FAMILY OWNED, PRIVATELY OWNED AND OWNER-MANAGED BUSINESS SURVEY

2024 Report

ArmstrongWatson®
Accountants, Business & Financial Advisers

CONTENTS

Welcome

INTRODUCTION

Welcome to the 2024 Armstrong Watson Family Owned, Privately Owned and Owner-Managed Business Survey

Family, privately owned, and owner-managed businesses are the backbone of our economy, employing an estimated 13.9 million workers and accounting for around 86% of all private sector businesses within the UK.

Our business would not exist if it was not for the significant contribution family, privately owned, and owner-managed businesses make both economically and to the very fabric of our society.

I have long held the view that referring to this sector as 'SMEs' does a great disservice to what it really means to be part of a family, privately owned, or owner-managed business, the commitment, the resilience, and the pride.

Understanding what makes family, privately owned, and owner-managed businesses successful, the challenges they face, what their aspirations are and how they plan to achieve them is crucial if we are to support their longevity, stability and continued economic and societal contribution. With this in mind, our aim with this survey is to do just that.

There are some big issues covered within this report, understandable after and during a period of rapid change. We've highlighted what we believe to be the most significant findings and our analysis has been compiled by a range of experts across our organisation to offer you food for thought, reassurance and challenge.

A huge thank you to all those who took the time to complete this survey and to all the family, privately owned, and owner-managed businesses we work alongside on a day-to-day basis.

If you would like to discuss any of the topics covered in this report, please do get in touch.

