



# The National Family Business Sentiment Survey

2020



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Family Business Network Ireland





# Foreword

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We are delighted to present the findings of the National Family Business Sentiment Survey 2020 which was conducted by the Family Business Network in association with Smith & Williamson. This is the first in a recurring survey which will track key trends and business sentiment in the family business sector to inform public policymaking. This edition of the Sentiment Survey takes place in the middle of the toughest challenge the country and its people have faced since independence, making the findings both insightful and timely.

The research, which involved an online survey and telephone interviews, had respondents from micro enterprises, SMEs and large enterprises, from each province in Ireland and spanning a wide range of sectors. This is representative of the family business sector, which consists of more than 170,000 firms operating in every sector and town in the country. From food and agribusiness through hospitality to manufacturing and services and whether provincial, rural or urban, more people in Ireland earn their living from family-run enterprises than from foreign owned businesses and the public sector combined.

Despite employing almost one million people and delivering billions in taxes, many responding families feel that the scale of their sector's contribution is not adequately recognised by government. According to research conducted by The Economic and Social Research Institute in 2020, indigenous Irish businesses, the majority of which are family-owned, contribute 80% of the economic welfare of those residing in Ireland. Thus, it is truly fair to say that family businesses are at the heart of the Irish economy. However, their contribution extends beyond mere economics – these firms are rooted in their communities and contribute to the vital social fabric of regions throughout Ireland.

The survey findings shine an important light on the current issues facing Ireland's family businesses. It is imperative that policymakers address these concerns and work constructively with the sector, as family businesses will drive Ireland's economic recovery if they are genuinely supported. This is reflected in the survey findings, with the majority of family businesses saying they are likely to create new jobs in the coming year if there is a supportive political and economic environment for them to do so. Second only to saving lives at this time, saving jobs is fundamental to preserving and strengthening the very fabric of our Nation. If the government implements necessary reforms in the areas of taxation and insurance that have been highlighted by respondents, Irish family businesses will be best positioned to drive the jobs-led recovery that Ireland depends on now.

The survey findings in this report confirm exactly how Irish family business owners feel, underlining their key concerns but also their commitment to keeping business going despite current challenges and fuelling a jobs-led recovery. We hope that you find the results insightful and that you are inspired to support Ireland's family businesses.



**John McGrane**  
Executive Director,  
The Family Business Network

# Executive summary

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Family businesses are the backbone of our economy. They are the bedrock of communities providing local employment, driving innovation and are deeply embedded and integrated into our society – they are the life of business in Ireland. At Smith & Williamson, engaging with business-owning families has always been important and we are delighted to partner with the Family Business Network to launch the National Family Business Sentiment Survey. We believe it reveals a range of important insights into the unique challenges faced by family businesses.

Ultimately the families who kindly contributed to this survey showed by their participation that they are concerned with safeguarding their family values, passionate about their family business and passionate about the environment for family businesses generally. As a business that itself started as a family run firm, our sixty plus-year heritage working with families and their businesses through our expertise in accounting, tax and investment management enables us to deliver the strongest possible advice and solutions to business owning families.

Smith & Williamson believe that the National Family Business Sentiment Survey will become a key annual highlight delivering insights into the outlook and attitudes, performance and challenges for the family business segment – a vital component of our economy.

In 2020, we have seen business confidence fall among family firms reflecting the ongoing challenges posed by Covid-19. However, despite this fall in confidence 58% of family businesses are likely to create jobs in the next 12 months providing there is a supportive political and economic environment. This highlights the resilience of Irish family businesses and their willingness to adapt to change, two characteristics which have enabled these firms to thrive through the generations.

Government will need to do more to reassure and support family businesses, as these will be the firms that drive Ireland's economic recovery post Covid-19. And, with many responding that they feel their contribution is overlooked by Government, there is a lot of work to do. Taxation is another major concern for family firms, with the survey showing Capital Gains Tax and Capital Acquisitions Tax being of greatest concern.

