

Family,
Privately Owned
and Owner-Managed
Business Survey



The voice of **FAMILY BUSINESS**

2026 REPORT



ArmstrongWatson

Accountants, Business & Financial Advisers

CONTENTS

03	Introduction NAVIGATING CHANGE WITH CONFIDENCE
04	General A DIVERSE AND ESTABLISHED BUSINESS COMMUNITY
06	People THE NEW WORKFORCE CHALLENGE
10	Technology DRIVING EFFICIENCY WHILE MANAGING RISK
14	Innovation and Growth GROWTH IN AN AGE OF UNCERTAINTY
20	Planning to Let Go THE COST OF LEAVING IT TOO LATE
24	Regional Results NORTH WEST, CUMBRIA, YORKSHIRE, SCOTLAND & NORTH EAST
34	Conclusion SHAPING TOMORROW'S BUSINESS TODAY
36	Contributors MEET THE TEAM

840+

business owners and leaders sharing their views on the challenges and opportunities facing family businesses

45

survey questions providing insight across people, technology, growth and succession

6

family business surveys to date, helping shape our advice and reinforce our commitment to family businesses



INTRODUCTION

NAVIGATING CHANGE WITH CONFIDENCE

Welcome to the 2026 Armstrong Watson Family, Privately Owned and Owner-Managed Business Survey Report.

Every year, this survey gives us the opportunity to listen to the people behind the businesses we are privileged to work with. As advisers, we spend our time helping business owners navigate challenges, identify opportunities and plan for the future, but there is no substitute for hearing directly about the realities of running a business in today's environment.

This year's results reflect a business community that remains ambitious, resilient and determined, despite facing no shortage of challenges. Business owners continue to grapple with rising costs, skills shortages, changing regulation and uncertainty around taxation and government policy. For many, these issues arrive at a time when they are also trying to invest in their people, embrace new technology and prepare their businesses for the future.

What stands out most to me, however, is not the challenges themselves, but the way businesses are responding.

Our respondents told us, through their answers, that businesses are adapting and evolving. Employers are taking a more strategic approach to attracting and retaining talent. Technology is increasingly being used to drive efficiency and productivity. Business owners are thinking more carefully about growth, succession and long-term resilience.

That ability to adapt has always been one of the defining characteristics of family, privately owned and owner-managed businesses. These businesses often take a long-term view, balancing commercial success with responsibility to employees, customers, families and communities.

At Armstrong Watson, conducting this survey is an important part of our commitment to understanding the issues that matter most to business owners. The insights shared help us shape our advice, challenge our thinking and ensure we remain focused on providing practical support where it is needed most.

I would like to thank everyone who took the time to contribute. Your experiences and perspectives have helped create a valuable snapshot of business sentiment across the UK. I hope the findings provide useful insight, reassurance and practical ideas as you continue to plan for the future.

Whatever challenges lie ahead, this year's survey reminds us that well-prepared businesses can continue to adapt, invest and move forward with confidence.

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.

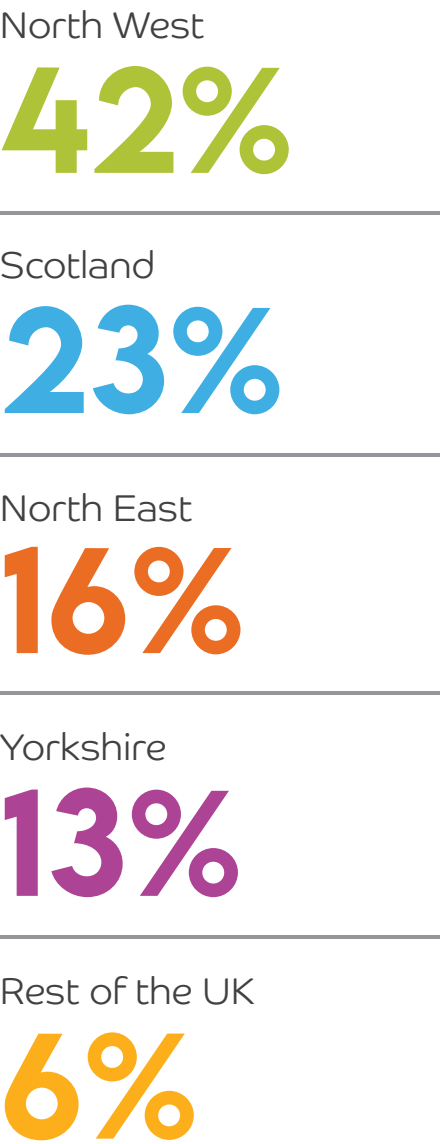


Paul Dickson
Chief Executive
Armstrong Watson LLP

GENERAL

A DIVERSE AND ESTABLISHED BUSINESS COMMUNITY

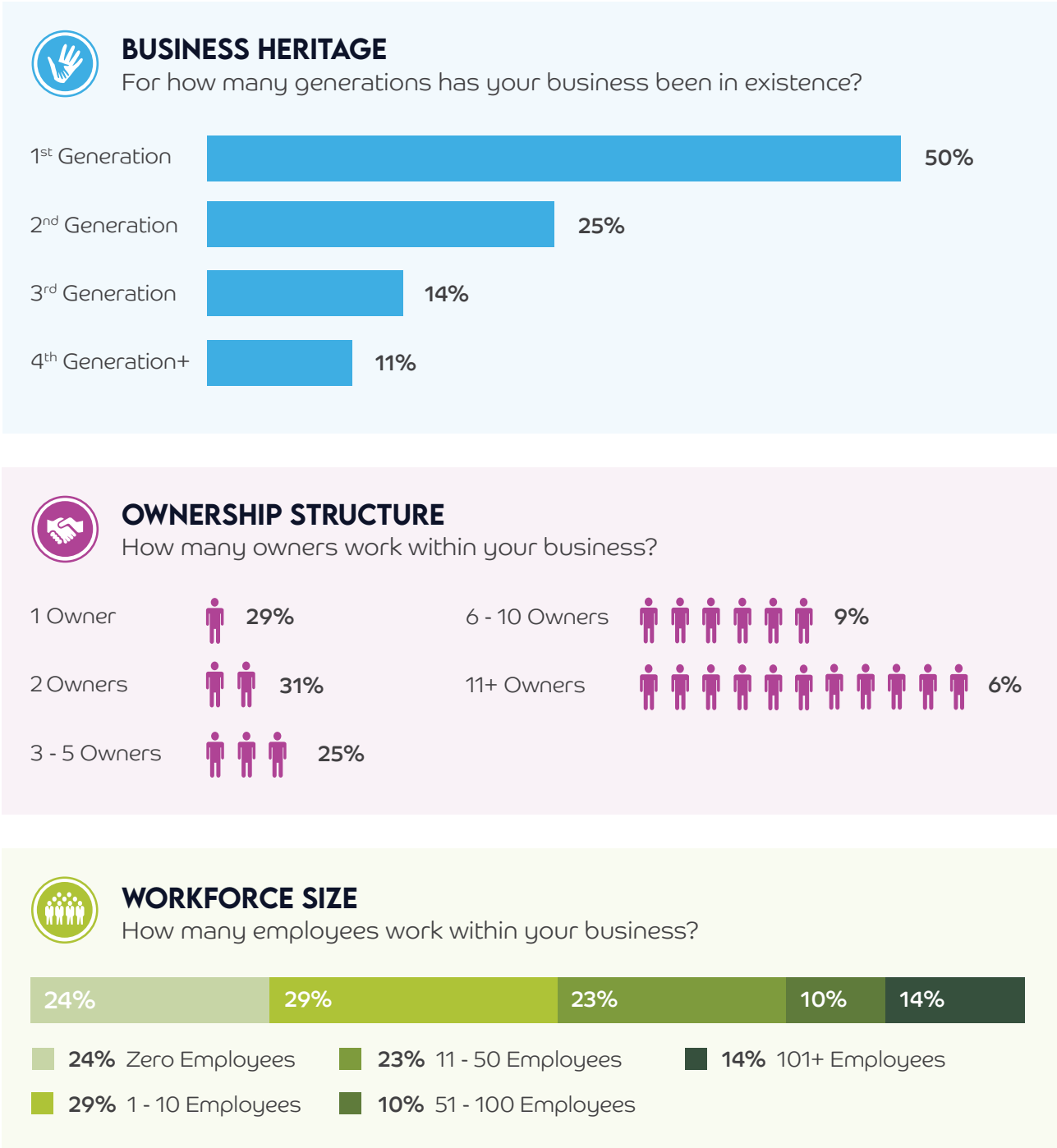
This year’s survey attracted responses from **more than 840 business owners**, providing valuable insight into the priorities, challenges and opportunities facing family, privately owned and owner-managed businesses across the UK.