Paul Dickson
Chief Executive & Managing Partner
Armstrong Watson LLP

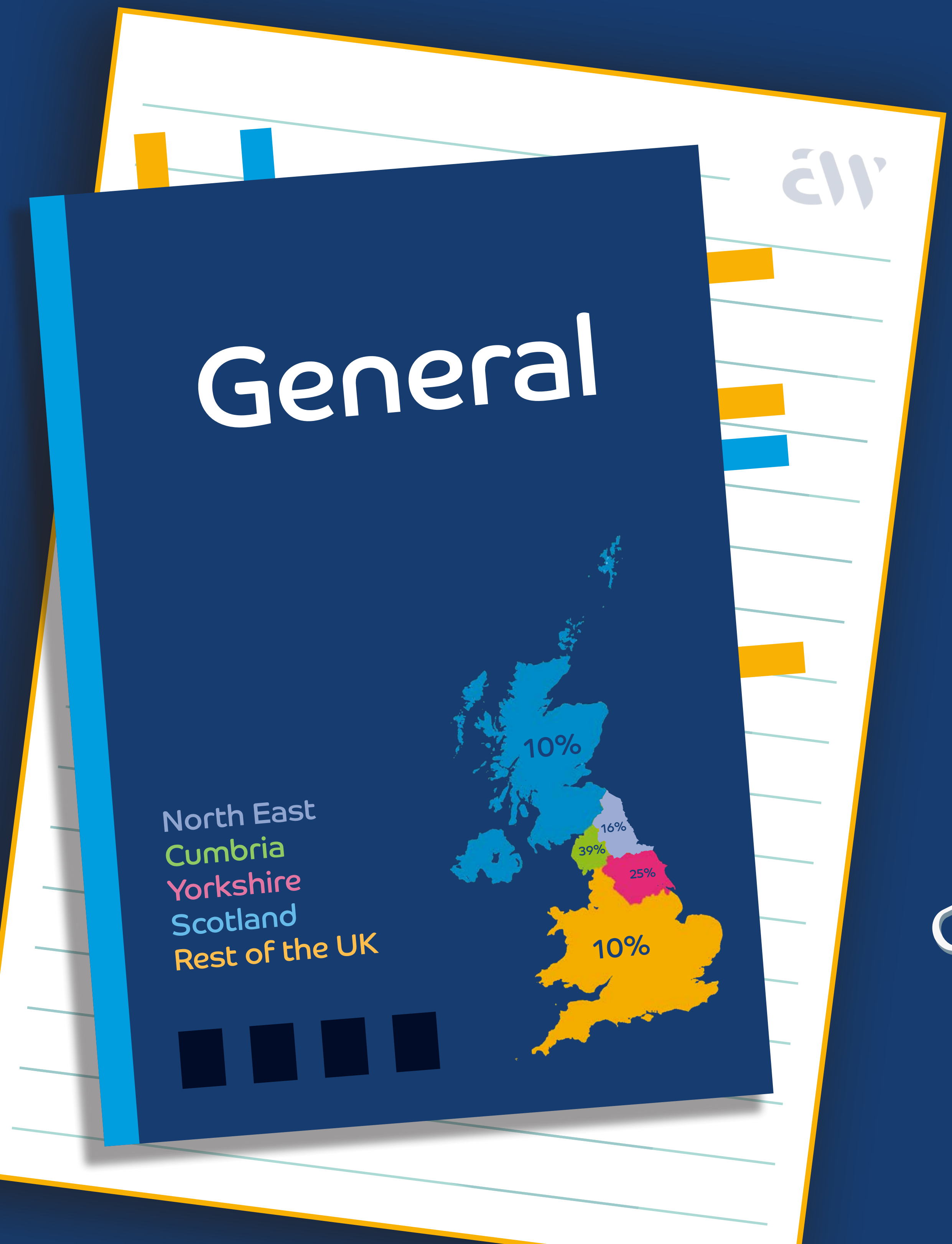
EXECUTIVE SUMMARY

It is 6 years since we last conducted the Armstrong Watson Family Owned, Privately Owned and Owner-Managed Business Survey and this latest survey received just under 500 submissions and 300 complete responses, making it one of the largest sources of information for the up-to-date opinions of family and owner-managed businesses in the UK.

Family businesses are essential to the UK economy and contribute in excess of £630 billion to UK GDP, across 5.2m businesses. The importance of family and owner-managed businesses cannot be underestimated, and Armstrong Watson are proud to advise so many in this space.

During these rapidly changing and challenging times, it is important that businesses remain agile and adapt to changes – we saw this throughout COVID and the current uncertainty in the economic landscape will require a keen eye on opportunities and challenges that are just around the corner.

The questions we posed in this survey were deliberately set to challenge business owners to think about the future and consider their current position. We are truly grateful to everyone who took time to complete the survey and we hope you find the results within this report useful, reassuring and thought-provoking.



Armstrong Watson operates across Northern England, Central and Southern Scotland. The respondents to our survey were spread as follows: Cumbria 39%, Yorkshire 25%, North East 16%, Scotland 10%, Rest of the UK 10%.

The responses came from a good mix of sectors with Agriculture (28%), Professional Services (21%), Property and Construction (14%) and Hospitality (13%) showing the largest response rates.

Limited Company status (54%) was the most commonly occurring business structure, with Partnerships (27%) Sole Traders (16%) and LLPs (3%) making the balance.

KEY QUESTIONS

Summary of the most popular questions and answers.

For how many generations has your business been in existence?

59% 1st generation

23% 3rd generation or more

18% 2nd generation

How many owners work within the business?

123 businesses have **1 owner**

148 businesses have **2 owners**

53 businesses have **3 owners**

27 businesses have **4 owners**

22 businesses have **5 owners**

How many employees work within the business?

130 businesses have **no employees**

143 businesses have **1 to 9 employees**

59 businesses have **10 to 49 employees**

42 businesses have **50 or more employees**

of businesses have made changes of some sort to help with recruitment

61% don't offer salary sacrifice and 13% don't know what this is

SALARY SACRIFICE

Recruitment continues to be a major issue for many employers. Over a third of all businesses who responded are finding it 'very difficult to recruit' - an increase of 8% from our previous survey in 2018. With a lack of suitable candidates and inability to find people to carry out the roles listed as the key reasons, many (65%) have implemented changes to help encourage candidates to apply; 71% have increased salaries above inflation and just under half of respondents have introduced flexible working arrangements, along with 43% having introduced improved benefits packages.

Offering salary sacrifice opportunities is one of several ways businesses can incentivise their current and prospective workforce, but it was clear from our responses that many (61%) don't offer this and 13% don't know what it is.

Salary sacrifice schemes can work well both for the employer and the employee. Essentially, they are an arrangement where an employee agrees to forego part of their salary in exchange for certain non-cash benefits, which might include contributions to pensions or fully-electric company cars. This effectively results in employees receiving a higher level of take-home pay compared to receiving the benefits outside of the scheme – as there are tax and National Insurance Contributions savings – and can reduce National Insurance Contributions for employers too.

Salary sacrifice schemes, however, are not suitable for every business or every employee. There can be a significant administrative burden implementing such schemes, along with ensuring regulatory compliance – not all employees will be eligible – and where some staff members aren't eligible, this could lead to potential employee relations issues. From an employee's perspective reducing cash salary can also have consequences when it comes to securing credit or future entitlement to state benefits.

Whilst offering salary sacrifice opportunities/ schemes could be seen as a great tool in an employer's armoury to help with continuing recruitment issues highlighted here, seeking professional and independent financial advice – both from an employer and employee perspective – is always recommended.

Do you operate a salary sacrifice scheme in relation to pension contributions or employee vehicles?

