



Institute for
Family Business

Transfer of Ownership in Private Businesses Stockholm, 25- 26th March 2010



Grant Gordon, Institute for Family Business (UK)

www.ifb.org.uk



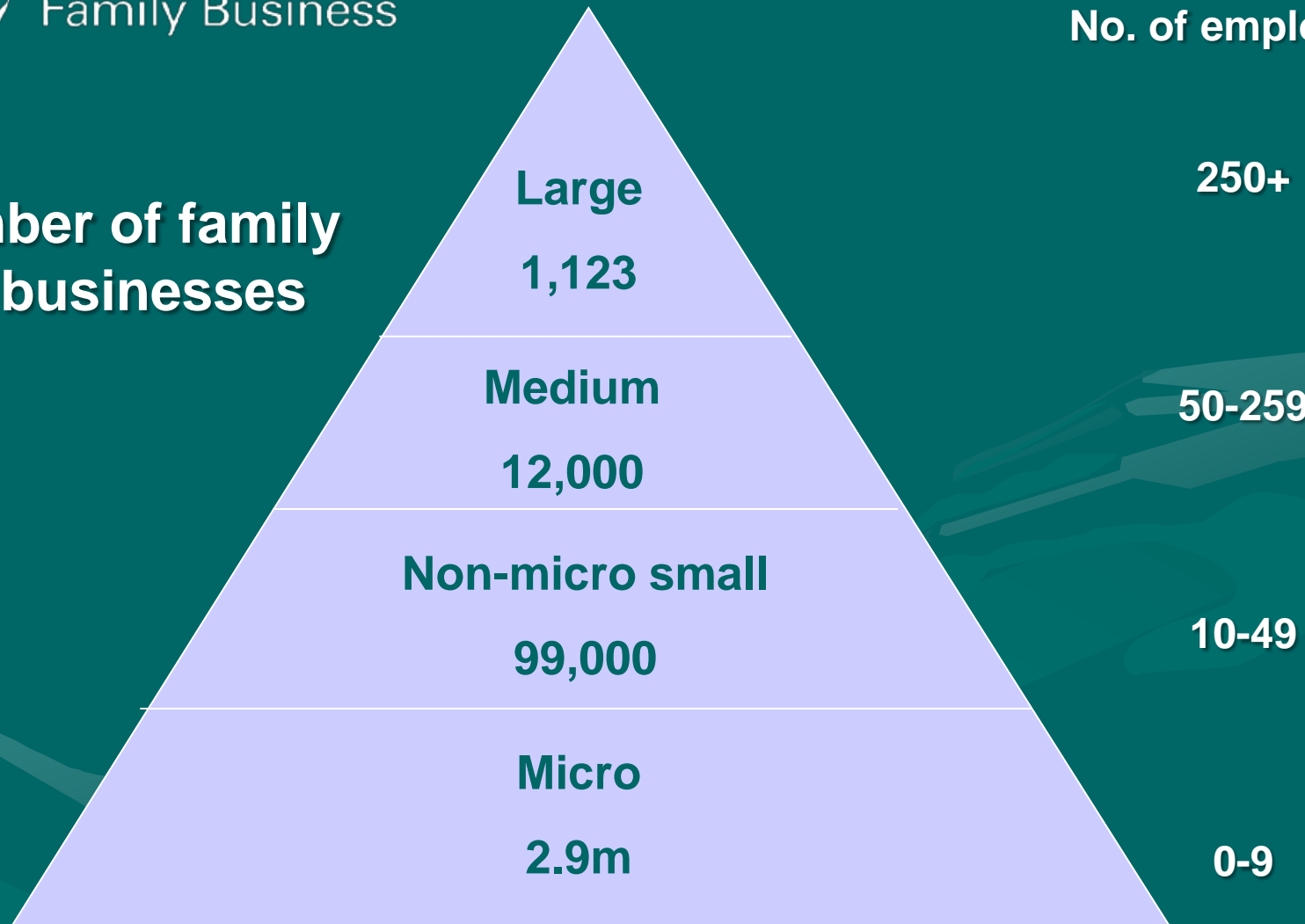
Transfer of ownership: the situation for UK family firms

- **The UK family business sector**
 - **Defining size & scope of the UK FB sector**
- **Ownership transitions in family firms**
 - **Business transfers report (2004 & 2007)**
 - **Current UK Government family business policies**
 - **Role of the IFB in supporting sector firms**
- **Q&A**



**Number of family
businesses**

No. of employees





UK Sector Comparisons (by type of ownership)