Respondents were drawn from across Armstrong Watson’s core geography, with strong representation from the **North West (42%)**, including **Cumbria (28%)**, alongside significant participation from businesses across **Scotland (23%)**, the **North East (16%)** and **Yorkshire (13%)**. Together, these businesses represent a broad cross-section of the regional economy, spanning a wide range of sectors, ownership structures and stages of development.

Agriculture (17%), Professional Services (12%), Hospitality, Leisure and Tourism (12%)

and Property and Construction (10%) were among the most represented sectors. Half of respondents operate first-generation businesses, while the remainder represent organisations that have already passed through multiple generations of ownership. 60% have one or two owners actively involved in the business, and more than half employ ten people or fewer. Collectively, the responses provide a valuable snapshot of a business community that remains ambitious, resilient and focused on long-term success despite an increasingly complex operating environment.



THE NEW WORKFORCE CHALLENGE

Recruitment is easing, but skills remain scarce

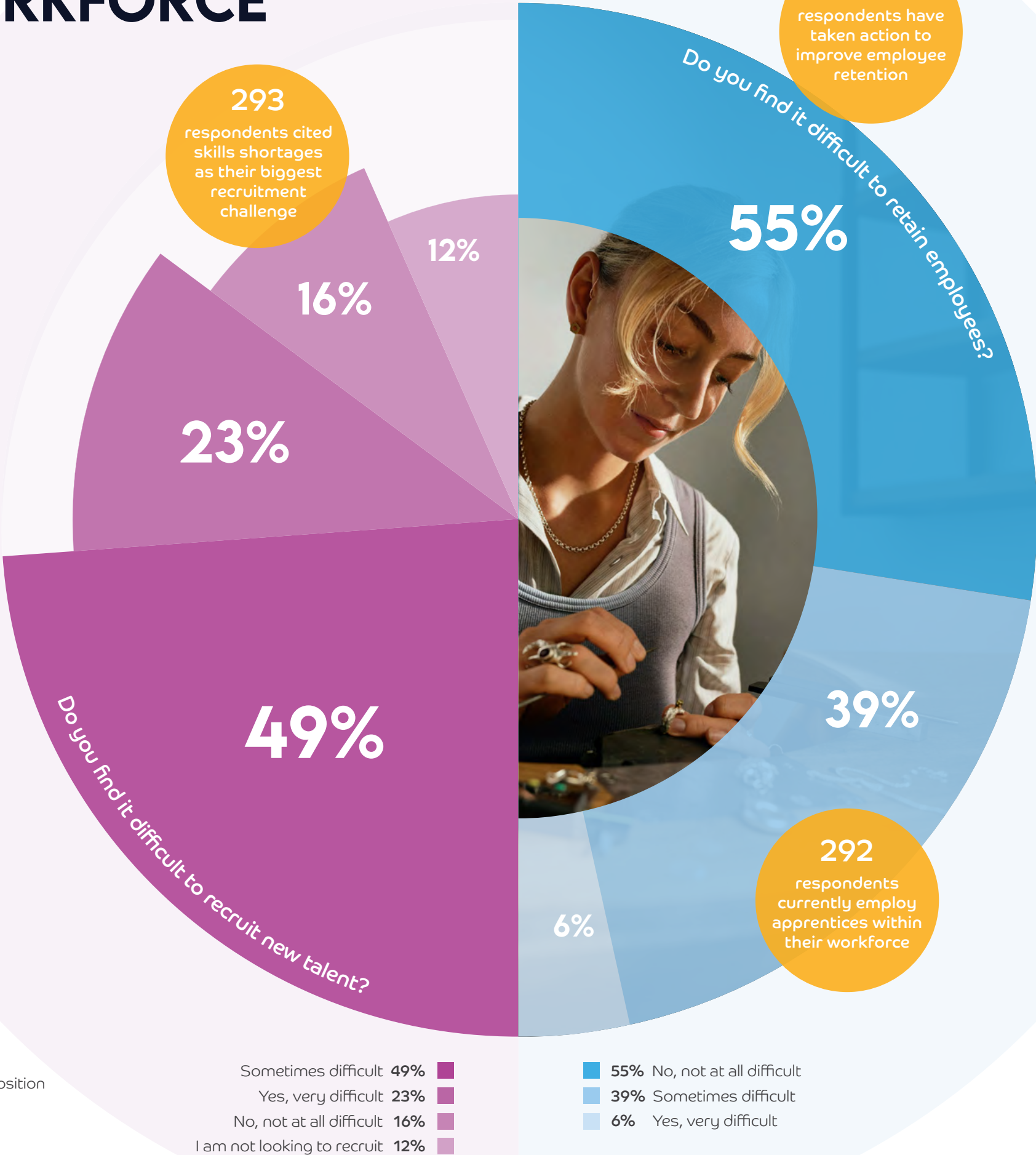
For many business owners, recruitment has become a long-term feature of the operating landscape rather than a short-term problem to solve. While this year's findings suggest some easing compared to previous years, people challenges remain firmly on the agenda, with 71% of respondents reporting difficulties recruiting new talent and 50% identifying having the right people in the business as one of the biggest barriers to future growth. The most common recruitment challenge remains a lack of skilled or suitable candidates, highlighted by 67% of respondents.

Meanwhile, more businesses are now employing apprentices (51% up from 33% in 2025), suggesting businesses are attempting to plug the skills gap and build a future pipeline of talent.

Another important question for business owners is: if the skills you need are difficult to find, are your current reward, payroll and retention arrangements doing enough to keep the people you already have?

If you do find it difficult to recruit, what do you believe are the main reasons?

- 67% Lack of skilled/suitable candidates
- 30% Suitable candidates unwilling to move jobs
- 33% Unable to offer attractive salary for role(s)
- 16% Lack of affordable local housing
- 16% High travel costs/lack of public transport
- 16% Unsociable hours
- 14% Seasonality of work
- 16% Expensive process to hire new people
- 26% Competitors offering more attractive proposition
- 5% Other



Reward, retention and compliance are becoming connected

What comes through clearly is that businesses are no longer relying purely on recruitment activity. Many are looking more closely at reward, retention and workforce planning. Nearly 60% have introduced initiatives aimed at improving employee retention, while salary sacrifice arrangements have become increasingly mainstream, with 49% already operating a scheme and a further 11% considering one, up from 31% operating schemes in 2025 with 9% who said it was currently under review.

That shift reflects the reality facing many employers. Employment costs continue to rise, employees are looking for more rounded reward packages and compliance obligations are becoming more complex. Changes to employment legislation, National Minimum Wage compliance, pension obligations and Employer National Insurance costs all place additional pressure on businesses. The Government's planned changes to some of the National Insurance advantages currently available through pension salary sacrifice arrangements also mean employers may need to revisit reward strategies in good time.

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

- 61% Increased wages/salaries above wage inflation
- 56% Improved benefits packages (i.e. holiday purchase, healthcare, discount/perks schemes etc.)
- 57% Introduced flexible working arrangements
- 37% Introduced remote/hybrid working
- 49% Implemented staff feedback mechanisms e.g. surveys, discussions etc.
- 38% Introduced a bonus structure for performance
- 42% New/stronger focus on culture, internal engagement and staff wellbeing
- 40% Recognition for long service with rewards
- 42% Increased opportunities for training and development
- 14% Introduced EMI/Growth Share Scheme
- 4% We have not made any changes
- 1% Other

Payroll is no longer just administration

For many businesses, decisions around pay, benefits and incentives no longer sit neatly within one department. What begins as a recruitment or retention issue can quickly become a payroll, employment tax, financial planning, governance or technology question.

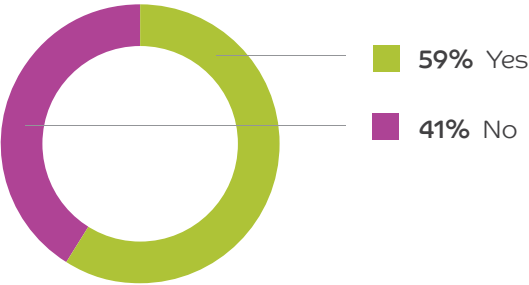
For this reason, business owners may benefit from taking a broader look at how they manage and support their workforce. Reviewing reward structures, payroll processes, employee benefits and workforce planning can help ensure arrangements remain compliant, commercially sustainable and aligned with employee expectations.

Our respondents also point to a practical reality facing many owner-managed businesses: time and resource remain in short supply. As employment obligations increase, some organisations may need to consider whether routine activities such as payroll administration, company secretarial responsibilities, finance processes and reporting can be delivered more efficiently through outsourcing or technology-enabled solutions. This is not simply about reducing administration, it is about creating capacity for owners and leadership teams to focus on strategic priorities.