61% No	13% I don't know what a salary sacrifice scheme is
18% Yes	8% Currently under review

NATIONAL MINIMUM WAGE

Rising cost is identified as one of the main challenges to business viability, with staff costs being the largest outlay for many business owners who responded to our survey.

The Government's long-standing target on National Living/Minimum Wage (NMW) has been to ensure NMW is set at two-thirds of median hourly earnings by October 2024. The approximate 10% increase to the main rates being enforced on 1 April, coupled with the extension of the top rate to 21 and 22 year-olds for the first time, should help the Government to achieve this aim this year.

> "It used to make no impact but annual increases have been greater than inflation. Now it costs us."

While this is good news for hard-working staff, and should help to reduce in-work poverty, this increase to statutory minimum wages is not so welcome to business owners who will be tasked with funding these changes. More than half of our survey respondents believe the April NMW changes will have a negative impact on their business, and 11% significantly so. This will be especially hard-felt in traditional sectors in our regions such as Agriculture and also Hospitality, Leisure and Tourism, where margins are tight and paying staff at, or around, NMW levels is commonplace. For many businesses in these sectors, it will be difficult to pass on all/some of these wage increase costs to customers and so the uplift in staff wages will have to be absorbed by the business in some way.

Paying the NMW rates is not the only challenge for employers. Understanding and complying with the complicated rules as to when something staff related affects NMW remains a constant burden and concern for businesses across all sectors. HMRC remains very active in auditing NMW compliance across the country, particularly in low-paid sectors where compliance failures are common, but also increasingly in higher paid sectors, focusing on "salaried" workers. The management time involved in such an audit can cost the business dearly, and there can be significant financial and reputational damage caused if HMRC uncovers technical breaches of the law, even where the errors are completely innocent through a lack of understanding of the complexities of the regulations. Safeguarding against this should be a top priority for all employers.

The proposed mandatory reporting of working hours through payroll from April 2025 will place even more focus on NMW compliance for all employers, and will provide HMRC with more transparency on how arrangements such as employer provided accommodation, staff deductions and salary sacrifice are being applied in relation to the rules on NMW.

> "We can't afford to pay much above NMW, it has been one of the biggest cost increases in the 12 years we've been trading.

APPRENTICESHIP LEVY

Our survey shows a dropping trend for businesses to use apprentices since our last survey, although for those businesses that have employed workers of this type, there has been an increased take-up of funding from the Apprenticeship Levy. This is encouraging as many businesses consider the rules and qualifying conditions to obtain money from the Levy are too confusing and off-putting. Application of the rules around NMW for apprentices continues to be a key focus area for HMRC's NMW compliance team.

KEY QUESTIONS

Do you find it difficult to recruit new talent?

- **50%** Sometimes difficult
- **34%** Yes, very difficult
- **16%** No, not at all

Why do you find it difficult to recruit?

- **66%** Lack of suitable candidates
- **43%** Difficult to find people to carry out roles
- **18%** Expensive to hire new people
- **18%** Competitors offering more attractive proposition

Have you implemented any of the following to improve your recruitment performance?

- **35%** We have not made any changes
- **33%** Use of an agency
- **32%** Flexible working patterns/hours/shifts
- **26%** Improved benefits packages
- **21%** Increased clarity of job descriptions
- **19%** Improved recruitment/interview process
- **16%** Remote/hybrid working
- **15%** Increased expenditure on advertising roles

Do you find it difficult to retain employees?

- **60%** No, not at all difficult
- **38%** Sometimes difficult
- **3%** Yes, very difficult

Have you implemented any changes to help improve your staff retention?

- **63%** No
- **37%** Yes

Have you implemented any of the following to help improve your staff retention?

71% Increased wages/ salaries above wage inflation

49% Introduced flexible working arrangements

43% Improved benefits packages

33% Introduced remote/ hybrid working

33% Introduced a bonus structure for performance

23% Implemented staff feedback mechanisms

22% Recognition for long service with rewards

Do you employ apprentices?

74% No

26% Yes

Have you utilised the Apprenticeship Levy?

66% Yes

22% No

12% I don't know what the Apprenticeship Levy is

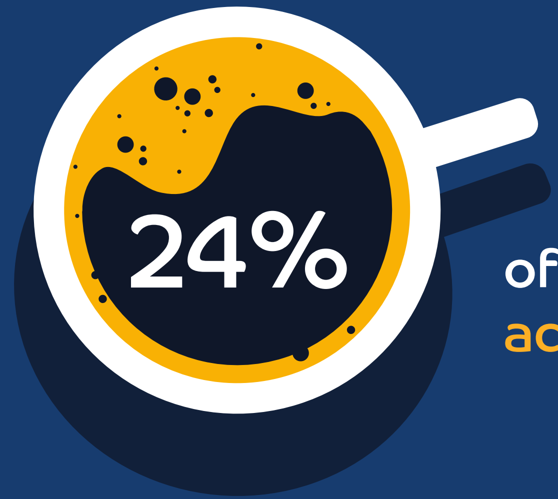
What impact will the latest National Minimum Wages changes have on your business?

