Wilmington Trust
Business Owners Outlook
The Power of the Pack

Business owner survey insights
on the power of peer networks during the pandemic
and beyond

Second Quarter 2020
Welcome to a Very Special Business Owners Outlook

I am honored to present the latest Wilmington Trust/M&T Bank Business Owners Outlook, The Power of the Pack. Our team has worked diligently to bring you these timely insights and perceptions based on our robust quarterly survey of more than 1,000 business owners across the United States.

We know you are working and living in an unprecedented time, so we remain committed to providing you with information and intelligence to help you better manage your business for the long term.

This edition of the Business Owners Outlook features a focus on women business owners and how their opinions and experiences may differ from, or mirror, those of their male counterparts. This is a topic of particular importance for Wilmington Trust and our clients, so we are honored to partner with and include insights in this report from the Committee of 200, a highly regarded women’s executive leadership organization. (I am proud to serve as chair of the Northeast Region of the group.)

One issue we looked at closely is, where women stand versus men, on networking and peer group support. Our survey found that far fewer women business owners than men have these connections. Moreover, many men still seem to be unaware that women often encounter serious challenges in building and accessing peer networks.

Networks are so important to business owners regardless of gender, because they help create an ecosystem of support to help businesses succeed against the odds. This is more relevant today than ever. Networks offer access to much more than just capital. They open doors to technology, knowledge, experienced peers, research, and more. To view inspiring video stories from women business owners about how they are facing these challenging times, I encourage you to visit our microsite.

Wilmington Trust stands as a steadfast member of your network. Your unique needs continue to be front and center in what drives the work we do and the communities we partner with. Our skilled, experienced and caring team members are as dedicated as ever to helping you fulfill your long-term objectives.

During this crisis, you may be rethinking many things. We are here to help you re-strategize, prioritize, and keep you on track to meet your goals. As a Wilmington Trust client, you benefit from the strength of M&T Bank, which has historically separated itself from the rest when times are challenging. Our Wealth Management division is strong at over 1,000 professionals—and yet, we are not so large that we lose sight of what’s most important to you.

We are here for you, and we will get through this together.

Doris P. Meister
Head of Wealth Management
Wilmington Trust and M&T Bank
The Peer-Group Gap

Far more women than men lack vital networking connections and opportunities.

One of the most important success factors for business owners of either gender is having access to strong peer groups, mentors, and other networking opportunities. Few people understand a business owner’s challenges and questions quite like another business owner. And when owners need advice, more experienced leaders can help them navigate the landscape. This is especially important today, when economic turmoil has many small business owners facing an almost unprecedented new reality. Networks are being utilized to share the latest news and information, best practices, and ideas as owners figure out how to pivot their business models and work virtually or within social distancing guidelines.

Our survey revealed some stark differences between men and women business owners regarding access to peer groups and mentorship. Overall, more than one-quarter (26%) of women said not having peers to speak with about their challenges was a problem, compared to just 14% of men. The difference is even more pronounced for women who started their own business, with 29% of women entrepreneurs citing a lack of peer mentorship versus just 14% of men. Among owners who inherited their business, 20% of women cited mentorship as a challenge, while only 11% of men did.

More troubling, perhaps, is that both women and men perceive a lack of equality in business networking. Only about half of those we surveyed—both women and men—felt that female and male entrepreneurs have equally strong support networks. In fact, 35% of women and 33% of men said that men have more robust networks.

Angela McCaffery
Chief Operating Officer, Bittenbender Construction

On joining the boys’ club

People ask, well, how do you get your voice and how do you become part of the boys’ club? We really just focused on being a competitor rather than hyper-focusing on gender. It’s obviously there, but we try not to really make it about that so much and act as an equal partner.
Q: Why is it more important than ever for women business owners to have strong peer networks?
A: Having that peer network and, in many cases, a female-based network is so helpful. In a time with so much uncertainty, it’s critical to be able to connect with someone who has walked in a leader’s shoes, and experienced the same lack of clarity, to bounce ideas off them and gain inspiration. Networking can help owners find a positive way forward, and I’ve heard a number of real stories of hope and optimism. Learning about unleashing your potential, how teams have pivoted and what’s possible can be a real mood and productivity boost.

