

FAMILY OWNED, PRIVATELY OWNED AND OWNER-MANAGED BUSINESS SURVEY

2025 Report

ArmstrongWatson®
Accountants, Business & Financial Advisers





CONTENTS

Page 4	Introduction
Page 6	General
Page 8	People
Page 16	Technology
Page 22	Innovation and Growth
Page 28	Planning to Let Go
Page 32	Regional Results
Page 40	Conclusion
Page 42	Contributors

INTRODUCTION

Welcome to the 2025 Armstrong Watson Family Owned, Privately Owned and Owner-Managed Business Survey Report.

According to the Department for Business and Trade, 99.8% of the UK business population is made up of those operating in the private sector, and at Armstrong Watson, we are proud to have a 158-year history of working alongside the many businesses that form the backbone of the UK economy— those that are family-owned, privately owned, and owner-managed.

Crucially, these businesses – yours, and indeed ours - are not just economic contributors; they are woven into the fabric of our communities, representing resilience, pride, and a long-term commitment to people and place. And for this reason, we believe it is key that we canvas, listen to and act upon the views of those operating in this sector.

This year, we received an incredible 858 responses to our 2025 Family Owned, Privately Owned and Owner-Managed Business Survey, making it one of the most comprehensive surveys of its kind, and our fifth to date. The latest insights, shared by business owners across a variety of sectors and regions, offer us a clearer picture of the challenges you face and how you will be impacted, as well as the opportunities you're exploring to continue to drive business forward.

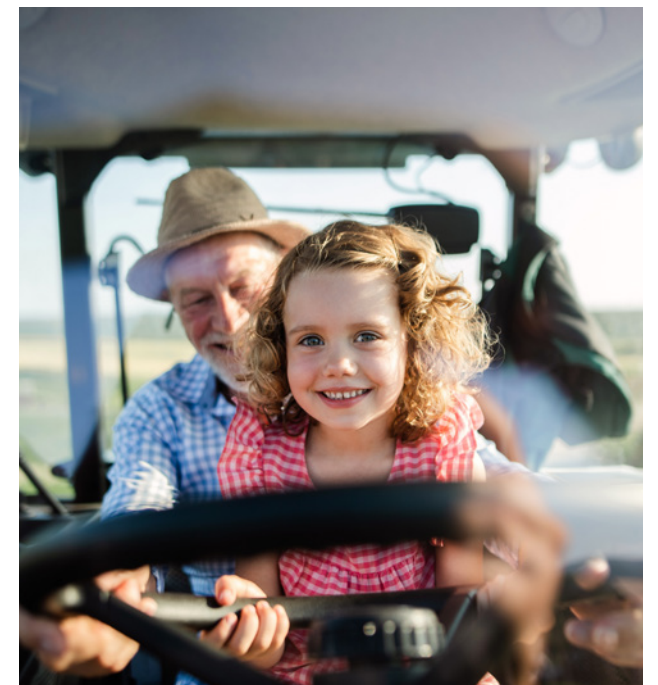
From recruitment and retention struggles to the impact of rising employment costs, digital transformation, succession planning, and economic uncertainty, the findings reveal a sector that is navigating complexity with determination. Businesses are adapting, innovating, and planning for the future—even when that future feels uncertain.

Conducting this survey is a vital part of our commitment to understanding the lived realities of the businesses we advise. By listening to your concerns and aspirations, we can tailor our support to help you thrive, now and in the years to come.

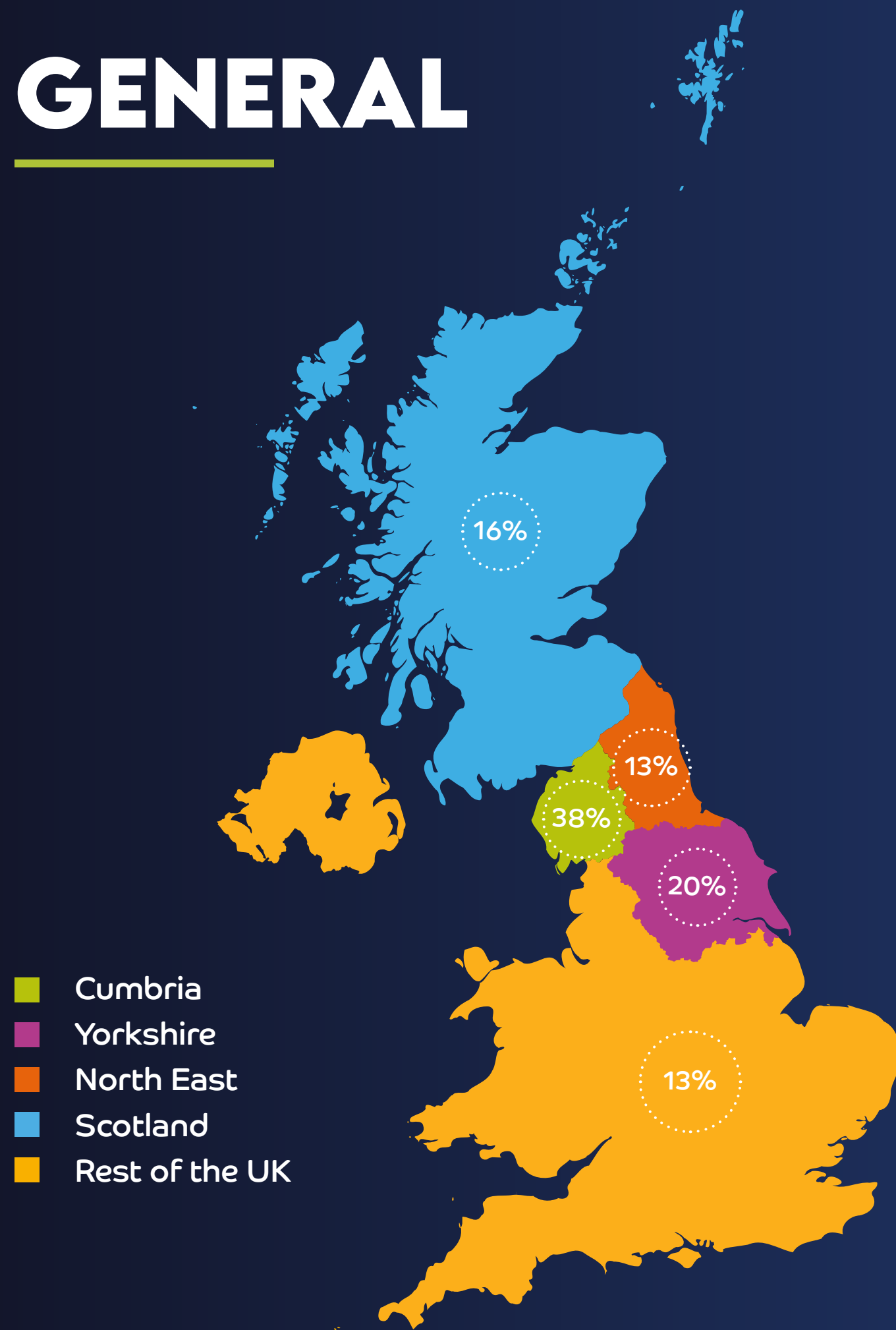
We are incredibly grateful to everyone who took the time to share their views. Your input helps us shape better advice, better services, and better outcomes. We hope this report offers reassurance, sparks ideas, and encourages reflection. And as always, if you'd like to discuss any of the topics raised, please do get in touch.