50% No impact

39% Some impact

11% Significant impact

> "Hospitality is historically a lower paid job, we used to pay well above minimum wage but now because of increased competition for fewer candidates we will be forced to pay above minimum wages, which will have a knock on effect for salaried staff. This sees increases across the board not just the lower paid hourly staff because the differential has to be maintained.



24% of businesses don't use accounting software

16% of businesses don't know what Making Tax Digital is

MAKING TAX DIGITAL

Making Tax Digital has been rolled out in phases to businesses, starting with Making Tax Digital for VAT in 2019, which gradually applied to all VAT-registered businesses according to a number of factors, until it encompassed all businesses by April 2022. This meant that all businesses need to submit their VAT returns and supporting transactional data electronically to HMRC. Making Tax Digital will be extended to cover self-assessment tax returns from April 2026. This means that businesses will be required to submit quarterly tax return information to HMRC, as opposed to a tax return once per year. It will be phased in according to business size and type.

The Making Tax Digital legislation is a key part of the UK government's Tax Administration Strategy. It aims to digitalise the tax system, making it more efficient for them and easier for individuals and businesses to get their tax right.

Of our respondents, 16% did not know what this latest phase of Making Tax Digital was and 30% of businesses did not know the impact for them. Although the exact details and processes for submission are still being tested by HMRC, this could be a significant burden for businesses and many of them will need their accountants to support them with these new demands.

16%

of respondents don't know what Making Tax Digital is

It's not all bad though, 32% of respondents already use cloud accounting software within their business and this puts them in a good position for the new requirements of Making Tax Digital in April 2026.

Making Tax Digital for self-employed individuals and landlords will be introduced across the UK from April 2026, do you understand the impact this will have on your business?

50%	Yes
30%	No
16%	I don't know what 'Making Tax Digital' is
8%	It won't impact my business

ACCOUNTING SOFTWARE

In the wake of recent publicity, it is intriguing that over half of respondents still perceive Artificial Intelligence (AI) as irrelevant to their business and that only 11% currently use AI within their business. However, many businesses might already be benefitting from AI without even realising it, as operational and financial software companies are increasingly embedding AI technology within their software.

These AI enhancements range from seemingly simple tasks, such as using machine learning to address customer support queries or automating data processing, to more advanced tasks, for instance, employing AI

24%

of respondents don't use accounting software

algorithms to analyse historical financial data, enabling businesses to identify trends and forecast future performance. This capability proves particularly valuable in pinpointing and addressing cash flow fluctuations.

The momentum towards greater automation and AI shows no signs of slowing down. Finance software providers are actively planning to deploy chat assistants for tasks such as invoice creation, debt management and data interpretation. This dynamic landscape offers significant efficiencies to businesses using the right software.

Clients increasingly seek our advice and assistance with replacing or optimising their software and systems. The shift towards cloud-based systems and greater software integration, coupled with the rise of AI, is allowing us to find solutions that streamline processes and drive efficiencies.

ARTIFICIAL INTELLIGENCE

AI, or Artificial Intelligence, is the power of computers to do things that usually only humans can do, like talking, seeing, deciding, and learning. AI can help you run your business better by taking care of boring and tricky tasks, such as answering customers, planning campaigns, making sales, managing operations, and finding patterns. AI can also help you create new ways to stand out from your competitors with new ideas, products, and services.

In time, AI will become part of much of the software we use day-to-day. Currently, the most well-known AI tools are Large Language Models (LLM), these have a chat-like interface for you to communicate with them, like ChatGPT, Copilot or Bard. These tools are useful for tasks such as: helping with ideas for creative writing tasks such as adverts, titles and presentations, and can save time by summarising or bullet-pointing complex documents.

However, with these LLM tools, especially the free versions, it is important to understand how the questions you ask are recorded by the tool; the system uses this information to train itself to provide better answers in the future. In many circumstances, this is not a problem, but imagine you have added details of a customer complaint, this information could be retrieved by someone else! The paid-for versions of the LLMs typically ensure that anything you add is not shared with the rest of the internet – Microsoft Copilot (available free with Microsoft licences Business Standard/Premium or Microsoft 365 E3/E5) is an example of an LLM that doesn't store this data.

