Dirnad Economi Cymru
Economic Intelligence Wales

SME Business Ownership Succession Planning

July 2026

Contents

This report was written by Mark Lang, Max Munday, Annette Roberts, and Neil Roche of the Welsh Economy Research Unit at Cardiff Business School as part of the Economic Intelligence Wales research collaboration.

Mark Lang, Max Munday, Annette Roberts, Neil Roche

Welsh Economy Research Unit, Cardiff Business School
mundaymc@cf.ac.uk

For further information or to submit feedback and research proposals please email: EconomicIntelligence@developmentbank.wales

The ONS has advised on the production of this report but is not responsible for the views or statistics presented and has not validated the content.

Summary

This Economic Intelligence Wales report considers the following business ownership succession planning research questions:

- What are the barriers to effective business succession planning among small and medium-sized enterprises in Wales?
- How can the multiple dimensions influencing business succession be best understood?
- How far does publicly available data help in understanding the level of business dynamism in respect to changes in the ownership of Welsh firms?
- How are the multiple dimensions identified in the business succession process reflected in Welsh business cases?
- What specific policy recommendations arise in addressing these questions?

Drawing on existing literature, quantitative data, and qualitative interviews with business owners and stakeholders, several key findings emerge. These findings highlight that **although succession planning is critically important to the resilience and continuity of Welsh-owned businesses, it is significantly underdeveloped**. Data indicates the size and scope of the business ownership succession issue in Wales, but, more positively, also suggests the scale of the opportunity.

The report proposes a multi-dimensional framework to better understand SME ownership succession planning in Wales. Outcomes are understood to emerge from the interaction of five interrelated domains: owner factors; organisational capacity; family and relational dynamics; financial and regulatory conditions; and place and industry-based context. The report concludes that succession is best understood not as a singular event linked to owner exit, but as a complex and context dependent process that is shaped by behavioural, organisational, financial, and place-based factors.

The findings reached in this report lead to the following overarching recommendation:

- **Establish a single, accessible support service to drive SME ownership succession planning in Wales.** Although some succession types are well served, such as EOT succession support provided by Cwmpas or financial support provided by the Development Bank of Wales, there is currently limited comparable dedicated support offered to other succession types or funding options, and business support in this area is fragmented. Such a service might be developed by the proposed new national development agency, but should work closely with organisations such as Business Wales, the Development Bank of Wales, and Cwmpas that have expertise and experience in this area.

Summary

The report also makes the following further recommendations:

- Further develop **online information resources** that assist business owners to explore a variety of succession options as an intial gateway, with a potential role for Business Wales in this respect (but with this subject to an evaluation of the people and finance resources required to develop new information content). This might take the form of a one-stop shop approach that better signposts owners of different types of firms to specific support and expertise available
- **Embed succession planning in early-stage business support** provided by Business Wales and other agencies to encourage business owners to consider their long-term business objectives from the outset.
- Focus on **information provision**, revealing to SMEs the dangers of poor succession planning, as well as the opportunities that may extend from well-planned and implemented ownership transition. This would be a means of nudging owners to be more proactive in forward planning processes.
- Develop and make greater use of **case studies to reveal the merits of effective succession pathways**. There should be further opportunities for businesses to peer-to-peer learn from best practice.
- Provide specific guidance on how to develop an appropriate succession plan, perhaps supported by the development of **a reflexive toolkit** that can be tailor-made to fit particular businesses and sectoral needs, and preferred succession types.
- Recognise **the important role performed by peer-to-peer business networks and private sector advisors**, and especially accountants, as trusted, long-term partners in supporting business succession planning. This may include targeted training and support to enable advisors to effectively guide clients through succession planning.