Paul Dickson
Chief Executive & Managing Partner
Armstrong Watson LLP



GENERAL



Armstrong Watson operates across Northern England and Central and Southern Scotland. The respondents to our survey were spread as follows: Cumbria 38%, Yorkshire 20%, Scotland 16%, North East 13%, with 13% from the rest of the UK.

The responses came from a good mix of sectors with Agriculture (22%), Professional Services (18%), Property and Construction (12%) and Hospitality, Leisure and Tourism (11%) showing the largest response rates.

Limited company status (48%) was the most commonly occurring business structure, with partnerships (25%), sole traders (24%) and LLPs (3%) making the balance.

KEY QUESTIONS

For how many generations has your business been in existence?

- 57% 1st Generation
- 18% 2nd Generation
- 13% 4th Generation or more
- 12% 3rd Generation

How many owners work within the business?

Businesses have an average of **2 owners**

How many employees work within the business?

Businesses have an average of **39 employees**

PEOPLE



78%

of respondents reported experiencing difficulty when recruiting new talent

■ Sometimes difficult ■ Yes, very difficult ■ No, not at all difficult

This year’s survey provides valuable insights into the evolving landscape of employment and payroll across the UK, with a strong geographic representation from Cumbria (38%), Yorkshire (20%), and Scotland (16%). These regions, home to a diverse mix of sectors including Agriculture, Professional Services, Hospitality, and Construction, are facing mounting pressures that directly impact payroll operations and employment tax planning.

RECRUITMENT AND RETENTION CHALLENGES

Across all sectors, 78% of businesses report difficulties in recruitment, with 54% citing a lack of skilled candidates. This is particularly acute in rural and semi-rural areas like Cumbria, where talent pools are smaller. To address this, 37% of businesses have introduced flexible working, and 26% have enhanced benefits packages, both of which have payroll and tax implications, especially when linked to salary sacrifice or non-cash benefits. However, in today’s world of ever-changing legislation, keeping up to date—when a talent pool is not available—is proving unmanageable for some, and outsourcing payroll and/or other finance tasks can alleviate some of the pressure.

A key consideration in both attracting and retaining talent is offering a well-rounded benefits package. This is not a ‘one size fits all’ approach, each business has its own characteristics and profile of staff.

While salary remains a core component of any remuneration package, other valuable benefits might include an attractive pension scheme (and contribution levels), death in service, critical illness insurance, private medical insurance and health perks (dental, opticians).

Employers can tailor a benefits package suited to their staff needs, adding considerable monetary value to their employees’ overall package. In some instances, this can also save the employer money. Perhaps, most importantly, it reflects your company’s values and demonstrates how much you value your team, helping attract and retain the people who can drive your business forward.



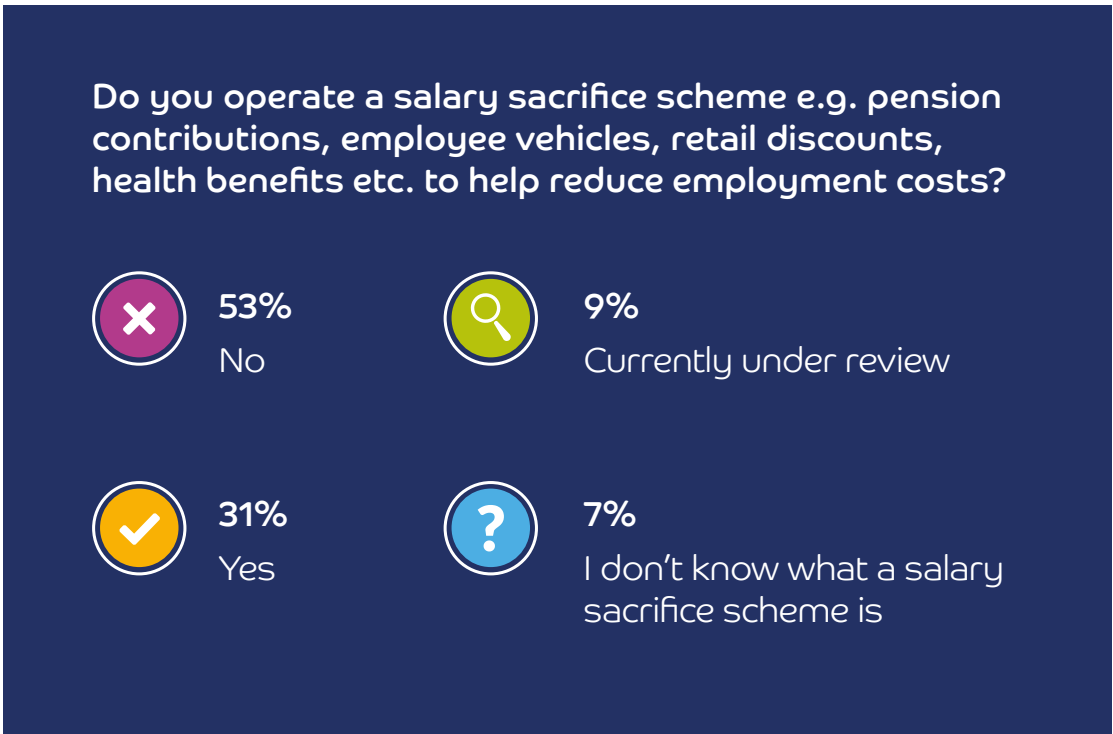
EMPLOYMENT COSTS
AND SALARY SACRIFICE

The impact of the 2024 Budget is now hitting home for employers, with increases in employer National Insurance (NI) and National Minimum Wage rates affecting over two thirds of businesses. This is unsurprising and has disproportionately impacted those businesses with a lot of employees on lower wages (Retail, Hospitality, Care etc). The impact of these measures has been further exacerbated with pressure to increase pay across the board as employees struggle against high inflation and living costs, with nearly half of employers in our survey boosting wages and salaries above inflation.

Salary sacrifice still remains the most viable option for employers to structure employee pay and benefits tax efficiently - reducing employer NI costs and employee tax and/ or NI for government-specified benefits. 31% of respondents currently offer salary sacrifice arrangements and a further 9% are actively reviewing this option.

While most employers in our survey are aware of salary sacrifice, the fact that more than half have decided not to implement such schemes indicates that there are factors that are making salary sacrifice not viable or attractive for employers across many sectors. This could be influenced by the restrictions on National Minimum Wage in relation to salary sacrifice in certain sectors such as Hospitality, Leisure and Tourism, and Manufacturing, however, employers may also be holding back on implementing such schemes in the midst of uncertainty following the release of a recent Government paper 'Understanding the attitudes of employers towards salary sacrifice for pension,' and subsequently speculated Budget reforms.