Ownership type	Turnover (£bn)	Employees (mn)
Family Business	£1,065	9.5
Private Equity	£425	2.8
Quoted (FTSE All Share)	£1,200	7.5

Family firms contribute over **30% of GDP**



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UK Government Report

Passing the baton- encouraging successful business transfers (2004)

Key findings:

- Business transfer 'failure' relates to *where the business either closes or is diminished as an outcome of a deficient succession process*
- Over 100,000 businesses per year may be affected by business transfer failure
 - There are no official statistics on business transfers
 - Key cause: relatively few small businesses have a formal succession plan



UK Government Report

Passing the baton- encouraging successful business transfers (2004 & 2007))

Key findings cont.

- Ownership transfers (internal & external) of family-owned businesses need to be carefully planned
 - Family relationships are significant predictor of the success
- Family members are less interested in taking on the business or may lack the skills necessary
 - Increase in outside transfers lends the business transfer market increased prominence
- Tax constraints pose relatively few concerns for transfers



UK Government Policy

Four active policy strands towards family business:

1. Awareness raising and information
2. Financial support with loan guarantee schemes
3. Flexible ownership structures including employee owned companies
4. Tax policies encouraging family business stewardship

Two non-active areas:

1. Assisting business transfer planning
2. Dealing with market failure: matching buyers and sellers



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UK Government Policy Awareness raising & information

Business Link website – in association with IFB

<http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1074039321>

- Advantages of family businesses
- Key things to consider when setting up a family business
- Communication and family businesses
- Managing conflict in family businesses
- Pay and benefits for family members
- Draw up a family-business constitution
- Succession planning in family businesses
- How having a family member in the business made a difference



UK Government Policy Taxation

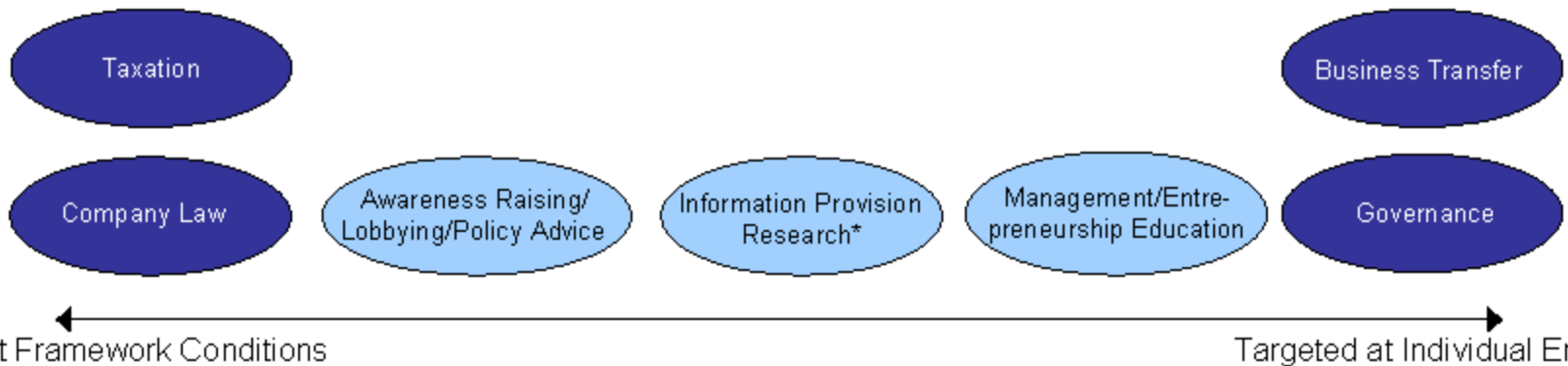
Ensuring family firms are recognised and remunerated for the positive externalities they contribute to UK society

1. Relief on **Inheritance Taxation** delivers exemptions allowing intergenerational transfer of assets
2. Holdover relief on **Capital Gains Tax** shelters owners from crystallisation of tax charge on inter-family transfers of shares
3. Financing the FB: **Corporation Tax** treatment of debt is more favourable than equity



European Family Business Expert Report

1. Conduct & disseminate research: **IFB Research Foundation** – generating thought leadership on the sector
2. Raising Sector awareness: **IFB Representation** – the voice for UK family business lobbying for family firms (representing businesses with £38Bn revenues)
3. Improving planning: **IFB Forum & Direct-** providing tools to improve governance and management of generational transitions





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Thank you

Transfer of Ownership
in Private Businesses
– European Experiences

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