Introduction

1

1.1. Business ownership succession planning

There has been a significant and long-lasting debate concerning the ownership of businesses in Wales. Preceding research has tended to focus on the economic benefits of local ownership, particularly those associated with local wealth anchoring and entrepreneurial capacity building. Research has also focused on the economic development issues connected to extraterritorial ownership of businesses in Wales. Rather less attention has been given to the impact of internal business ownership succession planning on building individual business resilience, strengthening internal governance, and improving long-term performance. There has also been limited research into how far effective succession processes that retain local ownership feed through to critical Welsh concerns such as productivity growth.

Ownership changes alongside initial entrepreneurship processes mark out critical stages in business development. Poorly formulated succession strategies can leave firms hamstrung, whether they are micro-enterprises or multinationals. Unfortunately, public sector interventions in the SME space have often focused more on encouraging new start-ups, or sought to encourage the growth of firms, rather than tackle potentially more challenging issues such as how succession planning can lead to new entrepreneurial opportunities, or how succession planning can lead to stronger growth prospects.

Although business support mechanisms exist for start-up and scale-up, albeit sometimes fragmented, rather less support is available for succession planning and business owner exits. Critically, however, these latter factors are essential stages in the business lifecycle and supporting the retention of local ownership has become increasingly important in Welsh economic policy discourse.

For smaller firms, with more limited resources, there are specific challenges to successful succession planning. There is a persistent difficulty that small business owners can be so tied up with the operational side of their businesses that more focused strategic planning is postponed until a crisis emerges. Critically, poor forward planning might also mean that ownership succession is forced by external circumstances or undertaken with limited preparedness.

One challenge to successful, targeted, and nuanced intervention is that business ownership succession can mean different things in different circumstances. Indeed, the terminology 'succession' is often used interchangeably with 'exits'. Business owners often talk about their personal 'exit' from ownership, whilst using the term 'succession' when discussing, in a more abstract sense, the future of their business.

There are a range of succession models (Figure 1.1) that are likely to require tailored support, and sectoral differences are likely to further add to this complexity.

Introduction 1

Figure 1.1.
Common types of SME ownership succession

External merger and acquisition	Transfer to employee ownership	Transfer to charity
Management buy-out	Business ownership succession models	Initial public offering
Management buy-in		Institutional buy-out
Buy-in management buy-out	Transfer to family member	Forced succession, bankruptcy etc.

Figure 1.1 reveals succession routes in terms of:

- **External merger and acquisition (M&A)**: a business is sold to or merged with an external company that assumes ownership and control.
- **Management buy-out (MBO)**: an existing management team purchases the business from the current owner.
- **Management buy-in (MBI)**: an external management team acquires the business and takes over its management.
- **Buy-in management buy-out (BIMBO)**: a combination of existing managers and external managers jointly acquire and run the business.
- **Transfer to employee ownership**: ownership is transferred wholly or partly to employees, often through an employee ownership trust (EOT) or share scheme.
- **Transfer to family member**: ownership and control pass to one or more family members, typically through inheritance or succession planning.
- **Transfer to charity**: the business or its ownership stake is donated or transferred to a charitable organisation or trust.
- **Initial public offering (IPO)**: the company sells shares to the public and becomes publicly listed on a stock exchange.
- **Institutional buy-out (IBO)**: a financial institution or private equity investor acquires a controlling stake in the business.
- **Forced succession**: ownership changes involuntarily due to financial distress, legal processes, or unexpected events affecting the owner.

Introduction

Data sources tend to inevitably focus on events in terms of changes in underlying ownership or structure. There may, however, be an element of succession in terms of control of the firm's operation without a dilution of owner capital stake and/or firms being 'gifted' to new owners or family members. Unfortunately, as this report reveals, exploring business succession in Wales is made difficult by limited data, although there is evidence to suggest that some succession options (such as MBO) are more frequently adopted than others.

Previous Economic Intelligence Wales research has revealed that there are information gaps about processes of business succession in Wales[1]. Consequently, it is likely that succession events in small and family-owned enterprises often fall under the radar of official statistics. As has been repeated in a wide range of economic policy reports, policy development and resource targeting need to occur in the context of better information.

