TRANSMISSION **PRIVATE**

THE POWER OF REPUTATION

The family business premium

Summary of findings

- Taking steps to brand a private company as a ‘family business’ **results in a significant and powerful reputational premium.** The positive brand associations were felt across all age groups, genders, and regions.
- **66% of people would think more positively of a family business** if they are made aware of the fact that multiple generations of a family were active in its management.
- A quarter of people said that they would feel more negatively about a business if a **next-generation family member was appointed CEO suddenly,** having had no visible active involvement in the business previously.
- Family firms are **scoring a serious own goal if they do not make family ownership part of their brand.** And yet, many larger family businesses, especially those in the business-to-business sector, have mistakenly shied away from showcasing their family credentials.
- Companies should give visibility to next-generation family members within the business as early as possible, perhaps **even a decade before the eventual transition of the business.**
- Family businesses should give visibility to the **new skills and competencies** that next-generation family members bring to a business.

Introduction

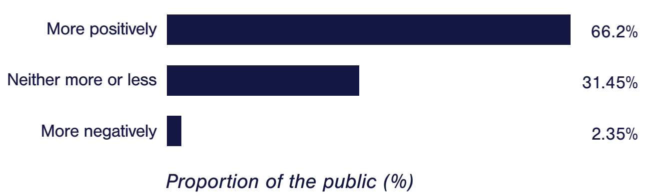
Family businesses generate over a third of UK GDP. And yet, while they play a critical role in our economy, the unique communications challenges facing multi-generational businesses have never been well studied.

In Q1 2021, Transmission Private conducted a survey to both quantify the impact of branding a private company as a ‘family business’ and uncover hard evidence about the best way to communicate during challenging succession events.

Family businesses have much stronger reputations

Our research shows for the first time that taking steps to brand a privately-held business as a ‘family business’ results in a significant reputational premium. Sixty-six percent of stakeholders would think more positively of a business if they knew multiple generations were active in its management.

How stakeholders feel towards a company after being told it is a family business



This is a very powerful, significant move in stakeholder sentiment. In fact, only 2 percent of people said they would think ‘more negatively’ of a family business, showing that there is a huge net reputational gain to be made from making ‘family’ a key element of a company’s branding and public profile.

It appears the conventional brand associations that come with being recognised as a family business—community-focussed, trusted, and committed—are as relevant in the modern economy as they were 50 years ago.

In fact, before we undertook this research, we assumed that younger people might be less swayed by family business branding given it may make businesses sound more traditional, old-fashioned, and less contemporary. This fear is misplaced. In fact, nearly 70 percent of respondents between 18 and 25 years of age said they would think more positively of a family business, higher than many other age groups.

The family business premium is universal

The reputational benefits of being seen as a multi-generational family business were seen consistently across all stakeholder groups, including more sophisticated stakeholders.

In our experience, there is sometimes a mistaken assumption that while leveraging family positioning might suit a consumer brand, where the end target is a mass-market customer, it is not an appropriate fit for a family-owned property developer, investment vehicle, or industrial businesses. Many of these companies, instead, try to build an outward brand that looks and feels corporate.

This is a mistake. More sophisticated stakeholders, whether they be financial institutions or potential business partners, are all more likely to feel positively and, indeed, trust a company if they perceive it to be a multi-generational business. Whether it is securing finance, driving new acquisitions, or recruiting talent, family business credentials almost always strengthen the business’ position and increase its chances of success.

Equally, there is sometimes an inclination for family businesses, especially once they get to 250 employees and above, to adopt the positioning of a publicly-listed, colourless corporate entity, airbrushing the family out of its public profile.

Again, these results show that this is a serious mistake that is likely to harm the goodwill that the business could command amongst talent, partners, suppliers, financial institutions, and customers. These privately-held businesses risk wallpapering over their competitive edge, which is their family ownership.

Next-gen visibility must be gradual

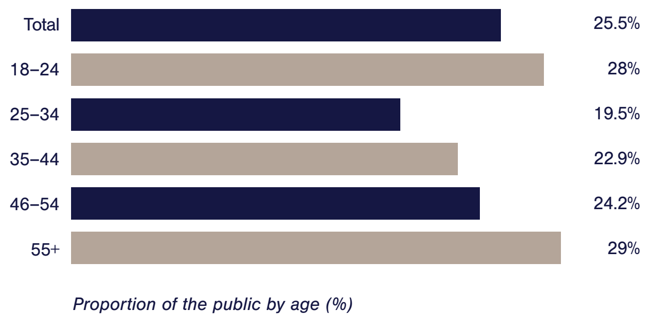
As part of our research we also asked stakeholders a series of targeted questions to investigate the communications risks of succession events, which we know to be an area of increasing concern for family businesses.