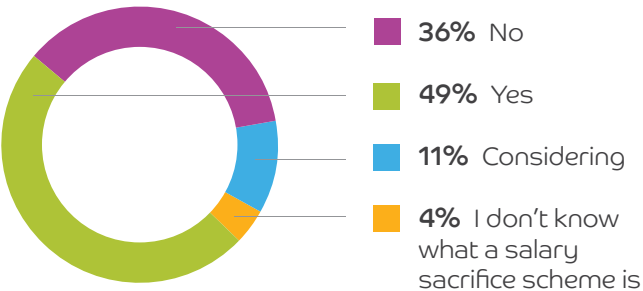
Ultimately, people challenges have evolved. Success is no longer just about attracting employees. Increasingly, it is about creating a workforce strategy that balances growth ambitions, employment costs, compliance obligations and employee expectations. Businesses that bring these elements together are likely to be better positioned to compete for talent and support long-term growth.



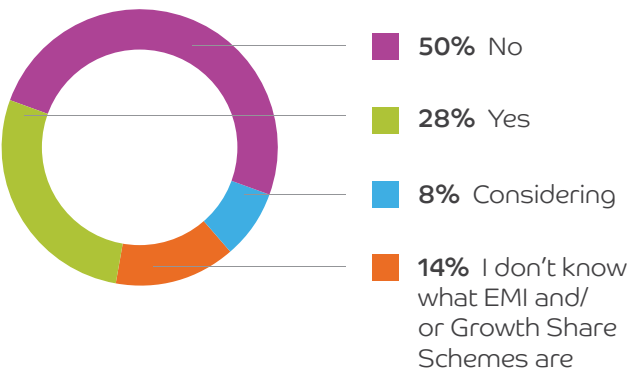
Have you implemented any changes to help improve your staff retention?



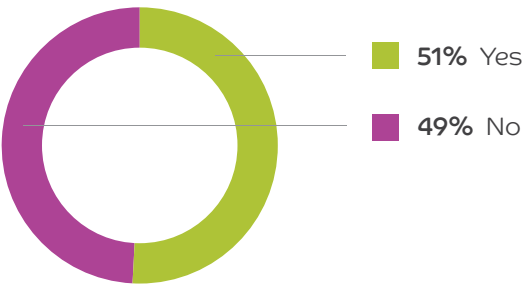
Do you operate a salary sacrifice scheme to help reduce employment costs and assist with staff retention?



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



Do you employ apprentices?



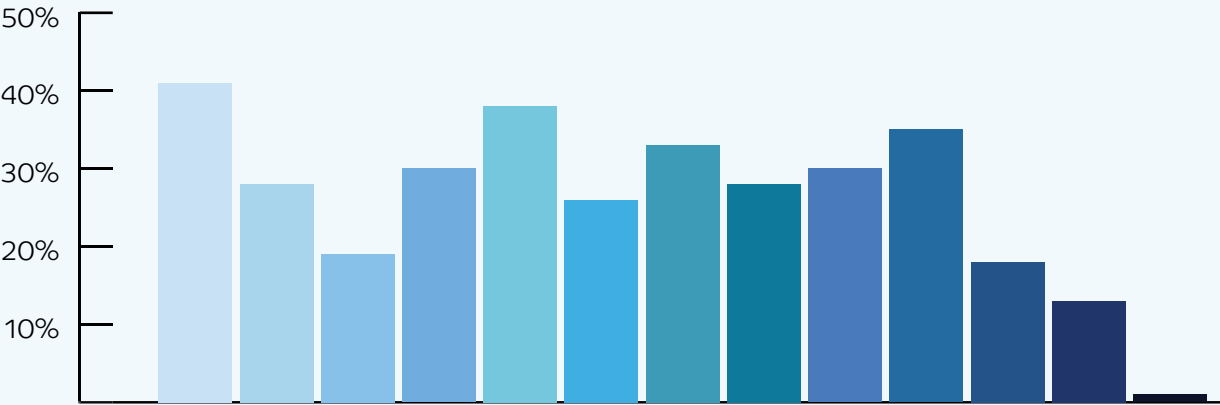
"Employing staff is stressful, expensive, time-consuming. I absolutely hate it, so we try our hardest to not lose staff."

- Family Business Survey Respondent



RECRUITMENT INITIATIVES

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



- 41% Use of an agency
- 28% Increased expenditure on advertising roles
- 19% Introduced an in-house recruiter
- 30% Introduced apprenticeships
- 38% Retrained existing staff
- 26% Introduced an employee referral bonus scheme
- 33% Improved recruitment/interview process
- 28% Increased clarity of job descriptions
- 30% Improved benefit packages
- 35% Flexible working patterns/hours/shifts
- 18% Remote/hybrid working
- 13% We have not made any changes
- 1% Other



EMPLOYMENT LAW CHANGES

How do you believe recent and upcoming changes to employment law (under the Employment Rights Act 2025) will impact your business?



DRIVING EFFICIENCY WHILE MANAGING RISK



353
respondents
use AI in their
business

AI moves into everyday use

For many business owners, technology is no longer a future consideration. It is increasingly part of how they manage capacity, cost and risk today.

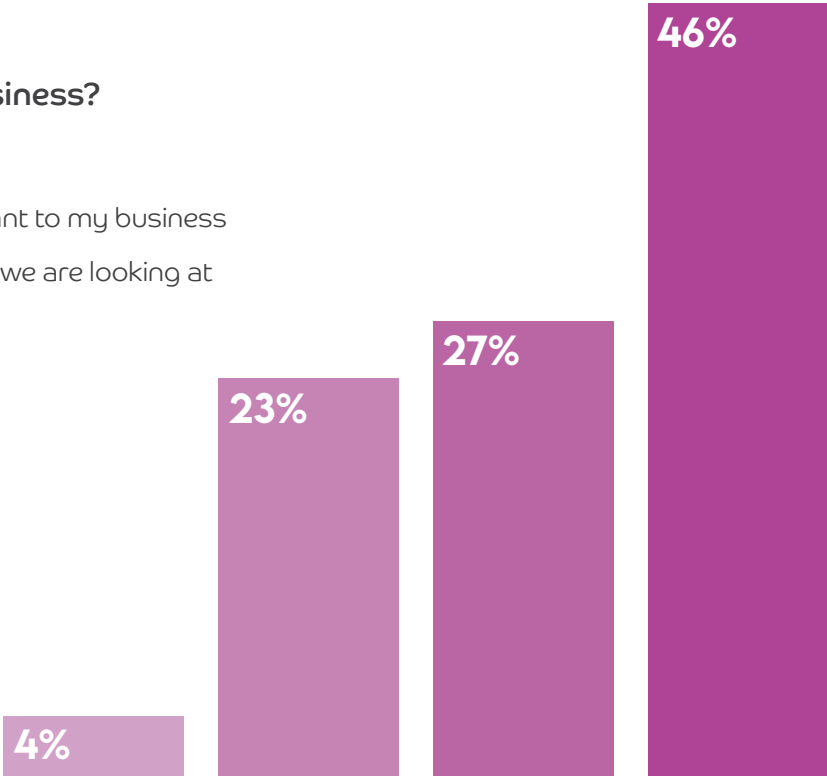
The most obvious example is artificial intelligence (AI). Almost half of respondents (46%) are already using AI within their business – suggesting a huge uptake in the last 12 months, as only 17% of respondents had adopted AI in 2025. This year, a further 23% are actively considering it, and fewer respondents see it as irrelevant (27% down from 54% in 2025).

Most commonly, businesses are using AI for data analysis, marketing, content creation and process automation, reflecting a growing focus on productivity and efficiency rather than technology for technology’s sake.

Do you use AI within your business?

- 46% Yes
- 27% No, I don’t believe it’s relevant to my business
- 23% Not yet, but it’s something we are looking at
- 4% No, I don’t know what it is

29%
↑
INCREASE IN AI
USE SINCE 2025*



*Based on results from the Armstrong Watson 2025 Family Business Survey

Automation as a capacity creator

Viewed alongside other findings such as the recruitment challenges previously mentioned within the People Section, this is perhaps unsurprising. Many organisations are looking for ways to create capacity without necessarily increasing headcount. Automation can help reduce repetitive administrative tasks, improve the flow of information and allow employees to focus on higher-value work.

Importantly, these improvements do not always require major transformation projects. For some businesses, small changes to financial reporting, workflow automation, payroll processing or management information can deliver meaningful efficiency gains. In a challenging economic environment, productivity improvements of this nature can be just as valuable as revenue growth.

CURRENT VIEW

Which of the following best describes your current view of AI in a business context?

- 19% Excited about the opportunities
- 37% Optimistic but cautious
- 24% Neutral/undecided
- 12% Concerned about risks or challenges
- 8% Unsure/need more information



AI USE CASES

How are you using AI in your business?