In summary - ***provided by AI*** **-** "AI can streamline operations, automate tasks, and provide insights, making businesses more efficient and competitive. It can personalise customer experiences, improving satisfaction and loyalty. However, AI also poses risks. Misuse of data can lead to privacy breaches. Over-reliance on AI may result in loss of human oversight. AI systems can make mistakes and correcting them can be costly. Lastly, AI might lead to job displacement in certain sectors. Therefore, businesses must balance the benefits of AI with its potential risks."

KEY QUESTIONS

As a business how will/do you approach your record keeping to comply with Making Tax Digital?

33% Use recognised software within the business

32% Use cloud accounting within the business

27% Pass records to our accountant to deal with

6% I haven't considered this

What accounting software do you currently use?

32% Xero

24% None

21% Sage

16% Other

7% Quickbooks

Do you use AI within your business?

55% No, I don't believe it is relevant to my business

22% Not yet, but it is something we are considering

12% No, I don't know what it is

11% Yes

Innovation and Growth

of businesses are planning to use bank loans over the next three years compared with 15% in 2018

20%

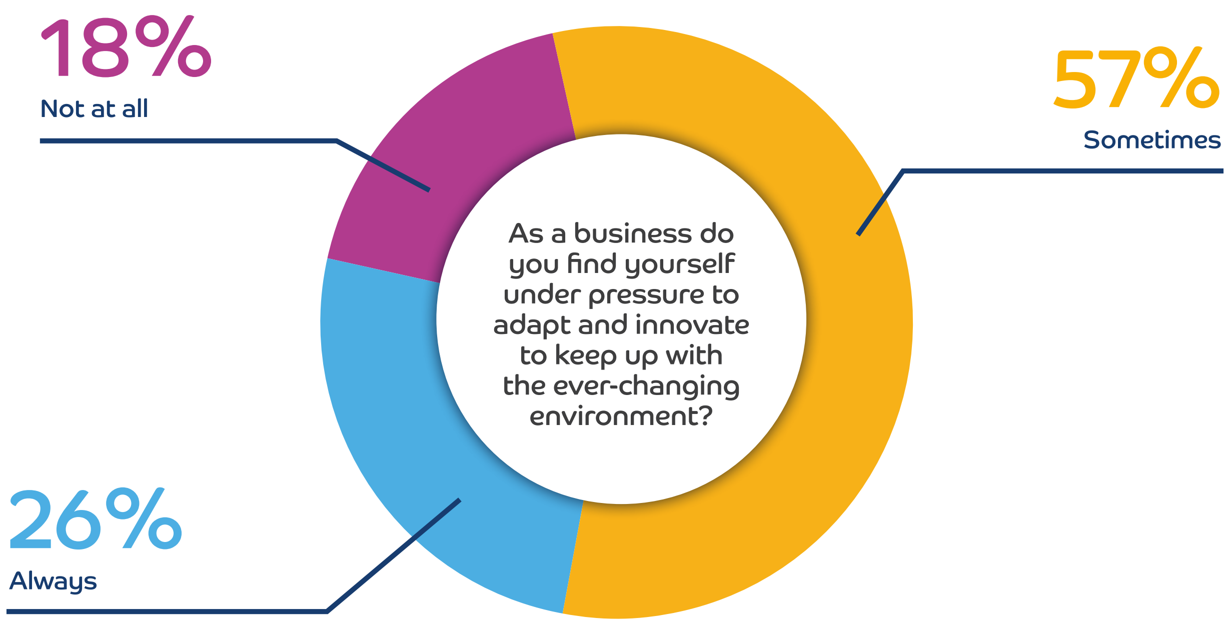
of businesses are 'very concerned' with inflationary pressures on costs during the next 12 months

BUSINESS FUNDING

2023 reflected some of the highest inflation and interest rates of recent history, and so it is no surprise to see that 75% of respondents sighted inflationary pressures on cost as a concern. This will no doubt link to the 89% of respondents who are finding themselves under some form of pressure to adapt and innovate to keep up with the ever changing environment. Inflationary cost pressures have not always been able to be passed through to the end consumer, leaving many businesses with margin compression and a keener focus on cashflow management through this turbulent year.

For family and owner managed businesses, raising financing through bank debt has always been a challenge, with the high street banks increasingly focusing on larger corporate clients, leaving few providers with genuine appetite in the SME space. Working capital finance or own capital have been the mainstay of funding for this segment of the market and this continued in 2023, with the majority of businesses surveyed looking to fund growth over the next three years using only these two methods. Working capital and invoice finance solutions remain the preferred method for many to help with monthly cashflow management, but we have seen an increase in those respondents considering bank loans, with 24% in 2024 compared with 15% in 2018.