These pressures are now being reflected in broader labour market trends. The latest data from the ONS shows a continued fall in UK job vacancies, with a 119,000 decrease in the last 12 months, while the number of unemployed people per vacancy is increasing. This can be attributed to increased employment costs, monetary tightening and broader economic slowdown, and reduced demand due to a "wait and see" approach which could suggest that some businesses are not recruiting or replacing workers who have left.



EMI SCHEME AND GROWTH SHARE SCHEME

A large portion of businesses surveyed had either not heard of Enterprise Management Incentive (EMI) share options/growth shares, or had not considered them for their business. This is perhaps not surprising, as these are specialist share awards that have complicated legal and tax implications. They are, however, a valuable tool that business owners should consider as a means to reward and incentivise, and attract key staff, particularly in a market where it is increasingly difficult to differentiate reward packages from rival businesses.

EMI Share options are a tax efficient way to allow employees to benefit from the growth in the value of the company by being granted a share option that allows them to participate in a future share sale. Typically, EMI options are structured to be on a so-called "exit only" basis. This means that the employee will only exercise the option - and therefore become a shareholder in the company - at the point of an exit.

Growth shares are a separate class of shares that are typically issued to employees in order to share in the growth in value of the company. When the shares are issued, typically, they will have a capital hurdle that will mean that they have no value below a certain company valuation. This ring-fences the existing company value for the original shareholders, whilst allowing the growth shareholders to share in any increase in value.

Both of these share arrangements have pitfalls associated with them, and it is vital to take proper legal and tax advice before implementation.



SKILLS SHORTAGES

Sectors such as construction have a serious skills shortage (due to Brexit/ lack of skilled workers). Whilst there is a huge push from government to build more housing, many construction firms are finding it difficult to recruit the necessary labour. This is manifesting itself in firms having to pay high salaries to employ labour, with those who are unable to do so struggling to deliver the projects they are contracted to complete.

However, it is encouraging to see that businesses are to an extent taking control of their own destiny, with a third of our respondents (33%) now employing apprentices, and businesses looking to be more innovative by utilising schemes such as salary sacrifice (31%) and enabling more flexible working patterns (37%).



REGULATORY AWARENESS GAPS

The Employment Rights Bill 2024 has been hailed as representing 'the biggest upgrade in employment rights for a generation,' aiming to bring an end to what is perceived as being one-sided flexibility benefiting the employer. Mooted changes include, ending 'exploitative' zero hours contracts, amendments to Statutory Sick Pay, and changes to rights to family leave. However, despite the bill set to take effect in 2026, 74% of respondents are either unprepared or unaware of the changes. This is critical area where payroll and HR teams must step up to ensure compliance and mitigate risk so businesses will need to ensure they are prepared. The Bill is scheduled for 'consideration of amendments' in the House of Lords on 28 October 2025 - the penultimate stage before it becomes an Act of Parliament.

KEY QUESTIONS

Do you find it difficult to recruit new talent?

- 46% Sometimes difficult
- 22% No, not at all difficult
- 32% Yes, very difficult

If you do find it difficult to recruit, which of the following do you believe are the main reasons?

- 54% Lack of skilled/ suitable candidates
- 13% Competitors offering more attractive proposition
- 32% Difficult to find people to carry out role/s
- 10% Suitable candidates unwilling to move jobs
- 17% Expensive to hire new people
- 10% Other
- 16% I don't find it difficult to recruit

Which of the following have you implemented to improve your recruitment performance?

- 37% Flexible working patterns/hours/shifts
- 18% Improved recruitment/ interview process
- 32% We have not made any changes
- 12% Introduced a bonus scheme for existing employees who introduce new employees
- 26% Improved benefit packages
- 9% Increased expenditure on advertising roles
- 22% Increased clarity of job descriptions
- 7% Other
- 22% Use of an agency
- 19% Remote/hybrid working

Do you find it difficult to retain employees?

- 61% No, not at all difficult
- 2% Yes, very difficult
- 37% Sometimes difficult

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

- 53% No
- 47% Yes





Which of the following have you implemented to help improve your staff retention?

44%	Increased wages/ salaries above wage inflation	21%	Introduced a bonus structure for performance
39%	Introduced flexible working arrangements	21%	Recognition for long service with rewards
27%	We have not made any changes	18%	Introduced remote/ hybrid working
23%	Improved benefits packages	5%	Other
22%	Implemented staff feedback mechanisms		



Have you considered senior staff retention mechanisms such as EMI schemes and/ or Growth Share Schemes?

66%	No	8%	Yes
21%	I don't know what an EMI and/or Growth Share Scheme is	5%	Considering



Do you employ apprentices?

67%	No	33%	Yes
-----	----	-----	-----



How have the recent changes in employment costs i.e. increases in Employer National Insurance Contributions and the National Minimum Wage affected your business?

34%	A moderate amount	17%	A great deal
18%	A lot	16%	A little



Are you prepared for impending reforms announced in the Employment Rights Bill 2024 expected to come into force in 2026?

46%	No - I don't know what is expected	26%	Yes
28%	No - although I know what is expected		



“WE LET THE GUYS CHOOSE THEIR OWN HOURS AS LONG AS THE WORK GETS DONE AND EVERYONE IS HAPPY, THEN WE ARE HAPPY.”

TECHNOLOGY



39%

of respondents are not concerned about the threat of a cyber attack on their business

CYBER THREATS

As cyber threats increase, the misconception that 'it won't happen to us,' becomes more and more dangerous.

This year's survey has highlighted results that are both encouraging and concerning. 39% of respondents said they are not concerned about the threat of a cyber attack - either because they don't think they will be targeted or because they believe their current protection is sufficient.

No business is too small to be targeted by cyber crime

Cybercrime is on the rise across the UK, and no business, regardless of size or location, is immune. In fact, cyber criminals are increasingly turning their attention to smaller businesses and individuals. Why? Because often they don't have the resources and investment to put into cyber security, lacking the robust cyber defences of larger organisations, making them easier targets.

Government figures back this up: 43% of UK businesses and 30% of charities experienced a cyber security breach or attack in the past year. That's nearly half of all businesses, proof that the threat is very real.

When asked: "How concerned are you about the threat of a cyber attack on your business?" the majority of respondents (61%) expressed at least some level of concern. Surprisingly, one in ten said they believe their business is protected and not at risk.

In today's digital world, complacency can be costly. Whether you're running a farm shop, a local café, or a consultancy from your home office, it's time to take cyber security seriously. The cost of protecting your business now, far outweighs the reputational and financial damage of a cyber attack – as household names such as M&S, Jaguar - and smaller anonymous businesses we've supported - will attest. Prevention is better than cure as they say, and a Cyber Security Health Check is the best place to start! This will give you a clear, independent view of your current ability to protect against cyber threats, identifying potential vulnerabilities, assess existing controls, and help you prioritise areas for improvement.



DIGITAL AUTOMATION

Digital process automation is now commonplace, yet 30% of businesses still rely mainly on manual procedures—rising to nearly 40% in the Agriculture and Property sectors.

Our system reviews often reveal vital knowledge and manual processes concentrated among a few key individuals, posing risks if they leave and restricting business growth. Automating systems, from data entry and approval processes to analysis and reporting, mitigates these risks, standardises processes, and frees up employees for higher-value tasks.