- 55% Data analysis and reporting
- 54% Marketing and content creation
- 42% Process automation and administration
- 35% Research and development / innovation
- 34% Customer service
- 28% Strategic planning and decision-making
- 27% Sales and CRM insights
- 26% Financial management and forecasting
- 21% HR and recruitment
- 21% Operations
- 8% Other

Cyber risk becomes a boardroom issue

Increased reliance on technology also brings an additional risk. While 13% of respondents are not worried about a cyber attack, because they believe they are protected, alarmingly almost a third of respondents report having experienced a cyber incident – with 23% of those occurring during the last three years. This highlights that cyber security is now a mainstream business issue rather than a specialist IT concern.

As businesses become more digital, operational resilience, data protection and cyber risk management become increasingly important elements of day-to-day business management. The challenge for many organisations is no longer whether technology should be adopted, but how it should be governed. Of those who reported a cyber breach, unauthorised access/hacking (40%) and phishing (36%) were the most common types of incidents, which raises important questions around data security, access controls, employee awareness and business continuity planning.

23%

OF RESPONDENTS HAVE EXPERIENCED A CYBER ATTACK WITHIN THE LAST 3 YEARS.

To the best of your knowledge, has your business experienced a cyber security incident in the following timeframes?

- 11% Yes, within the past 12 months
- 12% Yes, within the past 1–3 years
- 8% Yes, more than 3 years ago
- 62% No cyber incidents experienced
- 6% Unsure/don't know
- 1% Prefer not to say



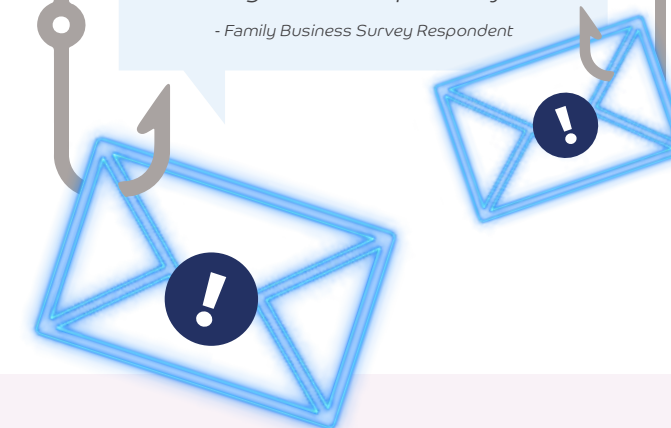
As an increasing number of businesses are using AI, the level of concern about a cyber attack has also grown - with 68% who are extremely worried, worried or somewhat concerned about being targeted up from 61% in 2025. The risk for many businesses is not adopting technology, but adopting it without fully understanding where data sits, who has access to it and how the business would respond if systems were disrupted.

Ultimately, technology is becoming a balancing act between efficiency and risk. The businesses most likely to benefit may be those that approach digital investment as part of a wider business strategy, identifying opportunities to improve productivity and resilience while ensuring appropriate safeguards are in place.

"AI can bring **positive changes**, such as improving productivity, helping people learn, solving problems and making tasks easier.

AI also has **risks** and should be used carefully, with issues like inaccurate information, privacy, security and the impact on jobs."

- Family Business Survey Respondent



CYBER INCIDENTS

What type(s) of cyber incident has your business experienced?

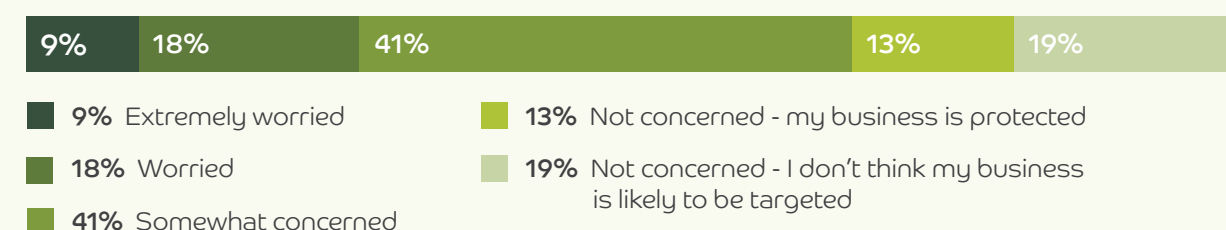


- 36% Phishing or social engineering attacks
- 33% Malware or ransomware
- 40% Unauthorised access/hacking
- 29% Data breach or data loss
- 34% Payment fraud or invoice interception
- 14% Denial-of-service or website disruption
- 7% Insider incident (intentional or accidental)
- 2% Other



CYBER ATTACK CONCERNS

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



GROWTH IN AN AGE OF UNCERTAINTY

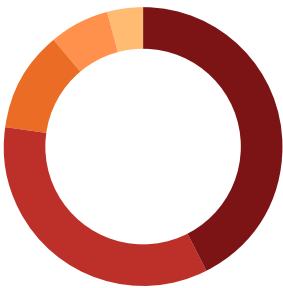
Growth remains on the agenda

Despite continued economic and political uncertainty, there is little evidence that family, privately owned and owner-managed businesses have lost their appetite for growth, as 77% of respondents have a business plan with actionable goals. Instead, business owners appear increasingly focused on ensuring growth ambitions are supported by strong operational foundations, financial resilience and long-term planning.

Respondents identified having the right people in the business (50%), rising costs (49%) and cashflow pressures (40%) as some of the biggest challenges to meeting future goals in the next three years.

Considering economic impacts on business in the coming 12 months, the level of concern remains high around taxation and policy changes (86%), inflationary pressures (84%) and wider government policy (82%). Taken together, these figures point to a business community that remains ambitious but is having to weigh opportunities against a more complex and costly operating environment.

Which stage best describes your business currently?



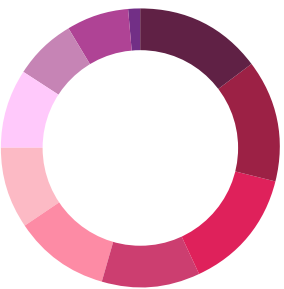
Do you have a business plan with actionable and achievable goals?

- 42% Yes, but it is not laid out/written down
- 35% Yes, it is written and communicated to all stakeholders
- 12% No, I can't think that far ahead
- 7% No, I don't know where to start
- 4% Other



How do you plan to grow your business over the next 1–3 years?

- 55% Increasing sales to existing customers
- 45% Investing in marketing and brand awareness
- 43% Improving efficiency or scaling operations
- 41% Developing new products or services
- 40% Expanding into new markets
- 40% Adopting new technology or digital transformation
- 31% Strategic partnerships or collaborations
- 14% Mergers or acquisitions
- 5% Other



Cost, tax and policy pressure shape decisions

What is perhaps most striking is that many of the barriers to growth appear to be internal rather than external. Businesses are increasingly asking whether they have the people, systems, capital and capacity required to take advantage of opportunities, rather than questioning whether opportunities exist at all.

That matters because growth can be risky if it is not properly planned. When margins are under pressure and tax, employment costs and policy concerns are high, business owners need more than ambition. They need clarity around objectives, resource requirements, cashflow, funding and the assumptions underpinning future investment decisions.

What measures have you put in place to prepare for innovation and growth?

- 35% Capital investment
- 33% Investment in staffing
- 33% Investment in new technology
- 27% I do not plan to grow my business
- 26% Tax planning
- 22% Changes to business/corporate structure
- 21% Business funding
- 17% Due diligence
- 17% Investment in market research
- 3% Other

Funding and planning before opportunity becomes urgent

Around half of respondents (49%) continue to rely on retained profits and existing resources to finance their plans over the next three years, but not every opportunity can be funded internally. Whether investing in technology, entering new markets, developing new services, acquiring additional capacity or pursuing strategic acquisitions, business owners may benefit from understanding the full range of funding options before the need becomes urgent.

As businesses grow and evolve, opportunities can also emerge through acquisition, investment or partnership. In these situations, reliable financial and commercial information becomes increasingly important. Understanding potential risks, validating assumptions and testing whether projected returns are realistic can help owners make more confident decisions and avoid costly surprises.

In a more uncertain market, the businesses best placed to grow may not simply be those with ambition, but those that have already tested their plans, understood their funding options and challenged the assumptions behind future investment.

Ultimately, ambition remains strong across the UK's family, privately owned and owner-managed business community. However, successful growth is increasingly dependent on preparation. The organisations best positioned to take advantage of future opportunities are likely to be those that combine entrepreneurial ambition with strong planning, financial visibility and a clear understanding of both the opportunities and risks ahead.



The next 3 years - Which of the following will be the main challenges to meeting your business goals in the next three years?