Bank loans are still active in the market for businesses that have a good element of security available (typically in the form of property or other fixed assets), where the banks can offer an Asset Backed Lending product on a Loan-To-Value basis, secured against the assets as collateral. The market for cashflow loans, or loans that are not secured against any physical security, are typically provided by speciality lenders and debt funds that are mandated to focus on SME businesses. While access to financing is easier with these types of institutions, they do typically come with a higher cost of capital when compared to the high street banks. Businesses looking for cashflow lending will also need to show a solid history of trading and positive financial performance to meet the underwriting criteria of the lenders. With interest rates however forecast to decrease over 2024, the cost of raising debt finance will see improvements over the heights of 2023.



FINANCIAL INFORMATION

A narrow majority of respondents (57%) expressed satisfaction with their current financial reporting process. However, for the remainder, receiving better quality or more regular, up-to-date information accounted for 27% of total responses and discussion with a financially qualified individual was the most important factor for 13%.

Cloud-based software solutions, coupled with integrated automation tools have revolutionised access to financial data. Now more than ever, businesses can obtain high-quality, timely financial data that is crucial for effective decision-making. Key to this though, is understanding the key performance indicators (KPIs) particular to your business and having the right tools to effectively report on and interpret them.

57%

of respondents expressed satisfaction with their current financial reporting process.

Our clients increasingly look for dashboard-style reports that focus on their KPIs and future goals, with a clear path as to how these will be achieved. Incorporating reliable budget and live forecast data with scenario planning into reporting is the optimum way to monitor this and help prevent unwelcome surprises.

Clearly, management information will only ever be as good as the underlying data and the timely entry of that data is essential. Over a quarter of respondents identified automation to reduce errors and inaccuracies or reduce the amount of work required to produce financial information as significant. This underlines the importance of using technology to automate and standardise data entry as far as possible, as well as having software that can produce the management information in a format that is relevant to the business, easily digestible and simple to produce.

Once information has been produced, it is important to have the right expertise, from within the business or from trusted external advisers, to interpret it and plan for the future.

KEY QUESTION

Is there anything you would like to change about your financial reporting function?

- **57%** I don't wish to make any changes
- **16%** Receive better quality financial information to enable decision-making
- **13%** To discuss my financial information regularly with a financially qualified individual
- **13%** Automate elements of my financial system to prevent rekeying of numbers etc
- **12%** Reduce the amount of work required by myself to produce financial information
- **11%** Receive more regular, up to date financial information
- **4%** Have someone responsible for the financial function in my business
- **2%** Reduce the headcount of my financial team through efficiencies

THE NEXT 12 MONTHS

We are living in a challenging economic climate with a backdrop of ever-increasing business costs, higher interest rates, constraints in attracting and retaining talent, supply chain challenges, fluctuating exchange rates and cash flow concerns. Throw into that mix the ongoing war in Ukraine, uncertainty in securing trade deals post Brexit, and a general election on the horizon, and we would all agree that there is considerable volatility and uncertainty in the economy.

The majority of respondents, 74%, consider that their main challenge over the coming 12 months is the inflationary pressures on input costs faced by their business. As consumers face higher prices their discretionary spending drops, leading to reduced sales and tighter profit margins for our respondents.

Moreover, interest rate increases and challenges with staff recruitment and retention increase the complexity of difficulties faced by business owners. In our last survey we were experiencing low interest rates and 43% of respondents thought these would have a positive impact on their business, six years later and 62% of respondents are now concerned about the impact of interest rates on their business. Furthermore, 47% of respondents anticipate it being difficult to recruit over the next 12 months, with 36% expecting to face challenges regarding staff retention. To combat the staff retention challenge, 71% of respondents have increased salaries above inflationary levels, 49% have introduced flexible working arrangements and 43% have improved their benefits packages.

To mitigate the impact of these increased costs our respondents must balance what they can afford and pass on to the end consumer whilst maintaining competitiveness. In an environment of constant change this is not an easy feat, and key to this is understanding your business both operationally and financially. By maintaining accurate management information/cash flow forecasts it will allow businesses to retain their ability to adapt and innovate, whilst maintaining its own unique family business dynamics which led to its success in the first place.

Over the coming months the adage of "Cash is King" is more important than ever as it will allow businesses to navigate the economic, political and global challenges faced.

12

How concerned are you about the following economic impacts upon your business over the coming 12 months?