1.2. Research questions

This report is not an evaluation of existing intervention mechanisms. Instead, the report aims to address a series of questions as follows:

- What are the barriers to effective business succession planning among small and medium-sized enterprises in Wales?
- How can the multiple dimensions influencing business succession be best understood?
- How far does publicly available data help in understanding the level of business dynamism in respect to changes in the ownership of Welsh firms?
- How are the multiple dimensions identified in the business succession process reflected in Welsh business cases?
- What specific policy recommendations arise in addressing these questions?

1.3. Structure of the report

The remainder of this report is structured as follows. Section 2 provides a brief review of the literature on business ownership succession planning and outlines the various dimensions that determine success or failure. Section 3 focuses on what existing data can, or cannot, reveal about changes in the ownership of Welsh businesses. Section 4 reports on a series of interviews conducted with small businesses and stakeholders to inform this report. Section 5 provides some overarching conclusions and recommendations.

[1] EIW succession report May 2020 ENG Final.pdf

SME ownership succession planning

Ownership succession planning and business owner exits are essential aspects of small business research, but they remain insufficiently explored. SMEs account for a substantial share of employment and value creation, but they often lack the preparedness for ownership transition found in larger businesses. Poor preparedness exposes small firms to heightened risks of closure and can be linked to local value erosion and job losses (CLES, 2022). Despite a longstanding acknowledgement of these risks, succession planning has been found to be weakly embedded in SME practice and is poorly supported by intervention frameworks (De Massis et al., 2008). Business support that does exist can be fragmented, and either too generic or target only on a limited set of circumstances.

This issue is particularly acute in regional economies such as Wales, where SME ownership structures, demographic trends, and prevailing market conditions shape succession opportunities. One report, which explored SME succession awareness and mapped associated support, noted that the Welsh economy had a relatively large dependence on micro-sized businesses (fewer than 10 employees) '...which are often more dependent on the founder and, therefore, more difficult to sell...' (Wavehill, 2017). The Wavehill study extended previous work for the Wales Co-operative Centre (Davies and Michie, 2012) by reviewing changes in the policy, tax, and regulatory environment for employee ownership, providing context for the evidence gathered across UK and Welsh economic policy.

A subsequent report by the Federation of Small Businesses (FSB, 2017) into Wales' 'missing middle' highlighted succession planning as a major concern. The report found that some business owners had imminent decisions to make on succession planning and business exit. The owners were reluctant to sell-up and potentially lose the 'family ethos and local feel' that had been built up and were trying to reconcile this against planning for retirement.

Other businesses talked of how important access to government-funded leadership and management support had been in helping with succession planning when a partner left the business. Additional succession-related issues raised in the report included challenges and opportunities resulting from generational changes as elder members of the business retired.

Academic literature on business succession has typically focused on family firms and intergenerational transfer. Research exploring non-family SMEs and alternative ownership routes has been underdeveloped. More recently there has been a broader interest in this field and contemporary research has challenged linear and rational models of succession, instead emphasising uncertainty, postponement, and unintended outcomes (Pahnke et al., 2024).

The short review that follows explores some of the existing literature on SME ownership succession planning. In particular, the review considers behavioural, organisational, and financial aspects. The review emphasises that SME succession is a dynamic and context-dependent process. Where possible, research undertaken in Wales is reviewed, but this remains limited. The review concludes by identifying a series of factors critical to small business ownership succession planning, which will be further explored later in this report.

2.1. The prevalence of SME succession planning

A consistent finding across studies is that formal succession planning is unusual among SMEs. Small business owners typically delay engagement with succession until, for example, their retirement is imminent, or else avoid the issue altogether (CLES, 2022). This pattern persists despite a widespread recognition of the risks associated with unplanned exits, including by business owners themselves. It is generally accepted that a minimum of two years is necessary for effective succession preparation and business owner exits (Wavehill, 2017).