50%	Having the right people in the business
49%	Rising costs impacting business viability
46%	Increases in taxation/changes to financial policies
40%	Cashflow
40%	Changing regulations
36%	Time and resource capacity to meet customer needs
33%	Increasing competition in your market
24%	Adapting to new technology or digital change
22%	Customer concentration or lack of customer diversity
21%	Supply chain issues
21%	Global trading conditions
4%	Other

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

3%
I don't know

49%
Working capital & business profits

9%
I don't require any finance for my plans

16%
Equity financing

12%
Other debt finance

30%
Bank loan

2%
Other

53%
Own capital



ECONOMIC IMPACTS

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

Very concerned Somewhat concerned Not concerned Uncertain

Inflationary pressure on your costs



Global trading conditions & exchange rates



Tariffs and trade agreements with other countries



Interest rate fluctuations



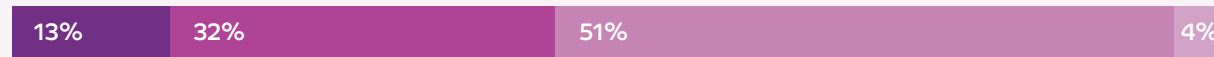
Increasing employment costs



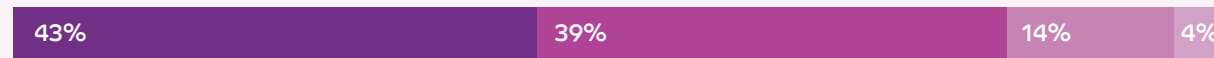
Changes in customer demand or spending



Access to finance or cost of borrowing



Changes in Government policy



Increases in taxation



CHALLENGES TO YOUR BUSINESS

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

Very concerned Somewhat concerned Not concerned Uncertain

Staff recruitment



Staff retention



Cashflow - meeting day-to-day financial commitments



Access to funding for growth or investment



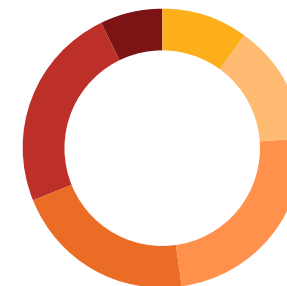
Increased competition for your products/services



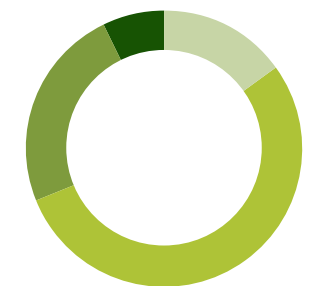
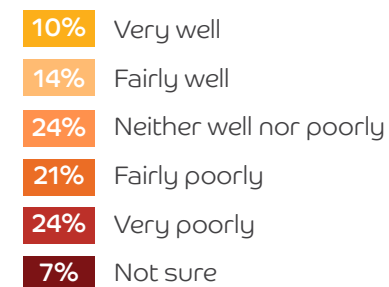
Customers' ability to pay for your products/services



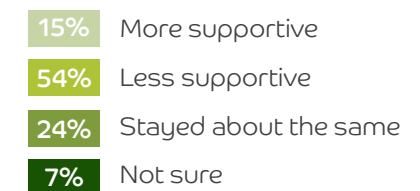
Supply chain issues



To what extent does current UK and/or Scottish Government policy support the long-term success of your business?



Has government policy become more supportive, less supportive, or stayed about the same for your business over the past 12 months?



THE COST OF LEAVING IT TOO LATE



302
respondents
plan to exit their
business within
the next 5 years

What is your timescale for leaving the business?

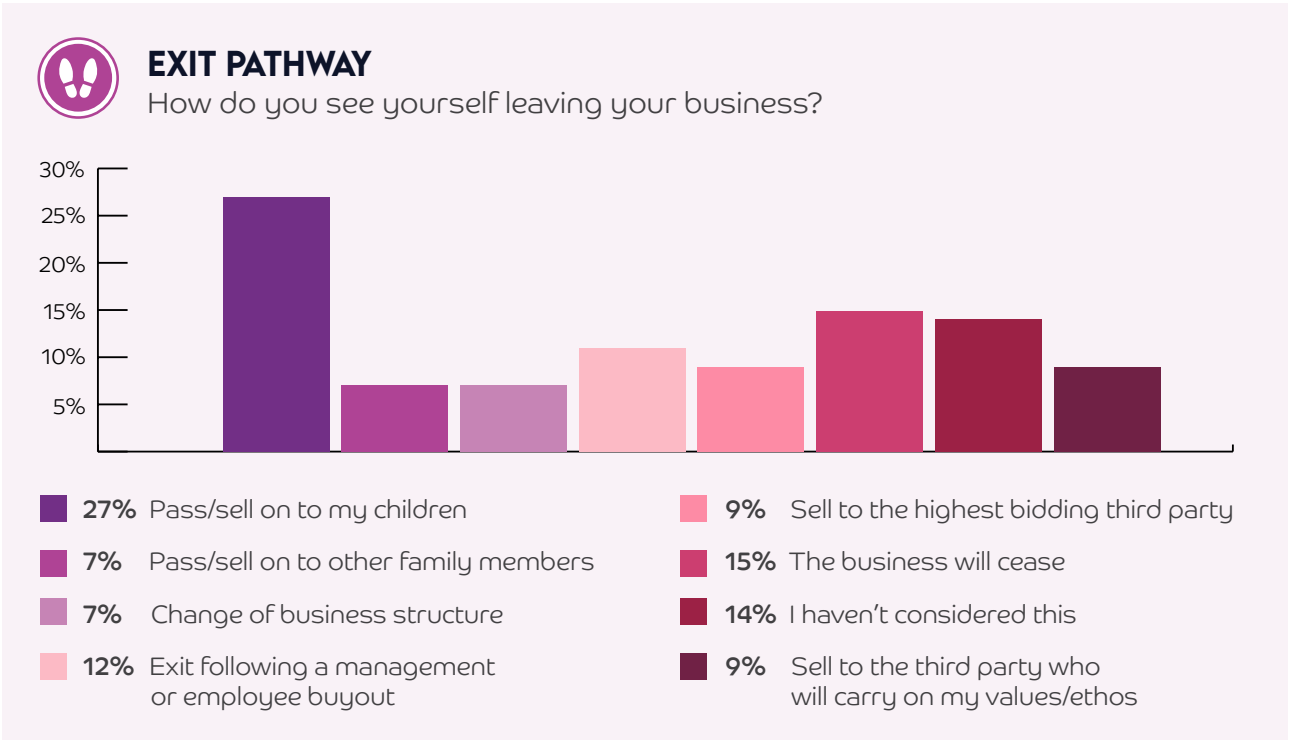
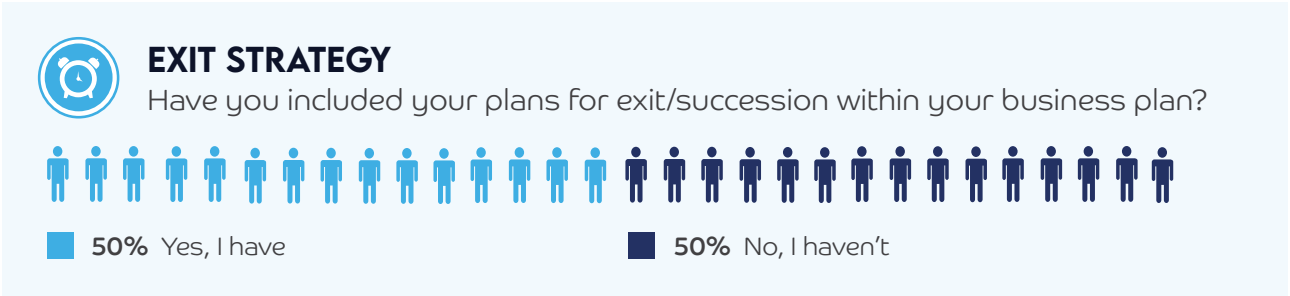
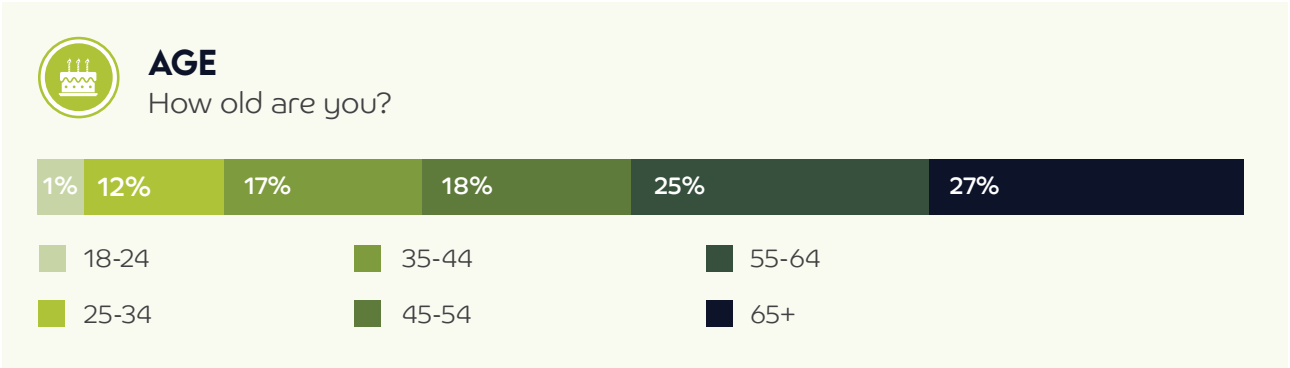
- 19% Within 2 years
- 25% Within 3 to 5 years
- 27% Within 5 to 10 years
- 29% Over 10 years

"We are entering a period of optimisation and efficiency prior to implementing an exit plan."
- Family Business Survey Respondent

The growing planning gap

For every business owner, there will eventually come a point when ownership changes hands. The question is not whether that transition will happen, but whether the business will be ready when it does.