Q: Why should owners think of their network as an ecosystem?
A: Because it should be multidimensional: personal, professional, providing opportunities, connections, encouragement and support.

Most networks are built on an industry affiliation or geographic location; those are great places to start. But with the power of technology, are there things you’re interested in besides the obvious few that will help identify others with similar interests, opportunities or challenges? That’s been a silver lining during the lockdown, as people who wouldn’t have otherwise met each other now can open up different kinds of conversations.

Q: Our survey showed that roughly twice as many women versus men feel challenged by a lack of peer networking. Does this surprise you?
A: Intuitively, that did surprise me, but science suggests that perhaps women have a reluctance to network because they are concerned about taking advantage of their social connections. But think of it as building a relationship versus trying to extract something from someone. Leading with your “give” and how you can help someone else is a good first step. Networking is about what you can give as well as what you might receive.

Also, you don’t always have to be involved with a massive organization. You can have a small network that’s also powerful; there are studies that corroborate that.

Q: What are other best practices women can use to improve their networking?
A: If you’re waiting for an invitation to a group, that doesn’t always happen. If it’s a topic of interest, you have just as much right and opportunity as anyone to participate. But sometimes you need to write your own invitation or ask to be let in.

Don’t be so humble thinking if they wanted you there they would ask, or that you have nothing to contribute. You have to eliminate your own barriers: lack of confidence or underestimating what you can offer. Even if what you can bring is listening to someone else, quite often that is helpful.

If you make a connection, follow up with them in a reasonably short time. Today people have so many demands they don’t always have the bandwidth to respond instantly. Don’t be put off by that. Figure out when you need to follow up on them.

Q: What can business owners do to keep their networks thriving?
A: I go through my LinkedIn looking for people I haven’t talked to in a while. So far, everyone I’ve reached out to is looking forward to having a conversation. Most people are feeling a bit isolated right now. So be deliberate about reaching out, and be positive.

I’ve done virtual coffees, a virtual glass of wine. But I’m also sending cards. A card can stand out because even mail volume has been down. Be creative, because a network is like a garden. You’ve got to cultivate the garden to keep everything alive.

Q: How do you feel the pandemic has changed networking?
A: We’re going to be in a period of transformation. We’ve learned the importance of transparent, authentic, frequent communication in new ways. People are finding communication is powerful and doesn’t always have to be one to 100. It can be one to one.

You need to focus on the quality of your connections versus the quantity. These really are relationships, so you need to make that investment.
I believe female entrepreneurs will never have the same access to capital as male entrepreneurs.

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I believe female entrepreneurs will have equal access to capital as male entrepreneurs sometime in the future.

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I believe female entrepreneurs currently have more access to capital than male entrepreneurs.

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When it comes to obtaining funding, many women who started their own business reported being unable to obtain the full amount they sought. Women entrepreneurs acquired only 61% of the capital they were seeking, while men attained 68% of their goal. Funding challenges are less of an issue for women who inherited their business, however. They obtained a larger proportion (69%) of funding than their male counterparts (59%).
We understand that as a business owner, your personal and business finances intersect. There may be gaps and opportunities that can be supported by leveraging personal assets, and we recommend a multidisciplinary team review your personal cash flow, balance sheet and financial plan—together with your business plan. Employing leverage strategically on your personal balance sheet can assist you and your family in achieving both short-term and long-term goals, while investing or keeping productive capital in your business.

On the intersection of personal and business finances

Overall, only 31% of women have ever leveraged personal assets to support their business. Comparatively, 43% of men have done so.

But when women owners do invest in their own company, they tend do so at a higher level than men. Our survey showed that women entrepreneurs, on average, invest 45% of their personal funds in the business, while men invest 36%.

Interestingly, more women owners than men have never attempted to obtain outside funding for the business, 24% versus 18%.