Highly systemised and automated organisations can offer greater consistency, reliability, and scalability, making them more attractive to potential buyers and increasing business valuation.

External factors, including HMRC’s Making Tax Digital rollout, growing e-invoicing requirements, and supply chain carbon reporting, are all likely to push businesses toward further digitisation.

ARTIFICIAL INTELLIGENCE (AI)

AI adoption continues to grow: 17% of respondents now use it, and 24% are considering it, although 54% still view it as irrelevant—a figure largely unchanged from last year. Many businesses utilise AI indirectly via customer relationship management or finance software, automating tasks like invoicing and data requests. AI is especially effective in analysing data, spotting trends, and automating routine processes and is continuing to improve in content creation and messaging.

More interesting is the development of multi-agent AI systems—where specialised AIs collaborate to complete tasks considered too complex or inefficient for a single AI agent to handle.

Concerns still exist around accuracy and data security, whilst AI currently offers a competitive edge, it is set to become standard practice, and those slow to adopt risk falling behind.



GETTING PREPARED FOR MAKING TAX DIGITAL

Our survey shows that more than half of those who will be affected by soon to be introduced new Making Tax Digital rules (MTD) aren’t yet ready.

Making Tax Digital aims to digitalise the tax system, making it more efficient and easier for individuals and businesses to get their tax right. This was initially introduced to larger businesses (MTD for VAT) in 2019 and continues to be rolled out, with small business owners and landlords next in line from April 2026 when Making Tax Digital (MTD) for Income Tax Self-Assessment comes into force.

MTD will be mandatory for landlords and those self-employed earning more than £50,000 from April 2026. It will then be introduced for those with an income of between £30,000 and £50,000 in April 2027, before the threshold reduces to £20,000 in 2028.

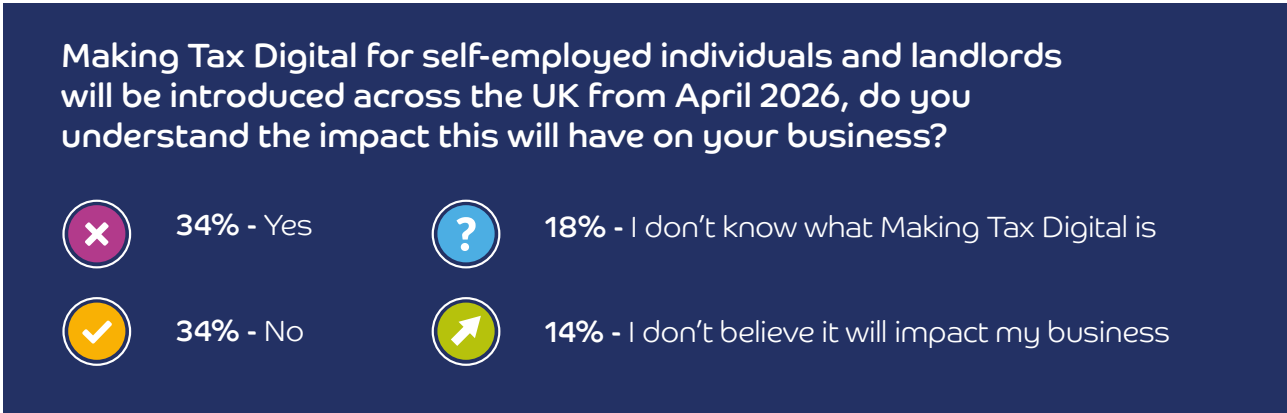
Worryingly, 34% of survey respondents who are self-employed state they do not understand the impact MTD will have on their business, while 18% said they don’t know what MTD is.

Under the MTD legislation, businesses and individuals will be required to keep digital records, using MTD compatible software to create and store digital records for each business transaction. This will change the way earnings are reported to HMRC and could pose a challenge for businesses with increased administration, new systems and the risk of submitting incorrect information to HMRC in real-time.

While its introduction represents a significant shift in the way taxes are managed, preparing in advance can help to ensure a smooth transition to the new system.



**The results within this section, Making Tax Digital, reflect the responses of self-employed businesses only.*



KEY QUESTIONS



How concerned are you about the threat of a cyber attack on your business?

- | | | | |
|-----|--|-----|--|
| 43% | Somewhat concerned | 10% | Not concerned - my business is protected |
| 29% | Not concerned - I don't think my business is likely to be targeted | 2% | Extremely worried |
| 16% | Worried | | |



How has your business adopted digital technology and automation in its operations?

- | | | | |
|-----|---|-----|--|
| 30% | We primarily rely on manual processes and limited digital tools | 10% | We are currently exploring options for digital technology and automation |
| 30% | We utilise cloud-based platforms for core business functions (e.g., CRM, project management, communication) | 7% | We have implemented automation tools for specific tasks (e.g., marketing automation, customer service chatbots, data entry) |
| 29% | We have adopted online servers or cloud storage for data management and collaboration | 5% | We have a comprehensive digital transformation strategy in place, integrating various technologies and automation across departments |
| 27% | We utilise industry-specific digital software or platforms | 2% | Other |
| 22% | Not applicable to our business model | | |
| 14% | We have outsourced some or all of our financial functions | | |



Do you use AI within your business?

- | | | | |
|-----|--|-----|-----------------------------|
| 54% | No, I don't believe it is relevant to my business | 17% | Yes |
| 24% | Not yet, but it is something we are looking at/considering | 5% | No, I don't know what it is |



“WE HOLD CYBER ESSENTIALS AND HAVE TO DEMONSTRATE RIGOUR IN OUR USE OF DATA AND SOFTWARE BEFORE WE CAN WIN CONTRACTS.”

INNOVATION AND GROWTH



80%

of respondents are concerned about the impact of inflationary pressures on costs

OUTLINING BUSINESS GOALS TO SUPPORT STRATEGIC GROWTH

Family, and privately owned/owner-managed businesses are generally reliant on the director/shareholders for strategic direction, but does this transpire into strategic focus aimed at achieving a specific goal? Our survey suggests that almost 26% of business owners do not have a plan in place, suggesting a potential lack of strategic foresight. Not having a plan in place has the potential to lead to a number of issues 'surprising' a business owner, particularly when faced with fluctuating economic conditions. Of the remaining 63% of business owners that do have a plan, only 18% have written this down and communicated it to stakeholders.

Having a goal, whether you expect to reach it in three, five or ten years' time, creates a waterfall affect into the strategic direction of the business, and helps to develop a plan, both long and short term. Writing this down can really focus and align the senior team, creating an environment within the business that can succeed.

Personal and business goals can be aligned, but should be clearly defined within business owners' minds, and once these have been established, business owners should consider having a range of systematic and logical measures to enable the business to report against any plans made, allowing for flexibility too.

Having a goal can focus owners to create a strategic plan that leads to more meaningful measures, regular reporting, and holding those sat round the boardroom table to account. In our experience, businesses with good governance are much more likely to succeed and achieve prosperity.

26%

of respondents don't have a plan in place to grow their business



Do you have a plan and/or outlined goals for your business innovation and growth?

