



OWNERSHIP INFORMATION SHEET

Business Succession

MIS101 V2.1 - 19 January 2010

According to research undertaken by the accountants association CPA Australia (2004):

- The typical family business owner is 57 years old;
- 40% of these owners are planning to leave their business within the next five years;
- Of these, 66% are depending on their business to fund their retirement;
- However, only 38% of these have succession plans;
- Retirement of business owners will be the main reason for business transfers over the next decade;
- A growing number of business transfers will take place outside of the family;
- At present, only 25% of owners plan to pass on their business to family members; and
- One third of business owners presently believe that they will have a major problem in selling their business.

Planned business succession will be critical to the ongoing success of many businesses. The 'market convergence' problem of too many sellers and not enough buyers has seen the following results overseas:

- It is estimated that 30,000 companies in the EU close each year through bungled succession threatening some 300,000 jobs. Many EU countries have now responded by setting up programs to assist with business successions;
- The recent cross-departmental review (Passing the Baton) undertaken by the UK Small Business Service revealed that a significant number of businesses are vulnerable to transfer failure. It is estimated that only between 5 and 15% of family businesses reach third generation;
- A UK survey from 2001 indicated that approx 30% of closures could be regarded as succession failures where otherwise viable businesses close for lack of a suitable successor to the owner. The survey concluded that support systems for business transfer are only partially developed;
- Business sales to employee groups now account for 18% of all private small to medium enterprise business sales in the USA;
- In Canada, private small to medium enterprises that are sold to employees succeed 80% of the time versus only 30% to 50% when sold to family and/or 3rd parties; and
- There is a rapidly growing number of successful community and employee buyouts of businesses now occurring throughout the UK. It is estimated (2005) that the employee and community owned business sector has a turnover 14 billion pounds per year.