Impact	Not concerned	Somewhat concerned	Very concerned	Uncertain
Inflationary pressures on your costs	20%	54%	20%	6%
Fluctuating exchange rates	53%	32%	10%	5%
Brexit and trade agreements with other countries	53%	30%	13%	4%
Interest rate increases	34%	39%	23%	4%
Cashflow – having enough to pay outgoings	49%	34%	15%	2%
Customer inability to pay for your services/products	48%	42%	7%	3%
Increased competition for your goods/services	50%	42%	7%	1%
Staff recruitment – attracting the right people	49%	35%	12%	4%
Staff retention – keeping staff within your business	61%	29%	7%	3%
Cashflow – obtaining funding to implement development and/or growth	62%	24%	11%	3%
Supply issues i.e. your supplier is unable to supply goods and services	65%	24%	8%	3%

THE NEXT 3 YEARS

"If you stand still, you are going backwards" is a phrase many business owners will recognise in the context of business and personal growth. It suggests that in a rapidly changing world, merely maintaining the status quo can lead to decline. In other words, if you are not actively innovating, improving, and moving forward, you are falling behind as your competitors progress.

This concept emphasises the importance of adaptability, and initiative-taking change – all of which are key differentiators for family-owned businesses, however, there are obstacles that must be overcome to be successful in the future.

44%

of respondents identified a major issue affecting business growth, and the viability of their business is increasing costs.

Increased pressure on input costs is often borne by the business potentially increasing break-even point and reducing profit margins. This would effectively mean that there are less available monies to move forward with growth projects.

Attracting the right people to the business is a concern of 35% of respondents. However, certain sectors found this more of a challenge than others, only 24% of agricultural businesses saw this as one of their biggest challenges, whereas 52% of manufacturing businesses saw this as a key challenge. If having the right people in your business is seen as a significant challenge, employers must consider how to attract and retain key employees as well.

34% of respondents have identified having sufficient funds to implement plans (an 11% increase on our 2018 survey) as a major concern. Effectively, respondents want to adapt, change and drive their businesses forward but are fearful that they may not have the financial stability to do so. To allay these concerns, it is key to balance the business objectives and strategy against available funding, or to put it another way "understand where you are and work out how much it will cost to get you to where you want to be." It is also crucial to regularly revisit and evaluate these plans and adapt them if they are not achieving the desired results.

KEY QUESTIONS

What are the main sources of financing the plans for your business over the next three years?

- **47%** Working capital/ profits generated from the business
- **47%** Own capital
- **24%** Bank loan
- **19%** I don't require any finance for my plans
- **7%** Other debt finance e.g. factoring
- **3%** Equity financing
- **3%** I don't know

Which of the following will be the main challenges to your business growth in the next three years?

- **44%** Increase in costs impacting business viability
- **35%** Staff recruitment
- **34%** Cashflow
- **28%** Marketplace competition
- **27%** Staff retention
- **22%** Time and resource capacity to meet customer needs
- **17%** Customers – risk of their wind up/insolvency
- **16%** Suppliers – problems with access to goods and services needed
- **14%** Brexit/trade agreements with other countries
- **8%** Other

36% of those who plan to pass the business on to the next generation, have **not discussed** it with their children

67% of respondents plan to **leave the business** within the **next 10 years.**

SUCCESSION AND SALE

Over 50% of respondents see themselves leaving their business by either passing it on to their children (35%) or letting the business cease (21%); with the majority also seeing themselves as leaving the business within the next ten years. Planning on exiting your business is both an emotive process to go through, but also one that needs to be managed with practical rigor, with preparing a business for sale often spanning multiple years. Many businesses do not tend to give the level of focus and preparatory lead time to enable a smooth transition of the business and maximise its value. Of those respondents planning to pass the business on to the next generation, 36% have not discussed it with their children and 29% are not already in the business.

If there is one certainty in owner-managed businesses, it is that there will be a change. Which leaves only three options:

When? Could be any time – so be ready for whenever a decision for change is made. Ensure governance is in place and that internal systems and controls are robust. Everything that the business does must be capable of being scrutinised by external due diligence and potentially being done without the current owners.

To whom? Trade sale, management buy-out, transfer to family, your estate (should anything unfortunate happen to you), private equity, etc. Make sure that the business is in a good state and ready for whenever the new owners take over, bearing in mind that the change could happen at very short notice. Do not assume that the next generation will want to step in and do not assume that the aspirations of each of the members of the next generation will be the same as each other.

For how much? This usually depends on the level of underlying EBITDA the business is generating. Maximising this needs careful planning, positioning and consideration. Developing the management team to run the business without its owners will significantly enhance its value, so consider a mechanism for locking in and incentivising key staff.

The best time to prepare is at least 5 years ago! So, if no planning for succession has started, then start now – the familiar phrase of 'failing to plan is planning to fail' could not be more relevant here. Decide what you want the business to look like and then plan accordingly and ensure that any tax implications of changes are properly considered.