Our research reveals that businesses run the risk of being perceived negatively if family members are appointed to positions of influence and leadership out of the blue, without a coherent backstory and narrative to demonstrate how these family members have the skills and aptitude to fill that role.

In many ways, these results are the flip side to the positives of multi-generational branding: they show that while there is a significant 'reputational premium' to be commanded by giving visibility to family ownership, this must be done in a considered way.

In fact, a quarter of respondents said that they would feel more negatively about a family business if a next-generation family member was appointed CEO suddenly, having had no visible active involvement in the management of the company previously. This trend is more pronounced amongst older respondents, with the interesting exception of the very youngest respondents.

Proportion of the public who would feel negatively about a business following the sudden appointment of a next-gen member to management



We believe this is because the sudden appointment of a next-generation member to a leadership position may trigger in the stakeholder a fear that they do not have the skills, competency, and experience to effectively continue running the business.

This result is highly significant. It means that miscommunicated succession events could have deep, long-term, highly damaging consequences for the family business. In particular, if the business is taken over by the next-generation too quickly—without gradually increasing their visibility first—it could lead to alarming questions about the company's future outlook amongst business-critical stakeholders, such as financial stakeholders, suppliers, partners, and even employees.

This result is all the more concerning because many next-generation members will have been actively involved in the business—just not visibly. This research shows this approach is opening up the family businesses to reputational risks. Instead, a process has to be put in place to gradually and organically give visibility to next-generation members of the family.

Next-gens should give visibility to professional credentials

Finally, the research reveals an additional complication that should be factored into any succession planning. A minority, although a noteworthy minority, of respondents (18.6%) said that they would think *more* positively of a family business if it was taken over by a family member who previously had no experience in the family.

This is surprising as it pulls in a different direction to the general trend. We subjected this subset of respondents to further investigation and found—through follow-up qualitative research—that they were expressing a feeling that a successful family business needs to bring in new outside experience and skills.

In particular, they were not saying that they wanted someone unknown from the family to take over management, but that if the family member was not previously involved in the business, it might indicate they had built up skills and credentials at other companies—and that these could help the family business continue to grow and prosper. This, in turn, caused them to view the business and its future prospects in a positive light.

This is an interesting supplementary finding with very practical implications for communications during succession events: it would suggest that the ideal way to handle communications around next-generation transitions would be, on one hand, to give gradual increasing prominence to next-generation family members but, on the other hand, to also give visibility to the experience and skills that they have developed outside of the family business, if possible.

This allows a business to square the circle of showing that a family member has not, firstly, come out of nowhere, but also, secondly, has outside experience that may drive the business to new heights.

Reputational recommendations

The upshot of the research is that privately-held businesses are scoring a serious own goal if they do not make family ownership part of their brand in a careful and strategic way.

Firstly, making 'family' part of the company brand will build trust and confidence with other stakeholders. Clearly, the prominence of the family in the branding will differ from company to company, but this is not a discussion that should be shied away from. In one case, it might mean building out a subtle, understated part of their website to contain information about the company's multi-generational heritage. In another case, it might be giving visibility to the family in physical collateral, newsletters, and other marketing material.

Secondly, it is imperative to give visibility to next-generation family members within the business as early as possible, perhaps even a decade before the eventual transition of the business. This allows the next-generation family members to build up the confidence of stakeholders and acclimatise partners to their abilities. It ensures that a transition looks and feels organic to outside eyes. It also prepares the family business for a sudden succession event that might be brought about, for example, by an unexpected death.

Finally, next-generation members should be treated as a reputational asset to the business and its reputation. They often will have spent at least part of their career outside of the family business, whether that is in other areas of business or even philanthropy. These new skills and approaches that may come less naturally to the first generation are a significant benefit to the business. They show the business has the skills and competencies it needs to adapt to the changing economic landscape. Family businesses should give visibility to these new skillsets.