Ultimately, achieving a multi-generational success is a goal for most Irish family businesses, with 82% of respondents saying that support for next generation family members is important to them. Smith & Williamson understands this ambition, with a heritage in Ireland of over sixty years exemplified by a third-generation member of our founding family, the Freaney family, now working in our Advisory team. We've been working with families and their business interests right from start. Many of those original client families are still our clients today and relying on our Family Business team for specialist investment management, accounting, personal and business tax, advisory, mergers and acquisition and succession planning services.



**Frank Brennan**  
Director, Smith & Williamson  
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**Con Casey**  
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# 1. Business sentiment

As of Autumn 2020, **49% of family businesses feel less optimistic** about the climate for employing and doing business in and from Ireland compared to three months previously. Just **20% of respondents feel more optimistic**.

This substantial dip in business sentiment among owners of family businesses is unsurprising, as sectors in which indigenous Irish companies are dominant have been disproportionately affected by the impact of Covid-19. The hospitality and tourism sectors, comprising predominantly Irish family businesses, have been subject to stringent public health restrictions preventing them from operating at full capacity, if at all.

Similarly, Covid-19 combined with the impending Brexit deadline has created an extremely challenging environment for Irish food and agribusinesses, a sector which strongly features family businesses. While supermarkets have continued to operate throughout the crisis, food producers who supply to restaurants have found their primary route to market disrupted. Producers who were overly dependent on one channel pre-pandemic have been exposed and subsequently forced to diversify their route to market.

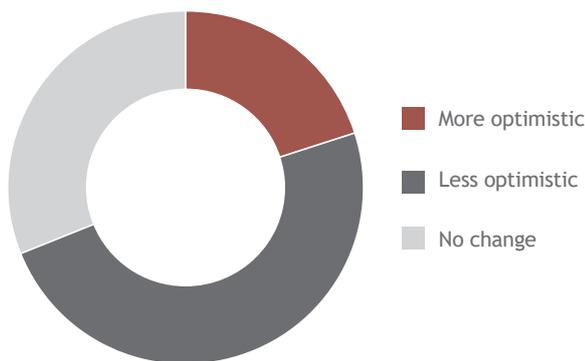
Family businesses operating in the residential property and healthcare sectors have not experienced a significant downturn and generally remain upbeat about their business prospects. This is helped by the innovation these firms have shown in pivoting to adapt to the new business environment. For example, a typical respondent's estate agency business pivoted by working with a video production team to ensure high-quality remote viewings for their clients.

However, numerous other family businesses have experienced rather worse trading conditions. This is in notable contrast to the multinational sector, especially pharmaceutical and ICT companies, which have emerged from Covid-19 restrictions largely unscathed.

## Job creation

Despite the sizeable drop in business sentiment among family business owners in Autumn 2020, 58% of family businesses say they are likely to create new jobs in the next 12 months if there is a supportive political and economic environment. Thus, it is clear that with the correct support, Ireland's resilient family-run businesses can and will drive the country's economic recovery.

*Thinking about the current climate for employing and doing business in and from Ireland, and compared to three months ago, how do you feel?*



## Key Finding

**88% of family businesses say that stimulating the economy is the best approach for funding Ireland's costs associated with Covid-19.**

## 2. Concerns of business-owning families

### Covid-19

24% of respondents explicitly mentioned issues arising from Covid-19 as being their current greatest concerns as business-owning families. These concerns include the government response to the pandemic, the changes it is causing to business practices and the virus' wider impact on both the national and global economies.

### Recession

15% of family businesses identified the current recessionary economic environment induced by the pandemic as their greatest concern.

### Next generation

15% of respondents cited the next generation and succession as being their biggest concern, which highlights the long-term outlook of family businesses and reinforces the point that family businesses, by their nature, think in generations rather than quarters.

#### Key quote

*“Surviving the coming decades to be able to pass the business on to the next generation.”*

A typical family business response when asked about their concerns at this time.