67%

of respondents are over the age of 55

KEY QUESTIONS

How old are you?

36% 55-64 years old
31% 65+
26% 45-54 years old
6% 35-44 years old
1% 25-34 years old

When do you plan to leave your business?

33% Over 10 years
27% Within 5 to 10 years
25% Within 3 to 5 years
15% Within 2 years

How do you see yourself leaving your business?

35% Pass or sell on to my children
21% The business will cease
10% I haven't considered this
10% Sell to a third party who will carry on my values/ethos
9% Exit following a management or employee buyout
9% Sell to the highest bidding third party
6% Pass/sell on to other family members

Are the next generation already in the business?

54% Yes
29% No
16% No, they are too young

Have you discussed with the next generation your intentions to pass the business to them?

64% Yes
36% No

Do you consider your business to be structured correctly for you to maximise your return from a future sale?

45% Yes
33% I don't know
22% No

CONTRIBUTORS

We are very proud to have an experienced team of advisers who have taken the time to analyse the survey findings and applied their specialist knowledge to reflect on the results. Their commentary offers an insight into current thinking, looks at developing trends and provides direction on many of the areas examined. If you would like to speak to a member of the team about any of the issues discussed, please refer to our contact details at the back of this report.

Paul Dickson,
Chief Executive and Managing Partner

Richard Andrew,
Head of Accounting

Stewart Crockett,
Managing Director & Partner - Head of Finance Planning

Brian Rudkin,
Employment Tax Partner

Toby Woodhead,
Head of Technology

Richard Woolgar,
Head of Outsourcing

Jonathan Lewis,
Corporate Finance Partner

Ed Connell,
Restructuring & Recovery Partner

Janine Levine,
Tax Director

CONCLUSIONS

Six years on from our previous survey, it was interesting to see how opinions had changed in some areas, but equally, many challenges have remained the same. There were a few surprises however, particularly around digitalisation and technology. Although it may not always be apparent, Artificial Intelligence (AI) is quickly becoming part of our every day life but many business owners (55% in our survey) still believe it isn't relevant to their business, with only 11% already using it. In order to keep up with competitors in their sector, for many it may need a swift education of this emerging technology. The reluctance for some will be around the costs of implementing AI but it may be a commitment that can't be avoided in order to keep pace or risk being left behind.

Another surprising result with regards to technology, is that 24% of businesses in our survey still aren't using accounting software, and with the requirements around "Making Tax Digital" implemented by HMRC, there is some work to do for those businesses in order to meet their legal reporting obligations.

As was common in our previous survey, many businesses face problems with staffing. Despite around 65% of respondents stating that they have made changes to help combat recruitment issues, over a third are still finding it difficult to attract talent. Many have taken steps to help with staff retention, including increasing staff salaries, introducing flexible working arrangements and providing additional staff benefits.

We believe staff challenges won't be helped by the increase in the National Minimum Wage, and some respondents in our survey said the lack of suitable candidates and inability to find people to carry out the roles will likely be ongoing. For those in specific sectors where staffing is causing particular issues, looking at retention and recruitment strategies will need to be a key focus.

It will come as no surprise to many that the rising costs of a business have resulted in a juggling act between meeting customer demands, increasing overheads (including staff), and profitability. Forecasting and better financial reporting is now essential to even the smallest of businesses, enabling business owners to try and anticipate key issues in the future and address them much sooner.

Whilst facing today's issues will be the main priority for most, an area highlighted throughout the survey is the importance of looking ahead to ensure the longevity and succession of your business. Whether that's thinking about funding requirements for growth, planning for the adoption of new technology, or looking at passing the business to the next generation, the emphasis is to plan ahead.

Family owner managed businesses are and continue to be one of the most – if not 'the most' - significant contributors to the UK economy, and we hope that by sharing the voices of this vital cornerstone as highlighted for you in this summary, we have provided some important talking points and food for thought to help support your business journey, whatever its size or sector, and wherever it sits within the business lifecycle.

If you would like to discuss any of the topics explored within the Family Owned, Privately Owned and Owner-Managed Business Survey 2024 or to find out more about how our industry experts can advise and support your business, please get in touch. You can find our contact details at the back of this survey.

FAMILY OWNED PRIVATELY OWNED AND OWNER-MANAGED BUSINESS SURVEY

2024 Report

CONTACT US

Scan the QR code or visit us at : **www.armstrongwatson.co.uk**

Alternatively contact us by phone on: **0808 144 5575**

ArmstrongWatson®

Accountants, Business & Financial Advisers