- | | |
|---|--|
|  45% - Yes, but it is not laid out/written down |  11% - Other |
|  21% - No, I can't think that far ahead |  5% - No, I don't know where to start |
|  18% - Yes, it is written and communicated to all stakeholders | |

ECONOMIC IMPACT AND CHALLENGES

Our survey clearly shows that increasing costs are the biggest concern for businesses over the next three years with 47% of respondents citing this as a key challenge. As consumers face higher prices their discretionary spending drops, leading to reduced sales and tighter profit margins for our respondents. This is a particular risk for businesses who operate on tight margins such as construction and manufacturing, but also those that operate where discretionary spend is required (Charities and the Hospitality, Leisure and Tourism sectors). This concern, coupled with worries over changes in regulatory regimes (43%) and having the right

people in the business (36%) are likely to mean that some businesses are battenning down the hatches and not looking to make investments at this time. This is reflected in our survey which shows 22% of businesses are not looking to seek further finance over the next three years.

A degree of caution in the current environment is wise, however businesses should remain creative and alive to opportunities which may present themselves. If a business is not investing in the future, their competitors may be investing in growth projects and there is a real risk of falling behind the competition.



ACCESS TO FINANCE

Interest rates had reduced by 1% from our last survey in 2023 to this one, and the general expectation amongst economists is that they will fall further this year and into 2026. The reduced cost of finance should result in more business owners considering borrowing as a means of funding their plans.

What is interesting from the 2025 survey results in relation to funding, is that when asked 'What are the main sources of financing your business plans over the next three years?', 48% of business owners responded, 'using their own capital' and 37% 'working capital/profits'. This begs the question, is this by choice or because of a perceived lack of available funding? 'Bank loans' were highlighted as an option by 17% of respondents, only 2% were considering 'other debt finance', which includes invoice finance, and 5% said they didn't know how they would finance their plans. This last answer again highlights a possible lack of understanding amongst business owners of the available options.

Following on from the above question, when asked 'How concerned are you about obtaining funding to implement growth' 40% responded that they were either 'very' or 'somewhat concerned'. While a greater 44% of respondents also expressed their concern about having enough cashflow to pay outgoings over the coming 12 months.

"I struggle to find any funding from banks, all other funding seems a real pain to get and I just struggle with time and knowledge"

Business owners are inevitably busy tackling the many challenges that running a family owned, privately owned or owner-managed business brings and don't have the time, or the inclination, to understand this marketplace. Naturally, most business owners' first port of call will be their own bank when it comes to raising finance, and if, as happens more often now than in the past, their bank says 'no', where do they turn? Many business owners are not aware that there are plenty of alternative options, with literally hundreds of lenders across the various types of lending, and exploring these through Funding and Debt Advisory specialists, such as Armstrong Watson's team, can open up new opportunities.



KEY QUESTIONS



Which of the following measures have you put in place to prepare for innovation and growth?

38%	None	25%	Staffing
33%	Business structure	23%	Financial reporting
30%	Technology	23%	Policies/procedures
26%	Capital investment	4%	Other



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

48%	Own capital	17%	Bank loan
37%	Working capital/ profits generated from the business	5%	I don't know
		4%	Equity financing
22%	I don't require any finance for my plans	3%	Other
		2%	Other debt finance e.g. factoring



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

47%	Increase in costs impacting business viability	24%	Time and resource capacity to meet customer needs
43%	Changing regulations e.g. employment, environmental etc.	17%	Global trading conditions
36%	Having the right people in the business - staff recruitment and/or retention	14%	Suppliers - problems with access to goods and services needed
28%	Marketplace competition	11%	Over-reliance on and/or lack of customer diversity
26%	Cashflow - having sufficient funds to implement plans	9%	Other

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

Impact	Very concerned	Somewhat concerned	Not concerned	Uncertain
Inflationary pressure on your costs	25%	55%	16%	4%
Global trading conditions & exchange rates	8%	40%	46%	6%
Tariffs and trade agreements with other countries	9%	35%	50%	6%
Interest rate fluctuations	10%	44%	42%	4%

How concerned are you about the following challenges to your business over the coming 12 months?

Impact	Very concerned	Somewhat concerned	Not concerned	Uncertain
Staff recruitment - attracting the right people	12%	34%	51%	3%
Staff retention - keeping staff within your business	5%	33%	59%	3%
Cashflow - having enough to pay outgoings	9%	35%	53%	3%
Cashflow - obtaining funding to implement development and/or growth	8%	32%	56%	4%
Increased competition for your goods/services	8%	41%	48%	3%
Customers' inability to pay for your services/products	8%	43%	45%	4%
Supply issues i.e. your suppliers unable to supply goods and services	5%	29%	62%	4%

PLANNING TO LET GO



68%

of respondents are intending to leave their business within the next 10 years

PREPARING FOR THE NEXT GENERATION

If there is one certainty for any sustainable business it is that there will be change of ownership - it's 100% guaranteed. The questions are 'when?', 'to whom?' and 'for how much?'

Having a clear plan of your intentions focuses on how to prepare and be ready for the event, even if it is 10 years away (32% businesses set this as their benchmark).

More than 40% of respondents consider the next generation, whether that is children, family or senior management, as their succession plan. Communication in this process is key to the successful growth of the next generation, ensuring they have the tools to succeed in running the business, but 61% have not yet discussed their intentions. Active conversations to include and share the vision and strategy can only benefit the relationship between current owners and those looking to be handed the mantle. Start today and ensure your business, including its future leadership, is ready for the transition when it comes!



PLANNING YOUR EXIT

18% of business owners are looking to exit their business over the next two years according to our survey respondents. This is an increase from 15% in our previous survey and, overall, two thirds of business owners are looking to exit their business within the next ten years.

In the past, owners have often passed their business through their family but, interestingly, the survey found that only 32% of owners are looking to pass their business on to the next generation within their family.

There are numerous exit routes owners look to take, including selling to trade, private equity and, for large, fast growing businesses, Initial Public Offerings (IPOs). However, a popular alternative is often a management buy-out.

- **Management Buy-Out (MBO)**

An MBO is when the current management team of a business acquires the company from the existing owners. Owners often see MBOs as a perfect exit solution as the business is seamlessly transferred to the team who are already running it, yet only 8% of our respondents are considering this option for the succession of their business.

Successful management buy-outs typically rely on several key factors. The two most important components, like any business sale, is having a willing buyer, in this case the management team, and a willing seller.

A supportive seller plays a crucial role, not only in maintaining strong stakeholder relationships post-transaction but also in facilitating funding by deferring part of the consideration. This reassures funders that the seller remains invested in the business. Equally important is a strong management team with deep ties to the company and a proven track record of driving growth, alongside a financially sound business with a history of profitability and a robust balance sheet.

Funding an MBO often requires a mix of sources, as management teams rarely have the personal capital to finance the deal alone. Common funding avenues include bank loans, private equity investment, seller finance through deferred payments or loan notes, and personal contributions from the management team. Typically, at least three of these sources are combined to structure a viable funding package.

Planning is essential for a successful MBO. It offers continuity and a smoother exit for the seller compared to a trade sale, while giving the management team ownership and future financial upside. However, careful consideration must be given to tax implications, valuation, and overall feasibility to ensure the transaction is both beneficial and sustainable for all parties involved.