*What is your current single biggest concern as a business-owning family?*



### Red tape and bureaucracy

15% of respondents referenced red tape and bureaucracy as being their primary business concern. A typical respondent elaborated that the amount of reporting required of their small business consumes excessive resources compared to other needs of the business.

This frustration is shared among numerous respondents, with one family business owner arguing that “it is getting increasingly difficult to grow your business and get day-to-day business done in a world of increased regulation and bureaucracy, political correctness, and insurance corruption. Key external stakeholders seem to be preoccupied about compliance and not upsetting the new norms. This is stifling entrepreneurship, wealth and job creation which are key attributes of family-owned businesses.”



# Ranking the concerns of family businesses

## 1. Taxation of Family Businesses

Survey respondents were asked to express their level of concern regarding a range of issues pertinent to family businesses. Respondents' greatest concern is the regressive nature of the tax system in relation to family businesses, which was a common theme throughout the survey. Families in business are more than happy to pay their fair share of tax but they want a more progressive tax regime, with a "fairer and reduced Capital Acquisitions Tax" and "amendments to Capital Gains Tax reliefs".

## 2. Brexit

The UK leaving the EU remains a key issue for Irish family businesses as we approach the final deadline for a Brexit trade deal. This is reflected in the fact that nearly two-thirds (63%) of family businesses score their concern about Brexit at an 8 out of 10 or above. Families operating in the logistics and distribution sectors in particular are concerned about the implications of Brexit on their business.

## 3. The Cost of Business Insurance

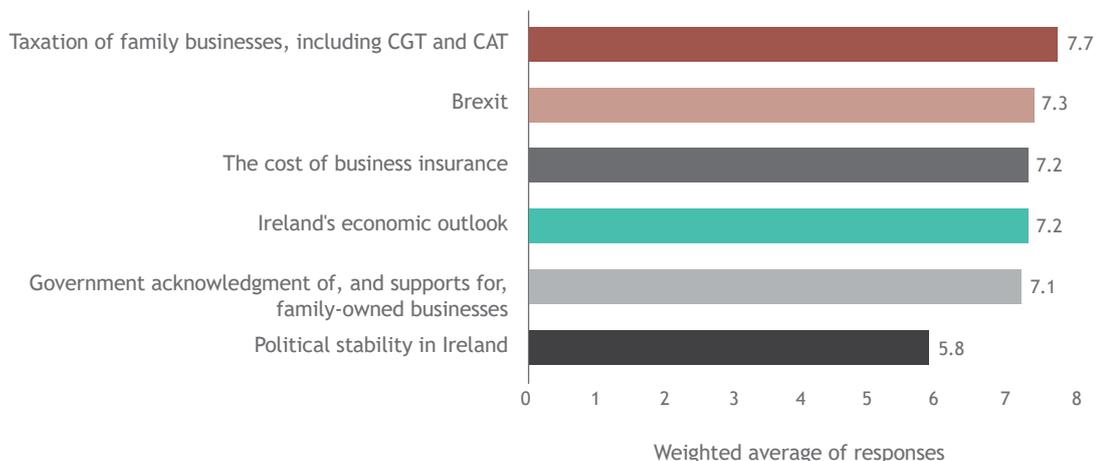
The cost of business insurance remains a key challenge for family businesses. When asked on a scale of 1-10 how concerned they were regarding the cost of business insurance, 85% of respondents answered with a 5 or above, highlighting the pressure that high insurance costs is putting on the family business sector.

More than a quarter of respondents answered with a 10, emphasising the fact that insurance costs are not only acting as a barrier to business growth, but are also threatening the viability of family businesses across the country. This was the case even prior to the Covid-19 crisis but the pandemic has further highlighted the need to reform the insurance sector. In particular, those operating in the food and agribusiness, manufacturing and logistics sectors expressed concern about the Irish insurance market.

## 4. Politics

While all respondents agree that Ireland's economic outlook warrants some level of concern, there is rather less consensus regarding political stability in Ireland. Several respondents say political stability in Ireland is something they are "not at all concerned" about, whereas others are "very concerned" about the impact an unstable political environment may have on their business.