This year's survey suggests that succession and exit planning are becoming increasingly important considerations for business owners. More than seven in ten respondents (71%) expect to leave their business within the next 10 years, including almost 44% who plan to do so within the next five years. Yet while many owners clearly have a timeframe in mind, the findings suggest that not all have translated that intention into a structured plan and only half of respondents have included exit or succession planning within their business plan, meaning as many have not. Among those planning to leave within five years, 43% have yet to do so.



More routes, more preparation

Family succession remains the most common planned route, with more than a third (34%) of respondents intending to pass or sell their business to children or other family members. However, the findings also highlight the growing variety of exit options available to owners. Other respondents identified management buyouts, Employee Ownership Trusts, third-party sales and business closure among their preferred routes, while 14% said they had not yet considered how they would leave the business.

Each route presents different opportunities and challenges, but they all have one thing in common: successful transitions rarely happen by accident. Whether ownership is passing to the next generation, a management team or an external buyer, preparing a business for transition takes time. Leadership structures, financial reporting, governance arrangements, profitability and owner dependency can all influence both the attractiveness and value of a business.

Succession is about people, not just ownership

The survey provides some encouraging signs for those planning family succession. Among respondents intending to pass their business to the next generation, almost three quarters said their successors are already involved in the business and nearly 80% have discussed their intentions with them. However, around one in five have not yet had those conversations, underlining the importance of communication and preparation.

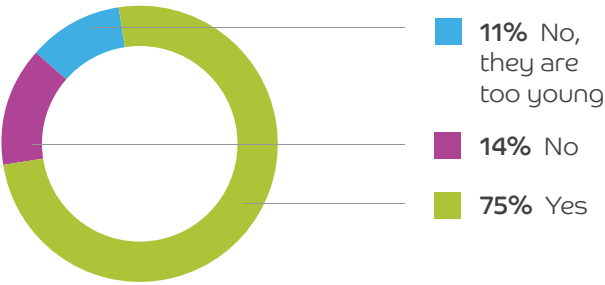
Succession is often viewed as a transfer of ownership, but in reality it is also a transfer of knowledge, relationships, leadership and responsibility. The earlier these conversations begin, the greater the opportunity to develop future leaders and create confidence around the transition.



If the business will cease, have you considered how you will achieve this?



If you plan to pass the business on to the next generation, are they currently involved in the business?



Have you discussed your intentions to pass/sell the business to them?



AROUND

ONE IN FIVE



HAVE NOT YET DISCUSSED THEIR PLANS TO PASS ON THE BUSINESS WITH THE NEXT GENERATION



280
respondents have reviewed their plans following the recent changes to BPR/APR

Preparing for the future

Recent changes to Business Property Relief (BPR) and Agricultural Property Relief (APR) are also prompting some owners to revisit their plans, although 14% remain unsure about the potential implications. While tax considerations are rarely the sole driver of succession decisions, they can have an important influence on ownership structures, timing and future options. Indeed, 42% of respondents said the reforms had influenced their decision-making significantly or to some extent.

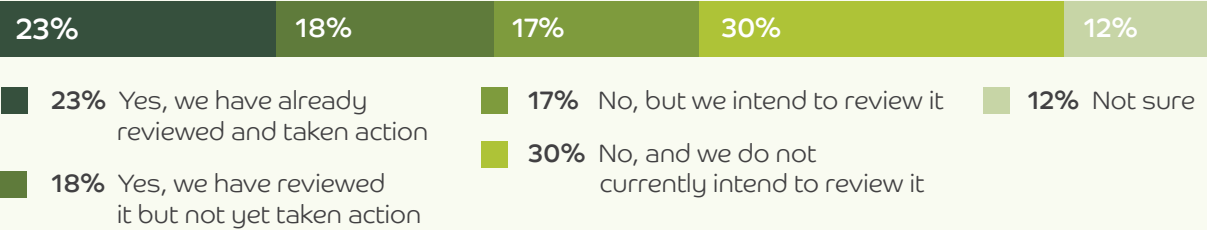
Ultimately, the findings suggest that many owners are thinking seriously about the future of their business, but not all have yet turned intention into preparation. The businesses most likely to achieve a successful transition will usually be those that start early, understand their options and ensure the business is ready for whatever comes next.

After all, knowing when you want to leave is only the beginning. The real challenge is making sure the business is prepared when that day arrives.



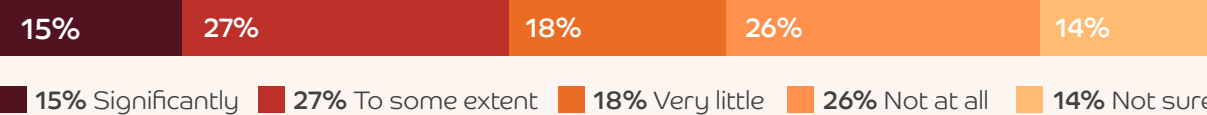
REVIEWING FUTURE PLANS FOLLOWING BPR/APR CHANGES

Have the recent changes to BPR/APR prompted you to review your plans for the future ownership, succession or sale of your business?



DECISION-MAKING IN RESPONSE TO BPR/APR CHANGES

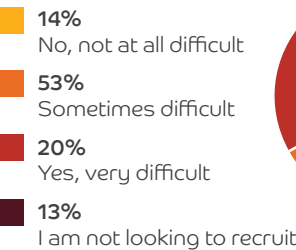
To what extent have the recent BPR/APR changes influenced your decision-making about the future of your business, including succession, sale or ownership structure?



REGIONAL RESULTS

NORTH WEST

Do you find it difficult to recruit new talent?

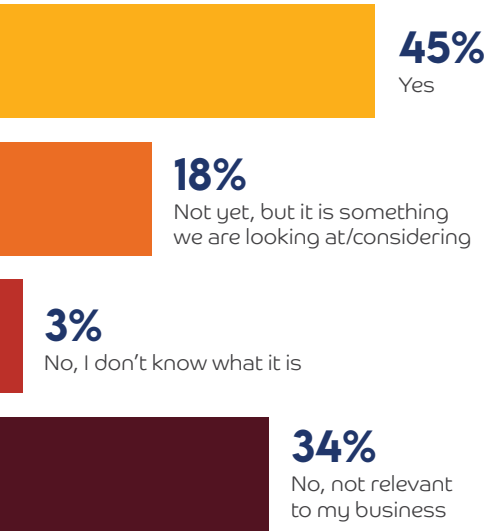


72% of businesses across the North West struggle to recruit due to a lack of 'skilled or suitable' candidates

PEOPLE

Recruitment remains a major challenge across the North West, with 73% of respondents reporting that it is either sometimes or very difficult to recruit. A lack of skilled or suitable candidates remains the most significant barrier, but businesses are also contending with candidate reluctance to change roles, increasingly competitive employer propositions, and wider factors such as travel and housing constraints. Businesses are responding proactively through retraining, flexible working, recruitment agencies, enhanced benefits, referral schemes and improved hiring processes. Apprenticeship uptake is notably higher than across the rest of the UK, while half of respondents operate salary sacrifice schemes, highlighting a strong focus on attracting, developing and retaining talent.

Do you use AI within your business?



TECHNOLOGY

AI is becoming increasingly established across the North West, with 45% of respondents already using AI and a further 18% actively considering adoption. Marketing, data analysis, customer service and process automation are the most common applications. At the same time, cyber risk remains a significant concern. More than a quarter of respondents report having experienced a cyber incident, and almost two-thirds are at least somewhat concerned about the threat of a cyber attack. While a focus on AI presents opportunities and productivity gains, equal focus should be placed on cyber robustness, with governance, staff awareness and incident resilience key.



41% of businesses across the North West describe themselves as **mature and focused on optimisation**



18% of businesses across the North West **do not have a business plan**



87% of businesses across the North West are **concerned about increases in taxation** over the coming 12 months



88% of businesses across the North West are **concerned about inflationary pressure on costs** over the coming 12 months

INNOVATION AND GROWTH

The North West combines ambition with caution. 41% describe themselves as mature and optimisation-focused, while 19% are in growth or expansion. Capital investment is the most common growth-preparation measure, followed by technology and staffing. Nearly one-third do not plan to grow, a higher proportion than in the rest of the UK. Among growth-focused firms, sales to existing customers, efficiency, new markets, marketing and new products are prominent. Inflation, taxation and policy change dominate the external outlook.