WOMEN AND MEN DEPLOY THEIR OWN CAPITAL VERY DIFFERENTLY.
Q: Why is this the best time for owners to revisit planning instead of going into bunker mode?
A: It's a planning moment because it's an existential moment. Many owners are beginning to reset their values and revisiting, on a deeper level, what they really need in life versus what they merely want. That means rethinking goals and objectives—and that leads to planning. As it has been said in the past and is being relearned today: “A plan is useless, but continuous planning is essential.”

Often, an owner may go through three phases in her business life: entrepreneur, CEO and, ultimately, steward of the business. What this means is that how she grows the business, how she manages the business and how she finally exits the business can all have significant impacts on others, potentially for generations to come.

Q: How has the pandemic affected the need for business planning?
A: This pandemic has forced business owners to ask, “Where am I in this?” It is a common phenomenon that business owners over the years become so busy and focused on being an entrepreneur and CEO that they never stop to realize the most important role for them now is to be a steward of what they have already built. In my view, that’s where successful owners need to go in their thinking. To see that planning is not just about building and transitioning a business and wealth, but also about transitioning a role and an identity—and helping others to be ready to do the same. That’s a continuous process. I think this type of planning mindset can give owners a greater sense of control during a crisis.

That is why we feel the best approach to planning is to focus on “transition readiness,” especially and preferably when the owner is not actually contemplating any transition. By integrating and aligning personal readiness, business readiness, and wealth readiness in a continuing planning process, an owner can take control over the uncontrollable.

Q: Our survey showed that many women owners feel men have better access to capital. How can this be shifted?
A: COVID-19 and the government response seem to have put a new and heightened focus on community and regional banks that are truly grounded in community and personalized banking. Banks with a “people and purpose” mission are what business clients seem to want and need right now.

For example, M&T Bank, our parent company, has helped more than 32,000 customers secure nearly $7 billion in the Paycheck Protection Program to date. The average loan size is $213,590, and more than 65% of the approvals were for loans of less than $100,000.

If one future result is that capital is made more widely available at the community level and at these broader levels, this could potentially shift how woman business owners feel about borrowing in general. This could be especially true among those who feel they haven’t previously had equal access to capital markets. For women entrepreneurs who might have otherwise relied on their own wealth, perhaps they will be more willing to seek out and borrow from community-bank sources, especially those that strive for a “people and purpose” culture.

Q: Our survey found that women owners are not getting the same networking opportunities as men. How can this be addressed?
A: Coming out of the pandemic, networks are going to look different. Supply chains, access to capital and contact points will all change. It’s unwise for any owner to say, “When I get back to normal….” They’ve got to be completely forward-thinking and realistic: “How do I go to a new normal?”

Women entrepreneurs are often disadvantaged by being excluded from long-established networks. But now people are creating networks and connections in new ways, which may benefit women owners and others who had been in non-traditional networks to start with. In other words, the new normal will most definitely include new networks.
Nurturing the roots

Owners need to manage family dynamics strategically to ensure success across generations

Working in a business alongside a family member can be deeply rewarding. But it can present challenges as well, including intertwining business assets with personal assets and planning for business succession. Our survey revealed fascinating insights into how family dynamics play a role in a business owner’s journey, particularly among women.

Women are far more likely than men to have a spouse involved with their business. Overall, 50% of women and just 39% of men have their spouse working alongside them. Among owners who inherited their business, the gap is even wider: 61% for women and 40% for men. For those who started their own business, 46% of women have a spouse involved compared to just 39% of men. There are significant advantages and disadvantages with having a spouse work in the family business. For many business owners, their work is their life. Effective communication is an essential component to success as lines between home and business get further blurred.

Susan Kerber of RAD Soap started her family company with her two sons. “In the beginning, it was me just stirring up little things to help alleviate my son’s eczema,” she said. “I think as mothers we all want to solve problems. Working together on the business with my sons, one of the most important things is to make sure that our decisions are not driven by ego, but instead focus on their strengths and my strengths. This has been really important during the coronavirus pandemic, as we have needed to work with both our employees and customers to alleviate fears and solve problems.”

For most owners, business truly is a family affair.

More than three quarters (79%) say their business is fully family run or majority family run.

Interestingly, more women owners than men are working with two generations in their business (parents and children), 48% versus 39%.

Far more women than men have a spouse involved in their business.