Thinking about your business, how concerned are you about the following: (1= Not at all concerned; 10= Very concerned)



## 3. Focus on succession and the next generation

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### Support for the next generation

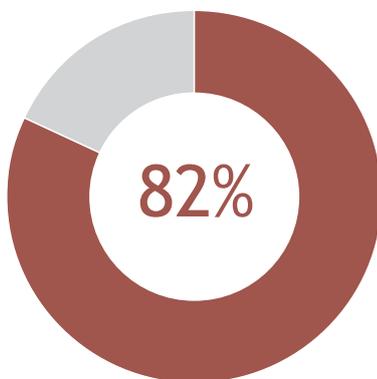
Family firms tend to have a long-term orientation, as owners generally want to pass the business to the next generation to preserve their family values, traditions and their legacy to their community. This characteristic of family firms is reinforced in the survey findings, with **82% of respondents** saying that **support for next generation family members** is important to them.

### Diversity and inclusion

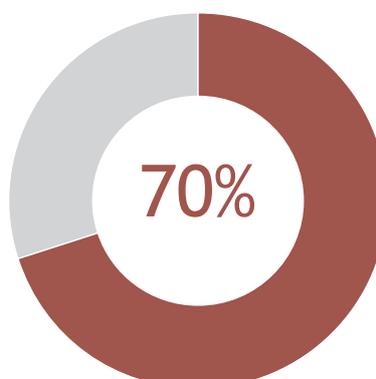
An encouraging finding is the **70% of Irish family businesses** who consider **diversity and inclusion** to be important to their family. It is recognised that companies with diverse and inclusive teams can grow stronger than their peers and make more innovative business decisions, due to the different viewpoints they include in decision-making. Incorporating diversity of thought – especially gender diversity – into family businesses as they transition to the next generation can yield benefits and thus, it is encouraging to see that such a large proportion of family business owners perceive diversity and inclusion to be important.

### Philanthropy

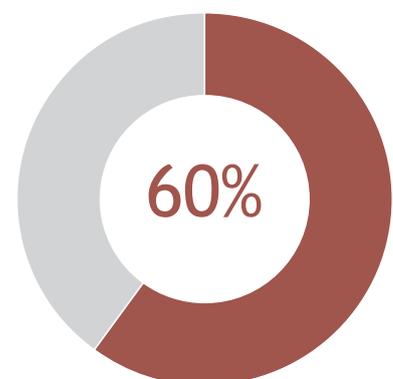
Family businesses make a significant contribution by providing employment to communities throughout Ireland. In addition to this economic contribution, **60%** of survey respondents say philanthropy is important to them. Engaging in philanthropic projects allows family firms to give back to their communities, as well as being an excellent way to involve members of the next generation in the broader mission and values of the business.



*say Support for next generation family members is important to them.*



*say Diversity and Inclusion is important to them.*



*say Philanthropy is important to them.*

## Supporting next generation family members

When asked which supports are most helpful for next generation family members, **nearly half (48%) of respondents** highlighted the importance of academic training, professional training or cross-business mentoring. In particular, respondents pointed to the benefits of next generation family members availing of external education and experience. Encouraging younger family members to gain “exposure to other family businesses” and to capitalise on “opportunities to work elsewhere to gain grounding experience” are deemed important to nurture the next generation of leaders.

## Supporting business owners

In addition to providing the next generation with the right level of education and work experience, business owners themselves require assistance with regards to the transfer of ownership. When asked, in general terms, what supports are most helpful for the owners of the business, **20% of respondents** feel that **assistance with the intergenerational succession process** would be useful to them. For most owners, **mentoring around succession** would be welcome, including such as “clear guidelines and professional advice around effectively managing the entire ownership transfer process”.