42% of business owners across the North West expect to **leave their business within the next five years**



Yet, 47% of respondents have **not included an exit or succession plan** within their business plan

35% of respondents **plan to pass or sell the business on to their children**



PLANNING TO LET GO

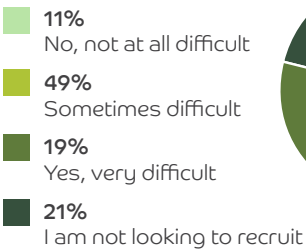
Succession is an important North West theme. 42% expect to leave within five years and 69% within ten. However, 47% have not included exit or succession in the business plan. Passing or selling the business to children is the most common route and is materially more prevalent than in the rest of the UK. BPR/APR changes have already prompted 43% to review their plans, while a further 17% intend to review. Earlier planning can support family communication, valuation, tax and personal financial objectives.



REGIONAL RESULTS

CUMBRIA

Do you find it difficult to recruit new talent?



70% of Cumbrian businesses struggle to recruit due to a lack of 'skilled or suitable' candidates

Do you use AI within your business?



PEOPLE

Recruitment remains a significant challenge for Cumbrian businesses. More than two-thirds of respondents answering the question find recruitment sometimes or very difficult. The shortage of skilled or suitable candidates is the leading barrier, while salary constraints, competition for candidates and rural accessibility also shape the local labour market. Businesses are responding through recruitment agencies, retraining, flexible working, advertising, improved benefits and apprenticeships. The twelve-month challenge question records lower concern than the UK overall result, suggesting some businesses may see recruitment as difficult without viewing it as their most immediate operational threat.

TECHNOLOGY

AI adoption is growing but remains below the 2026 UK overall result. Around one-third already use AI and a further one in five are considering it. The strongest use cases are likely to centre on marketing, content, reporting and administration. The commercial opportunity is therefore to move from experimentation to structured adoption, linking productivity gains to data governance, cyber security and management information. The 2025 regional results also identified comparatively low digital adoption and heavier reliance on manual processes, making practical implementation particularly relevant.



24% of Cumbrian business owners **do not have a business plan**



43% of Cumbrian business owners **have no plans to grow their business**



84% of Cumbrian business owners are **concerned about increases in taxation** over the coming 12 months



85% of Cumbrian business owners are **concerned about inflationary pressure on costs** over the coming 12 months

INNOVATION AND GROWTH

Cumbria is balancing resilience with restraint. More than four in ten describe themselves as mature and focused on optimisation, while a similar proportion say they do not plan to grow. Only 23% have a written and communicated business plan. Funding plans rely mainly on own capital, retained profits and bank borrowing, with less use of equity and alternative debt than the UK overall results. Inflation, taxation and Government policy dominate the outlook. Over the next three years, rising costs affecting viability and changes to taxation or financial policy are more prominent in Cumbria than in the full survey.

59% of business owners in Cumbria have not included their plans for exit or succession within their business plan



Yet, **48%** are planning to leave within the next 5 years

Seven in ten respondents are aged 55 or over



20% of respondents **have not discussed their succession plans** with the next generation, despite intending to pass or sell their business to them

PLANNING TO LET GO

Succession is the strongest strategic issue in the Cumbria results. Seven in ten respondents answering the age question are 55 or over. Almost half expect to leave within five years and nearly three-quarters within ten, yet 59% have not included exit or succession within their business plan. Family transfer is the most common planned route, but business cessation and not yet having considered an exit are both more prevalent than in the full survey. Cumbria also appears less advanced in responding to BPR/APR changes, reinforcing the case for earlier, integrated conversations covering ownership, valuation, tax, financial planning and family objectives.



REGIONAL RESULTS

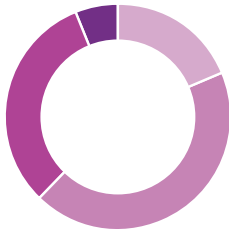
YORKSHIRE



32% of Yorkshire businesses find it **'very difficult'** to recruit new talent

Do you find it difficult to recruit new talent?

- 19% No, not at all difficult
- 44% Sometimes difficult
- 32% Yes, very difficult
- 5% I am not looking to recruit



PEOPLE

Recruitment pressure has increased in Yorkshire. 76% find recruitment sometimes or very difficult and 32% find it very difficult. A shortage of skilled candidates remains the main barrier, cited by 68% of respondents, alongside an inability to offer competitive salaries and the cost of recruiting new staff. Employers are responding actively through agencies, retraining, apprenticeships, flexible working, recruitment process improvements and employee referral schemes. Retention is less difficult, but pay, benefits and flexible working remain important responses.

Do you use AI within your business?



53%
Yes



30%
Not yet, but it is something we are looking at/considering



4%
No, I don't know what it is



13%
No, not relevant to my business

TECHNOLOGY

Yorkshire is one of the strongest regional AI adopters in the 2026 survey. 53% already use AI and 30% are considering it, compared with 46% using it nationally. Data analysis, marketing, administration and customer service are prominent use cases helping drive efficiencies among those businesses.

In total, 35% report having experienced a cyber incident, with 21% of cases in the last three years and phishing or social engineering tactics listed as the type of incident by more than half who had been targeted. Businesses in Yorkshire are also more sensitive to the potential risk, with almost three in four respondents (72%) who are worried or concerned about the threat of a cyber attack, compared to the 68% national average.



82% of Yorkshire business owners **have a business plan** with actionable and achievable goals



20% of Yorkshire business owners **have no plans to grow their business**



85% of Yorkshire business owners are **concerned about inflationary pressure on costs** over the coming 12 months

INNOVATION AND GROWTH

Yorkshire shows relatively strong planning and investment discipline. 40% have a written and communicated business plan. Staffing, capital and technology are the leading growth preparations, and only 20% say they do not plan to grow. Increasing sales, marketing, efficiency, new products and digital transformation are the main growth routes. Taxation concern is 88% and inflation concern is 85%.

42%

of business owners in Yorkshire expect to **leave their business within the next five years**



Yet, **50%** of respondents have not included an exit or succession plan within their business plan

PLANNING TO LET GO

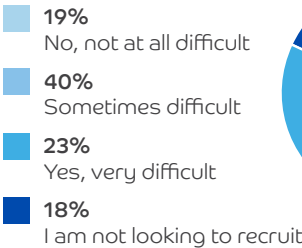
42% expect to leave within five years and half have not included exit or succession in the business plan. Yorkshire has a varied exit profile, with family transfer, third-party sale, value-aligned sale, MBO/EOT and closure all featuring. BPR/APR changes have prompted 38% to review their plans, with a further 23% intending to do so.



REGIONAL RESULTS

SCOTLAND

Do you find it difficult to recruit new talent?



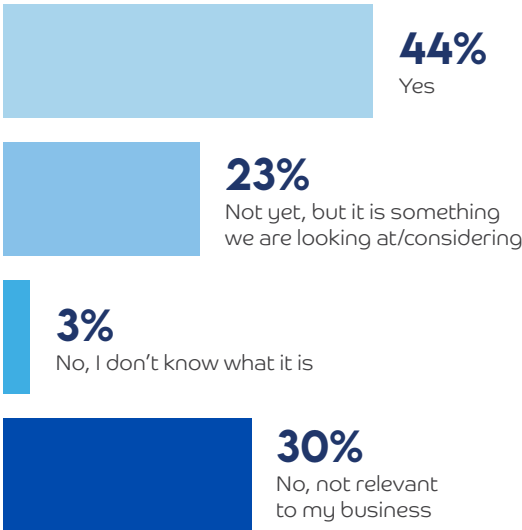
77% of Scottish businesses struggle to recruit due to a lack of 'skilled or suitable' candidates

PEOPLE

Recruitment remains a significant challenge for Scottish businesses, with 63% of respondents who find it difficult to recruit new talent. The shortage of skilled or suitable candidates is the clearest barrier, cited by 77%, while salary pressure, candidate reluctance to move jobs and competition from other employers are also contributing to a difficult hiring environment.

Businesses are responding in a range of ways. More than a third have used recruitment agencies while retraining existing staff, flexible working, increased advertising, improved benefits and apprenticeships have also been adopted. Retention is less of a challenge, with 60% saying it is not difficult to retain employees.

Do you use AI within your business?



TECHNOLOGY

44% of Scottish businesses already use AI - mainly for marketing and content creation and data analysis and reporting - while a further 23% are considering it. Sentiment is generally positive but measured, with many businesses describing themselves as optimistic but cautious.