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Women owners

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However, when it comes to being groomed as the next generation to run the business, men seem to have an advantage over women. Of the owners who reported having family members involved in the business, 65% noted it is a son (or sons) versus just 43% with a daughter (or daughters). There is a factor of expectations and mentorship involved in family businesses and the roles of future generations. Traditionally, sons have been expected to carry on the family business, and they have been more effectively mentored to take on a leadership role. While women may have roles in the business, the question becomes whether they are being developed and groomed at the same rate as their male family members. Moreover, 56% of women business owners had a daughter working with them compared to just 38% of men owners.

Many women start a business when they identify a void or problem in their daily life, and this may lend itself more to an area that entices daughters rather than sons to get involved,” said Marguerite Weese, National Director, Family Legacy Strategies, Wilmington Trust. “With the job market drastically changing, it will be interesting to see if there is an increase in family members working in the family business due to a lack of external opportunities, as well as the need for an “all hands on deck” mentality to keep the family business going.”

Business succession planning and contingency planning are areas where women and men have similar outlooks, according to our survey. And they both seem to need guidance on these issues. Only 51% of women and 55% of men were highly confident that their business would survive because they have an ownership transition plan in the event they were no longer able to run it. Just 59% of women and 54% of men are highly confident their business would survive because they have a management plan in place.

NEITHER MEN NOR WOMEN ARE HIGHLY CONFIDENT IN THEIR BUSINESS TRANSITION PLANS.

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<th>Management Transition Plan</th>
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Susan Kerber
CEO, RAD Soap Co.

On involving your children in the business

Working together on the business with my sons, one of the most important things is to make sure that our decisions are not driven by ego, but instead focus on their strengths and my strengths.
Q&A
With Marguerite Weese

Marguerite Weese
National Director, Family Legacy Strategies, Wilmington Trust, N.A.

Q: Our survey showed that 50% of women owners are working with their spouse. What considerations should they keep in mind?
A: Many spouses bring complementary skills and a likeminded approach to the business—similar values, the same guiding principles—and couples can benefit from that natural alignment. But having a family member in the business adds another dynamic to the relationship. Living and working with a spouse 24/7 can cause ripples. Effective communication and strong support systems are vital to preventing any cracks. If the business is the only source of income and economic growth for the family, that creates additional risk which needs to be mitigated.

Q: Our survey showed that women owners tend to lag men in having strong peer networks. How important are networks today?
A: In this environment, good business relationships are vital. Think of your network as an ecosystem, including peers, bankers, suppliers, customers and employees. Peer networks can offer new insights and reduce anxiety. Bankers are critical to accessing capital, and good relationships with suppliers can help in renegotiating terms, if needed. Although most in-person networking opportunities are on hold for now, it’s critical that women owners take advantage of every opportunity for virtual connections.

Q: Our survey revealed that many owners are not confident in their management and ownership transition plans. Does this surprise you?
A: No. Owners often are so focused on running and growing their business, they don’t take time to develop management succession and build the skills of the next group to take over. They should always be mindful of keyman risk. It’s essential to plan in case something happens to a principal, and ensure they have the right strategies in place for every contingency.

Q: What are the key factors when involving children in ownership and management transition?
A: Owners need to have very purposeful development, mentoring, and inclusion strategies for their children. This is especially important for women, because, traditionally, owners have not invested in developing their daughters or granddaughters into business leaders. It requires educating them on business fundamentals and financial literacy from a young age, whether in the office or around the dinner table. Encouraging them to take leadership roles in other areas, so you are not suddenly handing them the keys one day, can help. For these next-generation women, this makes networking even more important. Mentors can be found outside of their business and/or their family as well.

Sons are more frequently involved in the business than daughters....

Of those with family members involved with the business, 65% noted it is a son versus just 43% with a daughter.

However, women business owners are more likely to involve their daughters than men

56% of women business owners had a daughter working with them compared to just 38% of men owners.
Survey Methodology

Owners of businesses with revenue of $5M+ were asked to complete a survey regarding business and economic outlooks, along with perceptions of personal business performance. The survey took place February 21 to March 11, and feedback was provided by 1,009 owners.

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