- **Members Voluntary Liquidation (MVL)**
If no one is prepared to take the business on, then other avenues must be considered, one such area that respondents may wish to consider is a Members Voluntary Liquidation (MVL).

An MVL is a formal process for closing down a solvent company where the shareholders decide to wind up the business. It is used when a company is able to pay all its debts, wants to formally cease operations and distribute remaining assets to shareholders. The key benefit of an MVL to shareholders is that they are often more tax efficient, as distributions are typically treated as capital gains rather than income.

Whatever way you choose to exit a business, it takes careful planning which is best undertaken well ahead of any planned departure to ensure the best outcome for you, your family and for those who may continue within the business.



DIVERSIFYING YOUR ASSETS IN PREPARATION FOR RETIREMENT

Running a family business comes with a unique blend of opportunities and challenges, balancing legacy with innovation, and personal values with commercial goals. Yet, one area that often gets overlooked amid the day-to-day demands is long-term financial planning, and according to our latest research, 16% of business owners have yet to consider a clear succession or exit strategy.

The old mantra “my business is my pension” has been significantly challenged over the last decade or so.

Understandably, many business owners expect to self-fund their financing over the coming three years. However, the great majority of family business owners are already aged 55 or older with some form of exit planned.

Interestingly, the top three exit strategies identified in the survey are unlikely to generate a financial return for the business owner. Many plan to either pass the business on to family, wind it down, or have yet to consider their exit at all.

This is understandable, we are all guilty of working in the business rather than on it. But there are options worth exploring. A robust financial plan can help you gradually extract profits and diversify your retirement strategy beyond the business itself.

There are many potential savings and investment options including but not limited to: pensions, ISAs and bonds.

These options cater to a range of risk appetites from cautious to adventurous. Some can even offer tax advantages for your business. The key is to build a diversified portfolio so you can access your “retirement income tap” at the right time, from the right source.

And if you’re even slightly considering selling your business, we strongly recommend speaking with our Corporate Finance team. With the right guidance, you may be surprised at how much value can be added.



KEY QUESTIONS

How old are you?

35%	65+	8%	35-44
34%	55-64	3%	25-34
19%	45-54	1%	18-24

Timescale for leaving the business?

32%	Over 10 years	25%	Within 3 to 5 years
25%	Within 5 to 10 years	18%	Within 2 years

How do you see yourself leaving your business?

21%	Pass/sell on to my children	9%	Sell to the third party who will carry on my values/ethos
21%	The business will cease	8%	Exit following a management or employee buyout
16%	I haven't considered this	4%	Change of business structure e.g. Employee Ownership Trust
11%	Pass/sell on to other family members		
10%	Sell to the highest bidding third party		

Is the next generation already in the business?

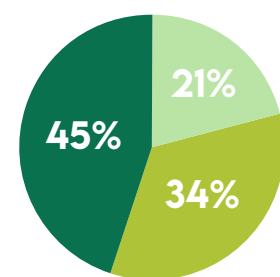
55%	No	11%	No, they are too young
34%	Yes		

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

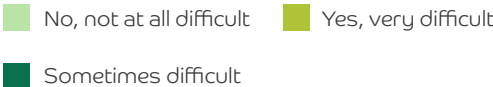
61%	No	39%	Yes
------------	----	------------	-----

CUMBRIA

REGIONAL RESULTS



Do you find it difficult to recruit new talent?



PEOPLE

Staff recruitment and retention mirrors national trends, though Cumbrian business owners are slightly more challenged, with 2% more who find it 'very difficult' to recruit new talent. Businesses are indicating an increase in flexible working arrangements and wage increases to retain staff, but fewer are utilising structured feedback or formal incentive schemes compared to their national peers.

How has your business adopted digital technology and automation in its operations?

We primarily rely on manual processes and limited digital tools



We have adopted online servers or cloud storage for data management and collaboration



Not applicable to our business model



Cumbria National Average

TECHNOLOGY

While cyber security awareness in Cumbria is growing, many businesses remain complacent. Almost half are not concerned about the threat of a cyber attack (10% higher than the national average) - due to perceived protection (11%) or because they don't think they are likely to be targeted (37%).

Fewer Cumbrian businesses have adopted digital technology and automation in their operations, with 34% relying on manual processes, compared with 30% nationally. The uptake of online services and cloud-based platforms or storage is also lower (8% less than the national average), however 29% say digital technology and automation is not applicable to their business model (compared to 22% nationally), perhaps reflecting that a fifth of the respondents in Cumbria are in the agricultural - a sector traditionally relying less on technology than other industries.



80% of Cumbrian business owners are concerned about inflationary pressure on costs



53% of Cumbrian business owners are concerned about interest rate fluctuations



43% of Cumbrian business owners are concerned about global trading conditions and exchange rates



42% of Cumbrian business owners are concerned about tariffs and trade agreements with other countries



45% of Cumbrian business owners haven't implemented any measures to prepare for innovation and growth

INNOVATION AND GROWTH

Fewer Cumbrian business owners are planning imminent innovation and growth, with 45% indicating they haven't implemented growth measures, compared with 38% nationally. However, they demonstrate a strong reliance on internal resources and staffing, suggesting a cautious yet resilient approach to growth, with potential for improvement through strategic planning and digital investment.

Cumbrian business owners are slightly less concerned about global trading conditions and exchange rates (43% vs 47% nationally), and tariffs and trade agreements (42% vs 44%) over the next 12 months than the national average. However, inflationary pressures and fluctuating interest rates are as much of a concern.

23% of business owners in Cumbria see themselves passing on their business to their children

However, one in four have not yet discussed succession with them



PLANNING TO LET GO

While 23% of respondents in Cumbria plan to pass on the business to their children, a quarter have not discussed succession with them (slightly higher than the national average). Meanwhile, 15% don't have an exit plan. Support for succession planning, including legal and financial advice, could help secure long-term sustainability.



YORKSHIRE

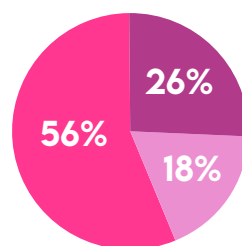
REGIONAL RESULTS



26% of Yorkshire businesses find it **'very difficult'** to recruit new talent

Do you find it difficult to recruit new talent?

- No, not at all difficult
- Sometimes difficult
- Yes, very difficult



PEOPLE

Yorkshire businesses have bucked recruitment trends, with fewer finding it difficult to hire new staff.

Across the region, 26% say it's 'very difficult' to find new talent, compared to 32% nationally, and potentially attributed to recruitment and retention proactivity, with a higher percentage introducing staff referral bonus schemes and improving their recruitment processes, as well as embracing flexible working patterns and remote or hybrid working, all of which appeal to jobseekers. Where recruitment remains challenging, the main issue reported is a 'lack of skilled or suitable candidates,' mirroring the national picture.

Yorkshire National Average

Already using AI

21%

17%

Considering using AI

28%

24%

TECHNOLOGY

Nearly half of Yorkshire businesses are engaging with AI - 21% are already using it and 28% considering it – higher than the national averages of 17% and 24%, respectively. While 47% don't believe AI is relevant to their business, there is an even higher perceived irrelevance of AI nationally (54%) and in other regions such as Cumbria (63%).