Cyber risk remains a live issue and 29% report having experienced a cyber incident, with most of those occurring in the last three years. More than two-thirds are concerned about the threat of an attack, reinforcing the need for proportionate controls, staff awareness and clear incident response plans.



39% of Scottish business owners **do not have a business plan laid out or written down**



37% of Scottish businesses have invested in **technology** to prepare for innovation and growth



79% of Scottish business owners are **concerned about the impact of Government policy on their business** over the coming 12 months



84% of Scottish business owners are **concerned about increases in taxation** over the coming 12 months

INNOVATION AND GROWTH

Scottish businesses are balancing ambition with caution. More than four in ten describe themselves as mature businesses focused on optimisation and efficiency, while 22% are preparing for exit or succession. Three-quarters have a business plan, although only 36% have it written down and communicated to stakeholders.

Economic pressures continue to shape decisions, with taxation being the leading concern for the coming 12 months. Technology is the leading investment, followed by capital and staffing. Businesses planning to grow mainly aim to increase sales to existing customers, improve efficiency and invest in marketing and brand awareness, with most owners using their own capital or retained profits to finance growth.

46% of business owners in Scotland plan to leave their business in the next five years



Yet, **49%** of respondents have not included an exit or succession plan within their business plan



...and **one in seven** have not considered how they will leave their business

PLANNING TO LET GO

Succession is becoming increasingly immediate for Scottish business owners, with 46% expecting to leave within five years and a further 27% within five to 10 years. However, 49% have not included exit or succession within their business plan, exposing a clear gap between intended timescales and practical preparation.

Changes to Inheritance Tax reliefs have, however, prompted almost a third to review their plans, while a further 18% intend to review. Exit routes vary widely, although business closure and passing the business to children are the two most common responses.



REGIONAL RESULTS

NORTH EAST



50% of businesses across the North East struggle to recruit due to a lack of **'skilled or suitable'** candidates

Do you find it difficult to recruit new talent?

- 8%** No, not at all difficult
- 53%** Sometimes difficult
- 25%** Yes, very difficult
- 14%** I am not looking to recruit



Do you use AI within your business?



39%
Yes



32%

Not yet, but it is something we are looking at/considering



8%

No, I don't know what it is



21%

No, not relevant to my business

PEOPLE

Recruitment is one of the clearest North East pressures. Three-quarters of respondents say they find recruitment sometimes difficult or very difficult and half highlight a lack of skilled/ suitable candidates as the most prominent challenge. Businesses also struggle with recruitment due to salary pressure and candidates unwilling to move jobs. To improve performance, businesses are responding through the use of agencies, in-house recruitment, apprenticeships, retraining, benefits and process improvements. Retention is less severe but still material, with half reporting some difficulty.

TECHNOLOGY

AI adoption has accelerated sharply since 2025 but less so in the North East than the national average. 39% now use AI within their business, compared to 46% nationally, though 32% are actively considering its implementation. Data analysis and reporting, and process automation and administration are the top use cases in the region, with marketing and forecasting also popular applications of the technology.

Cyber exposure is also slightly more prominent in the North East, with 39% reporting being targeted by cyber criminals, compared with 31% nationally. It is therefore understandable that there is also a greater level of concern among North East businesses, with 79% who are at least somewhat concerned, compared with the 68% national average.



46% of business owners across the North East who plan to grow their business over the next 1-3 years intend to do so by **increasing sales to existing customers**



81% of businesses across the North East are **concerned about increases in taxation** over the coming 12 months



76% of businesses across the North East are **concerned about inflationary pressure on costs** over the coming 12 months

INNOVATION AND GROWTH

The North East balances growth ambition with operational pressure. 41% are mature and optimisation-focused, while 20% are in growth/expansion. While 80% of businesses in the region have a plan with actionable goals, only 26% have it written down and communicated to all stakeholders. Tax planning, capital, staffing and technology are the main preparations for growth and almost half plan to use working capital and business profits to fund this. However, over the coming 12 months, the main concerns are tax increases (81%) and changes to government policy (78%).

58%

of business owners across the North East have not included their plans for exit or succession within their business plan



Yet, **46%** are planning to leave within the next 5 years

PLANNING TO LET GO

46% of business owners across the North East expect to leave within five years and 73% within ten, yet 58% have not included exit or succession in the business plan. Family transfer is the leading route, but management or employee buyout is notably more common than the UK overall result. More than half have reviewed BPR/ APR changes, although not all have acted.



CONCLUSION

SHAPING TOMORROW'S BUSINESS TODAY

While family, privately owned and owner-managed businesses continue to face significant external pressures, including rising employment costs, increasing taxation, inflation and changing government policy, this year's survey paints a picture of a business community that is adapting its approach, balancing ambition with careful planning and investment.

The responses from more than 840 business owners across the country suggest businesses are not standing still. Instead, they are focusing on building stronger foundations for long-term success while navigating an increasingly complex operating environment.

The challenge of attracting and retaining talent remains a prominent issue. More than seven in ten respondents said they find recruitment difficult, with the shortage of skilled and suitable candidates continuing to present the greatest obstacle. However, businesses are responding proactively. In particular, this is reflected in a significant increase in the number of businesses employing apprentices, rising from 33% in 2025 to 51% in 2026, demonstrating a growing commitment to developing future talent pipelines rather than relying solely on an increasingly competitive labour market.

Alongside recruitment, businesses are taking a broader view of workforce strategy. Flexible working, enhanced benefits, salary sacrifice arrangements, employee engagement initiatives and investment in training are all becoming more common. Nearly 60% of respondents have implemented measures to improve retention, recognising that keeping talented employees is just as important as recruiting new ones. As employment costs continue to rise, businesses are increasingly seeking solutions that balance employee expectations with commercial sustainability.

Technology is another area where a significant shift has taken place and is also viewed as a key area of investment for business growth over the next three years. The rapid acceleration in artificial intelligence (AI) adoption is one of the most striking findings in this year's survey, with 46% of respondents now using AI within their business, compared with just 17% last year – representing a 29% increase over the last 12 months. While a further 23% are actively considering AI adoption, it is also encouraging that businesses are applying it in practical ways as a means of improving productivity and creating capacity rather than simply reducing costs.

As businesses become more reliant on technology, the challenge is no longer whether to adopt digital tools, but how to implement them safely and effectively. There are clearly many benefits of AI and automation, but digital adoption can also increase cyber risk. Worryingly, nearly a third of respondents have experienced a cyber security incident, highlighting the growing importance of operational resilience and cyber risk management. Those that successfully combine innovation with robust governance are likely to be best positioned to benefit from technological advancement in the years ahead.



Thank you
to everyone who
shared their insights
and experiences

When considering growth, the survey reveals businesses remain ambitious but increasingly measured in their approach. More than three-quarters of respondents have business plans with actionable goals, but are also mindful of the risks associated with growth in an uncertain environment. Having the right people, managing rising costs, meeting cashflow demands and navigating the impact of changes to taxation and government policy are all viewed as significant challenges to future success.

Successful growth requires careful planning, clear objectives and a realistic understanding of both opportunities and risks. Many respondents appear focused on ensuring they have the systems, processes and financial resilience needed to support sustainable development.

Perhaps the most important message emerging from this year's survey relates to succession and exit planning. The gap between intention and preparation is evident across all regions and sectors. Whether the preferred route is family succession, a management buyout, employee ownership or a third-party

sale, successful transitions rarely happen quickly. The findings suggest many owners understand the need to plan but have yet to take practical steps to prepare for the future. Recent reforms to limit the scope of Inheritance Tax reliefs have prompted many to review their plans, but it appears there remains work to do for those hoping to maximise both business value and long-term legacy.

While completing the survey takes a matter of minutes, the depth of understanding it provides is significant, and we are grateful to all those who took part. At a time when economic uncertainty continues to dominate headlines, the survey insights also offer an important reminder of the defining characteristics of family, privately owned and owner-managed businesses: ambition, resilience, adaptability and a long-term commitment to success. Those qualities have helped generations of businesses navigate change before, and they will continue to do so in the years ahead.



CONTRIBUTORS

MEET THE TEAM



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.



DAVID JONES

BUSINESS SERVICES PARTNER -
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.



JUSTIN ROURKE

HEAD OF FINANCIAL
PLANNING & PARTNER

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.



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.



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.



PAUL CLARK

PRIVATE TAX PARTNER

Paul advises entrepreneurs, family businesses, management teams and landed estates on a wide range of tax matters. With more than 20 years' experience, he provides practical advice on business structuring, succession planning, trusts, family investment companies and residency matters.



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.



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.



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.



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, PRIVATELY OWNED AND OWNER-MANAGED BUSINESS SURVEY

2026 REPORT

TURN INSIGHT INTO ACTION

Whether you're planning for growth, embracing technology, strengthening your workforce or preparing for succession, our specialists are here to help.



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