## Concerns surrounding succession

Various respondents believe the **tax system surrounding the transition of ownership** to the next generation is not conducive to passing the business onwards. Furthermore, family business owners expressed their concerns about whether the next generation would take an interest in the business. The potential for there to be no clear successor to the business can be difficult for owners to accept, as they tend to want to preserve the legacy of the family business for generations to come. Other respondents were apprehensive about the ability of the next generation to run the business. Addressing these threats to the longevity of family businesses will benefit not only families but the whole community.



## 4. Supporting the family business sector

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### Recognising the contribution of family businesses

Attracting foreign direct investment has been the long-term focus of government policy and the multinational sector has been an important aspect of Ireland's economic development. However, it should not be forgotten that 64% of businesses in Ireland are family-owned, providing employment to nearly a million people throughout every town in the country. The survey responses show that Ireland's family businesses believe they deserve greater recognition from government for the scale of the contribution they make to the Irish economy.

#### Key quotes

*“The government need to recognise more the positive contribution that family-run businesses make to the economy and society in general. Family businesses need to be supported to the same extent as they support large scale FDI.”*

*“Government should recognise family businesses as a large sector in the economy, which provide significant employment and taxes.”*

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What is the best thing the Government could do for your family business now?

### Tax Reform

Just under a third (31%) of family businesses say that implementing a more favourable tax regime is the best thing that the government could do for their business now.

Amendments to the tax system which survey respondents call for include:

- A fairer and reduced rate of Capital Acquisitions Tax.
- Progressive amendment of the Capital Gains Tax rate and reliefs.
- An increase of all tax thresholds, from PAYE to Inheritance Tax.
- Amendment of the Employment and Investment Incentive Scheme to facilitate and encourage reinvestment by owners in their businesses as they progress.

In particular, respondents want the government to progressively reform taxes that impact on intergenerational succession, expressing such views on the tax system as “it puts us off making the succession”.

Transferring ownership to the next generation is a key milestone for any family business and for the wider economy. From a policy perspective at national level, there is more the government can do to facilitate this process.

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## Brexit readiness

Second in importance only to taxation, Family businesses say the best thing that the government can do for their business is to negotiate a Brexit deal which keeps disruption to trade at a minimum. There is clear concern among families operating in the food and agribusiness and distribution sectors about the threat which Brexit poses to their business. To counteract this, the government is exhorted to “defend cross-border trade costs and customs implications in Brexit negotiations”.

## Reform the Insurance Sector

There is frustration among family businesses regarding the exorbitant insurance premiums they continue to face and the lack of adequate government regulation in this area.

Respondents to the survey set out clear areas for reform as follows:

- The established insurance industry and judicial approaches to compensation claims need to be challenged.
- Rebalance the duty of care to place reasonable and appropriate responsibility on the claimant for their own behaviour.
- To address the incentive for excessive cash claims, introduce a ‘care not cash’ system for personal injury awards, delivering fair medical rehabilitation instead of cash-only awards.
- Increase the penalties for exaggerated and fraudulent claims to counteract the widespread ‘claims culture’.



## 5. Conclusion

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The National Family Business Sentiment Survey<sup>1</sup> as at Autumn 2020 shows that business sentiment among family firms has fallen as a result of Covid-19. Despite this, the majority of family business owners say they are likely to create new jobs in the coming year if there is a supportive political and economic environment. This finding highlights the inherent resilience of the family business sector and indicates that progressive government action on a range of issues will deliver benefits for not only family businesses, but for the whole country. This includes amendments to the tax system, reform of the insurance sector and increased Brexit preparations.

At a time of considerable uncertainty in the face of Covid-19 and Brexit, the Sentiment Survey makes it clear that issues such as philanthropic giving and diversity and inclusion remain important to family businesses. Most notable, however, is the **82% of respondents** who say that **support for next generation family members** is important to them. Amending the tax system to facilitate the succession process will ensure that family businesses, which are found in every community throughout Ireland, continue to contribute for generations to come.

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<sup>1</sup> In addition to the online survey, we also conducted phone interviews with family businesses who provided further depth to the findings.





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