The higher percentage of businesses in Yorkshire that utilise cloud-based platforms or have adopted online servers or cloud storage, also stands out, while more businesses in the area also utilise industry-specific software, 38% compared to 27% on average.



48% are concerned about **cashflow** over the next 12 months



48% are concerned about **increased competition for their goods/services** over the next 12 months



50% are concerned about **customers' inability to pay for their services/products** over the next 12 months

INNOVATION AND GROWTH

Business owners in Yorkshire show more entrepreneurial drive, with a higher percentage implementing staffing changes, tech upgrades, financial reporting, capital investment and structural adjustments to support innovation and growth. Like many though, 48% remain concerned about cashflow over the next 12 months - slightly higher than the national average (43%) - amid ongoing inflationary pressures.

27% of business owners in Yorkshire see themselves **passing on their business to their children**

82% of whom have already discussed succession with them, higher than the national average of 77%



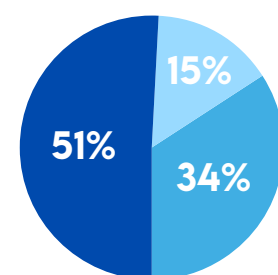
PLANNING TO LET GO

More business owners see themselves passing on their business to their children than any other exit route (27%). Encouragingly, 82% of those business owners have already discussed succession with their children, which is higher than the national average of 77%. Fewer businesses in Yorkshire will cease trading when their current owners retire (15% compared to 21% nationally), and more are planning a management buyout (13% compared to 7%).



SCOTLAND

REGIONAL RESULTS



Do you find it difficult to recruit new talent?



61% of Scottish businesses reported they find it **'very difficult'** to recruit due a lack of skilled/suitable candidates

PEOPLE

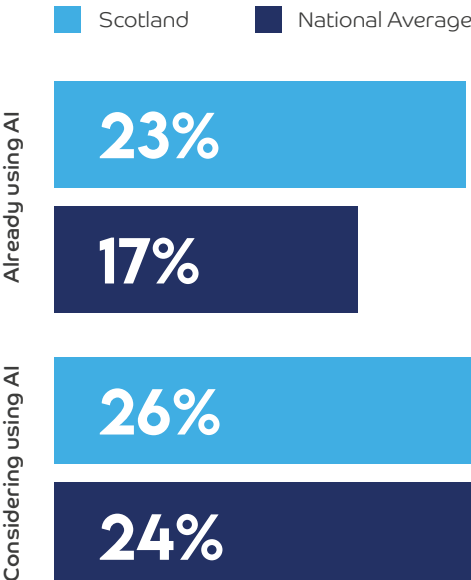
Recruitment is a key challenge in Scotland with 85% of business owners reporting some difficulty - 34% find it 'very difficult' and 51% 'sometimes difficult' - notably higher than the national results, of 78%. The main issue for employers across the border is a lack of skilled/suitable candidates (61%) and 63% are concerned this could hamper business growth over the next year. To address this, Scottish businesses are more likely to offer flexible working (38%) and use agencies (27%), while the percentage that have improved benefits packages was significantly higher (34% compared to 26% nationally). However, apprenticeship uptake (26%) falls below the national level of 33%.

Retention is less of a concern, with 61% saying it is not difficult (mirroring the national picture), with 52% of businesses increasing wages and salaries above inflation.

TECHNOLOGY

Digital adoption is growing, though there are many who haven't adopted this within their business. While a third use cloud-based platforms for core business functions and 28% use online servers, 31% still rely primarily on manual processes - slightly higher than the UK outlook. AI usage is higher in Scotland than the national average, with 23% already using it and 26% considering it.

Cyber security is a concern among 61% of Scottish business owners, which aligns closely with national sentiment.



64% of Scottish businesses have a plan and/or outlined goal for innovation and growth



34% of Scottish businesses have invested in **staffing** to prepare for innovation and growth



33% of Scottish businesses have invested in **technology** to prepare for innovation and growth



32% of Scottish businesses have invested in **capital** to prepare for innovation and growth

INNOVATION AND GROWTH

Scottish businesses show ambition, with 64% planning for innovation and growth - 20% who have formal plans and 44% with plans to write down. To prepare, more Scottish businesses than nationally have invested in staffing in place (34% vs 25% across the UK), technology (33% vs 30%), and capital (32% vs 26%).

The biggest growth challenge over the next three years is having the right people in place (51% vs 36% nationally), reflecting a strong focus north of the Border to put staff in place in readiness for expansion.

49% of business owners in Scotland plan to **leave their business in the next five years**



However, **one in five** haven't considered their exit strategies

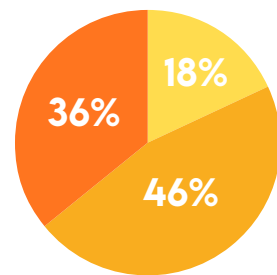
PLANNING TO LET GO

Almost half of the respondents in Scotland plan to leave their business within five years - 19% within the two years and 30% in three to five years. While almost one in five haven't considered their exit strategies, among those that have, succession plans vary widely, with 18% of businesses expecting to cease, 17% to be sold to the highest bidding third party and 16% that will be passed to the next generation (though this is well below the national figure of 21%).



NORTH EAST

REGIONAL RESULTS



Do you find it difficult to recruit new talent?

■ No, not at all difficult ■ Yes, very difficult
■ Sometimes difficult



34% of businesses across the North East have reported **using an agency** to recruit new talent

PEOPLE

Recruitment is a challenge for the North East, with 14% more business owners than the national average (32%) finding it 'very difficult' to recruit. The main barriers are a lack of skilled candidates and difficulty finding people to carry out roles, echoing the national sentiment, compounded by a competitive local job market.

In response, businesses are actively adapting, with many more enlisting agencies than the national average (34% v 22%). A greater number have also improved benefits packages and introduced flexible working, while one in five have improved recruitment processes.

Despite recruitment challenges, 66% don't find it difficult to retain staff, which is slightly higher than 61% nationally.

TECHNOLOGY

North East businesses are embracing digital transformation, though this is at a slightly more cautious pace than the national average. Around a third still rely on manual processes and limited digital tools, though slightly more have utilised cloud-based platforms for core business activities with 34% implementing this within their business in the North East.

13% of businesses in the North East have adopted AI, less than the national average of 17%. However, a greater percentage are considering using AI within their business than the national average.

Already using AI

13%

17%

Considering using AI

29%

24%

■ North East ■ National Average



56% of businesses across the North East are concerned about **having enough cashflow to pay outgoings** over the next 12 months



52% of businesses across the North East are concerned about **having enough cashflow to implement development and/or growth plans** over the next 12 months



35% of businesses across the North East have invested in **technology** to prepare for innovation and growth



32% of businesses across the North East have invested in **business structure** to prepare for innovation and growth



29% of businesses across the North East have invested in **capital investment** to prepare for innovation and growth

INNOVATION AND GROWTH

While increasing costs is the biggest challenge to business growth across the country over the next three years, in the North East this is coupled with a greater concern about cashflow. More than half (56% v 44% national result) are very or somewhat concerned about having enough to pay outgoings over the next 12 months, while 52% (vs 40% national result) say cashflow problems are likely to challenge their ability to obtain funding to implement growth plans.

