwritten plan stating their intentions.

The choice of successor, however, is related to how soon owners envision handing over control of the business. The sooner owners were planning to hand down control to the next generation the more likely they were to have picked a successor. Seventy-four percent of the owners who planned to relinquish control within the next five years had already cho-

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**How do CD readers Compare?**

- 35% of respondents to the Mass-Mutual survey and 27% of Construction Dimensions readers are college graduates.
- 26% of respondents to the Mass-Mutual survey and 37% of CD readers have completed some college/trade/business.
- 23% of respondents to the Mass-Mutual survey and 18% of CD readers are high school grads.
- 53.5 is the mean number of full-time and 7.7 is the mean number of part-time workers employed by the respondents to the MassMutual survey.
- 134 is the mean number of full-time and part-time workers employed by companies that receive CD. (18% have 10-19 employees; 14% have 20-29 and 14% have 50-99 employees.)

**Gross revenues for 1982 (MassMutual Survey)**

- Under $10 million......................... 84%
- $10 million to under $25 million.... 6%
- $25 million to under $50 million... 2%
- $50 million or more ................. 3%

**Gross revenues for 1992 (Construction Dimensions Readers)**

- Under $10 million.......................... 62%
- $10 million to under $25 million.... 7%
- $25 million to under $50 million.... 3%
- $50 million or more ..................9%
- Mean .................................. $10,300,000
- Median .............................. $2,400,000

Construction Dimensions circulation data contained in this article are from the Readex readership study conducted in 1993. The survey sample of 1,009 were selected representing Construction Dimensions’ circulation at the time of sample selection. The survey was tabulated by Readex Inc, in accordance with accepted research practices.
Summary of the Findings

- Owners show less interest in keeping the business in the family. Finding 1: 57% of owners say they intend to pass on their ownership positions to a close relative. This is an 8% drop off from 1993, when 65% of those surveyed said they intended to keep the business in the family.

- Close relationships prevail among relatives working in family businesses. Finding 2: Few conflicts arise among relatives working in family businesses, owners say. An overwhelming majority (77%) describe working relationships as very close or somewhat close.

- Older companies are more likely to report conflict. Finding 3: While conflict is reported to be relatively rare, three issues were named most often as sources of conflict: management roles in the company (25%), money (24%) and long-term company vision (24%).

- Others see the economy on the rise, but family business owners sound negative note. Finding 4: The apparent improvement in the national economy has not registered with family business owners, who feel the economic environment for family businesses has declined since President Clinton took office.

- President Clinton’s plans for health-care reform are seen as bad for family business. Finding 5: An overwhelming majority of owners give thumbs down to President Clinton’s plans for health-care reform, with the most pressing concern being the cost of the planned reform.

- Women and men receive similar training for their roles in the family business. Finding 6: With the exception of college education, women and men receive nearly identical preparation for assuming their roles in the family business.

- Family members hold gender stereotyped positions in family businesses. Finding 7: Men are more likely than women to be placed in positions of greater responsibility and authority within family businesses.

- Formal management practices are more common at larger family firms. Finding 8: When it comes to employing formal management practices such as written job descriptions and regular board meetings, larger family businesses are more likely to use such techniques than smaller ones.

- Estate planning gets considerable attention. Finding 9: A majority of owners have prepared a written estate plan, and most say they are aware of what their estate tax liabilities will be.

- Most owners still avoid succession planning, but some improvement is shown. Finding 10: Even though family business advisors place a strong emphasis on the importance of succession planning, a majority of owners have neglected to produce a written plan for passing control to the next generation.
sen their successor. Of those who plan to retire during the next 10 years, only 57 percent have chosen a successor, and, similarly, a successor has been chosen by only 37 percent of owners who will hand over control beyond 10 years from now.

Eighty-five percent of owners have informed the successors of their choice to have them inherit control of the business, but only 67 percent have informed anyone else of their choice.

**More Than Half Have a Written Estate Plan**

The survey did contain some encouraging findings, especially when it comes to the type of formal planning that family business experts say is vital to family firms’ survival. More than half (53 percent) of the owners said they have completed a written estate plan. Since estate tax rates can be as high as 55 percent, businesses can often thrive or fail based on their ability to pay taxes without having to divert funds from the business.

Also, 62 percent of owners claim to have either a good idea or some idea of what their estate tax liability will be. Plus, a high percentage of owners have made provisions to pay the estate tax bill, with life insurance (47 percent) the most popular method of estate tax funding.