Businesses preparing for growth are focused on technology (35%), business structure (32%) and capital investment (29%), closely mirroring national priorities. Similarly, business owners will primarily finance their plans using their own capital and working capital/profits.

24% of business owners in the North East have not considered their exit plan



Despite, **32%** planning to leave in the next 5 years

PLANNING TO LET GO

Almost a quarter of business owners haven't considered their exit plan - significantly higher than 16% nationally - while one in five say the business will close, despite almost 80% being first or second generation. Of those who plan to pass on to the next generation, many are yet to discuss succession plans - highlighting a potential risk to continuity.



CONCLUSION

Family-run and owner-managed businesses are at the heart of the UK economy, and our latest survey findings offer vital insights into the sentiments of those leading this crucial sector. They help us to ensure we are closely attuned to the perspectives of regionally-run businesses, and provide an incredible resource by which to voice business owner views and concerns.

A record number of responses to our 2025 survey - across our geographical spread and from a variety of industries - has generated a wide basis of opinion in an environment marked by higher costs, either through inflation or legislative changes, that has increased the pressure on businesses. These pressures continue to challenge many, yet the results also highlight a strong sense of resilience, with some businesses proactively embracing technology and pushing forward with growth plans.

However, this resilience is not without issue. Staff recruitment and retention continue to be areas where businesses must continually adapt to meet evolving expectations. Flexible working and non-cash benefits are becoming more popular to retain great staff as well as attract new recruits. Salary sacrifice can also present an opportunity yet less than a third of respondents currently operate such schemes. Others may be holding back in the midst of uncertainty.

When exploring barriers to growth, macroeconomic factors emerged as the most significant, which may explain why businesses appear reluctant to chase external funding. With only 20% of respondents considering it, while caution is understandable, it's important to weigh the potential benefits of investment against the risks of stagnation.

Adoption of technology and awareness of use cases, and risk, are areas where differences continue to be evident. Despite the rise in high-profile cybercrime, it is worrying that 29% of respondents do not feel they would be targeted, while others with protection may be overly confident in their existing defences. Similarly, while AI is quickly becoming embedded in

our everyday lives, over half don't see it as relevant to their business and are at risk of being left behind by technological advances, which may have a long-term negative effect on the strategic plans of the business.

Although the increasing speed of change continues to make it difficult for business owners, in a fast-paced world, technological progression and constant shift highlight the importance of having a clear and forward-looking vision. Despite this, only 18% of respondents have documented and communicated their business plans to stakeholders. Having a strategic plan not only guides long-term goals but also drives more effective short-term planning and decision-making, whether for growth or navigating cost pressures through effective forecasting and budgeting.

Succession is another key consideration in any business, and with over two-thirds of respondents considering their options within 10 years, the time to start planning is now. Businesses create legacies for their owners - a brand that can live long after owners have retired or sold - making it essential to have the right plans in place.

In a world full of individual opinion and polarising views, a survey that captures the voice of business owners is invaluable. The insights every contributor has shared have provided interesting and thought-provoking points, and we believe that by amplifying these perspectives, not only validates business owner sentiment, but supports others on their business journey - whatever size, sector or stage of growth.

If you would like to discuss any of the topics explored within the Family Owned, Privately Owned and Owner-Managed Business Survey 2025 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.



“HAVING A STRATEGIC PLAN

NOT ONLY GUIDES LONG-TERM

GOALS BUT ALSO DRIVES MORE

EFFECTIVE SHORT-TERM PLANNING

AND DECISION-MAKING.”

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 on the back page.



PAUL DICKSON

CHIEF EXECUTIVE AND
MANAGING PARTNER

As CEO & Managing Partner, Paul is responsible for delivering Armstrong Watson's business strategy and objectives. Paul is a firm believer in added value and that Armstrong Watson should have a positive impact on clients, colleagues and the community in which it serves.



JUSTIN ROURKE

FINANCIAL PLANNING
DIRECTOR - HEAD OF ADVICE

Justin is a Chartered Financial Planner advising private clients and business owners, while also leading Armstrong Watson's financial planning strategy, chairing its Investment Committee, and serving as Director of its Professional Trustee Company.



JAMES FRASER

TAX PARTNER

James has vast experience dealing with tax concerns for family and owner-managed businesses, with a particular focus on employee share schemes, corporate restructuring for succession planning and asset protection, R&D tax relief claims and property tax issues.



LEE HAYES

CORPORATE FINANCE PARTNER -
FUNDING & DEBT ADVISORY

Lee works with clients to explore their current and future funding requirements, leveraging his extensive market knowledge and experience in structuring funding packages to identify the best solutions to support their business growth and achieve their aims.



DAVID WILSON

CORPORATE FINANCE PARTNER

David has more than 17 years' experience in Corporate Finance and has vast knowledge of the finance market, completing in excess of 120 transactions, including mergers, MBOs, MBIs, trade acquisitions, disposals, PE investments, and numerous restructures.



BRIAN RUDKIN

EMPLOYMENT TAX PARTNER

Brian has specialised in employment taxes, staff reward and pay governance for over 30 years. He has held roles at HMRC and in private practice, and sits on the Tax Board of the Institute of Chartered Accountants of Scotland (ICAS) and is the Convenor for ICAS' Employment Tax Working Group.



ED CONNELL

RESTRUCTURING &
INSOLVENCY PARTNER

Ed's broad experience in both industry and practice provides him with a strong understanding of business needs faced by stakeholders when challenged by financial distress, enabling him to guide businesses through often difficult times.



KAREN THOMSON

HEAD OF PAYROLL - PARTNER

Karen has enviable experience in the Payroll industry and boasts several key positions in the sector, including Chair of the CIPP's Special Interest Group representing Accountancy Payroll Bureaus, and holds roles on a range of forums, including HMRC Policies, Admin Burdens Advisory Board.



RICHARD WOOLGAR

HEAD OF OUTSOURCING

Richard heads up the national outsourcing team, working with clients to build virtual finance solutions through standardisation and automation, focusing on management information and system reviews and advises on integrated finance systems.



DAVID JONES

BUSINESS SERVICES DIRECTOR -
HEAD OF FAMILY BUSINESS

David brings his first-hand experience within family and owner-managed businesses to his client portfolio by building strong, long-lasting relationships and adding value wherever possible, and prides himself on understanding businesses both financially and operationally.



REBECCA WILSON

CYBER SECURITY
SOLUTIONS MANAGER

Rebecca leads Armstrong Watson's Cyber Security Solutions Service, working with clients to offer a range of cyber risk services and solutions, including risk assessments, cyber threat penetration testing, incident response planning and ongoing cyber security support.

FAMILY OWNED PRIVATELY OWNED AND OWNER-MANAGED BUSINESS SURVEY

2025 Report



CONTACT US

Email: help@armstrongwatson.co.uk

Phone: **0808 144 5575**

Alternatively, scan the QR code or visit us at:
armstrongwatson.info/FamilyBusiness

ArmstrongWatson[®]
Accountants, Business & Financial Advisers