**Little Optimism For Succession**

Perhaps in reaction to the way they perceive the economy, the owners’ commitment to keeping their businesses in the family has declined significantly from last year. Just 57 percent of the owners say they intend to pass on their ownership positions to a close relative. Last year, 65 percent of those surveyed said they intend to keep the business in the family.

Owners who started their own companies were more interested in passing on ownership within the family than owners who acquired their businesses. Sixty-four percent of owners who started their businesses wanted to pass it on to other family members, compared to 51 percent of owners who had acquired their firms.

Older family business owners are more likely than younger owners to intend to keep ownership within the family. Sixty-nine percent of owners aged 65 or over intend to keep ownership within the family compared to only 56 percent of owners aged 50-64 and 55 percent of owners under age 50. Older owners, however, are more likely than younger owners to have started the family business and may be more optimistic about the future success of their business with succeeding generations.

**Getting Along with Family**

While many media reports focus on family business feuds, the survey finds a more harmonious environment. Owners report relatively low
Eighty-five percent of owners have informed the successors of their choice to have them inherit control of the business, but only 67 percent have informed anyone else of their choice.

levels of conflict among relatives working in the family business. Only 4 percent report very frequent conflicts among family members, while 11 percent report that conflicts arise “somewhat frequently.” Twenty-nine percent of family business owners report occasional family conflicts regarding business and more than half (54 percent) say that family conflicts arise rarely or almost never.

Business size does not have a dramatic effect on the frequency of conflict. The same percentage of small and large family businesses (17 percent) report that conflicts arise very or somewhat frequently. Small family businesses (1993 gross revenues less than $10 million), however, are slightly less likely (54 percent) than larger family businesses (1993 gross revenues greater than $25 million) to report that conflicts arise rarely or almost never.

A larger percentage of first generation business owners (31 percent) report that family members in their firms almost never argue about the family business. Only 20 percent of third generation business owners say there are “almost never” any conflicts among relatives in their firms.

Family members work together very closely in 54 percent of the family businesses surveyed. Family members work together “somewhat closely” in 23 percent of family businesses, “somewhat independently” in 11 percent, and “very independently” in 7 percent of those surveyed. This is true of all sizes of family businesses and of all first- , second- and third-generation businesses.

In addition to close working relationships there also is a lot of social interaction among relatives in family businesses. Sixty-one percent of owners say that family members in their businesses are very close and 30 percent report that social interactions among family members is somewhat close. Only 7 percent say that they are “not too close” or “not at all close” to relatives in the business.

But When They Do Fight ...

When conflicts arise in family businesses they usually involve issues of money (24 percent), management roles in the company (25 percent), long-term company vision (24 percent) and ownership or control of the company (15 percent). Relatives of second- and third-generation businesses are in most cases more likely
than relatives of first-generation businesses to argue over these issues. Twice as many (40 percent) third-generation business owners than first generation owners (19 percent) report problems resulting from conflicts among family members over the long-term vision of the family firm.

Conflicts over company vision posed a problem for 27 percent of second-generation businesses. Of those in the third generation, 34 percent report that conflict over money has been a problem, compared to 22 percent of first-generation owners. Similarly, 36 percent of third-generation owners and 27 percent of second-generation owners report that conflict over management roles has been a problem; only 21 percent of first-generation businesses report a problem with management-oriented conflicts. Nearly three times as many third-generation owners (27 percent) as first-generation owners (10 percent) say that conflict over ownership or control of the company has posed a problem for their business.

Relatives in smaller businesses (1993 gross revenues less than $10 million) are more than twice as likely to fight over the family business’s direction (26 percent) than those in very large family businesses (1993 gross revenues in excess of $50 million). Relatives in small businesses are also slightly more inclined to argue about money (25 percent) than those in larger family firms (18 percent).

Relatives in larger family businesses are more likely than relatives in smaller family firms to argue about the ownership and control of the business. Eighteen percent of owners with gross revenues in excess of $50 million report arguments over ownership and control of the company compared to 14 percent of owners with revenues under $10 million.

Other Survey Results

- **An insular orientation.** Family business owners prefer to keep their business affairs private. The vast majority (93 percent) have never used a consultant or counselor to help resolve family conflicts. Larger companies are more likely to go outside for help in resolving conflicts.

- **They’d rather work than retire.** Owners of family business often don’t have retirement plans simply because they don’t plan to retire. Well over half (57 percent) say they want to work as long as possible before considering retirement. Only 33 percent say they have a target retirement age.

- **Women play a prominent role.** The fact that 21 percent of the respondents were women is of note; this is a much higher percentage than large, non-family corporations. Wives of owners were most often described as the family member most involved in the business. Other findings, however, indicate that women tend to play gender-stereotyped roles.