A report by the Federation of Small Businesses (ap Gareth and Milbank, 2025) noted that an ambition of business support should be '…to ensure a sustainable growth model that prioritises good succession plans, ensuring local value is kept and embedded and that exit is not due to capital flight and takeovers'. In this FSB research, respondents were asked how they would most like their business to develop over the next two years. Here, 'developing a succession plan' was noted as a priority by 28.3% of responses. The survey undertaken as part of this research also asked, 'for which of your business needs have you used business support services to address?', and succession planning was reported by nearly 14.0% of respondents. The report also noted, however, that 'none of the businesses intending to close in the next year reported having developed a succession plan with the aid of business support, indicating that further work is required to ensure that aspirations to develop succession plans are realised'.

Further evidence from Wales aligns with this broader pattern. Drawing on a survey of 307 SMEs employing between 5 and 50 people, Wavehill found that just 7% of these businesses anticipated ownership transfer (or closure) within three years, while just 16% had considered succession planning in the longer term (Wavehill, 2017). These findings suggest that succession planning is not sufficiently or broadly embedded as a routine business strategy or activity amongst SMEs.

Family-owned firms exhibit a higher degree of planning or stated intention to plan for intergenerational succession. However, whereas in the Welsh sample (Wavehill, 2017) 45% of family-owned SMEs reported an agreement or potential future agreement to pass the business to a family member, 47% had no formal succession plan. Even those businesses intending to plan for succession often fail to do so in practice. This gap between intention and outcome reflects a recurring theme in the literature: that succession planning is highly contingent and frequently disrupted in practice (Pahnke et al., 2024).

2.2. The limitations of existing research

The small business succession literature is heavily skewed towards family firms, with research typically exploring intergenerational transfer, identity, legacy, and family governance (Kirby and Lee, 1996; LeCounte, 2020; Yedder, 2018). Whereas these studies provide valuable insight into the emotional and relational dimensions of succession, it is important not to risk over generalisation when findings are applied to the wider SME business population.

Conversely, non-family SMEs, management buy-outs and buy-ins, employee ownership trusts, and external sales are comparatively under-researched, despite their prevalence. These ownership routes involve distinct governance and financing structures, and stakeholder dynamics, that are inadequately captured in family-focused models.

Recent academic research has begun to address this imbalance by reframing succession as a dynamic and uncertain process, characterised by postponement, negotiation, and unintended outcomes rather than orderly transition (Pahnke et al., 2024). This shift is particularly relevant for SMEs operating in local economies where successor entrepreneurship, advisory support, and financing options may be more constrained.

2.3. Owner behaviour

Owner-related behavioral factors are among the most consistently cited barriers to effective succession planning. Studies highlight the difficulty many owners experience in confronting their eventual exit, particularly where their business constitutes a core element of personal identity and social status (Magasi, 2016; Gundolf et al., 2013). For many owners, their business represents their life work. Fear of retirement and loss of purpose frequently lead to avoidance or deferral of succession decisions.

Importantly, these behavioral barriers persist even where owners recognise the importance of planning (Noor et al., 2023). This dissonance between rational understanding and emotional readiness tends to create a timing paradox. Engagement with succession planning often increases with age or when owners exits are imminent, yet late-stage planning reduces the time available for successor development, and for essential prerequisites such as business restructuring and financial preparation (Brown and Coverley, 1999).

There is a close interdependence of SME ownership succession planning and owner exits or retirement planning. Outgoing owners frequently rely on financial returns from business transfer to support retirement. Therefore, business valuation outcomes and finance availability are significant personal as well as business critical factors (Wavehill, 2017). This linkage reveals the importance of integrating personal financial planning with business succession support.

In family-owned SMEs, succession planning is embedded within complex relational structures that extend beyond purely economic considerations. The availability, willingness, and suitability of family successors cannot be assumed, particularly where younger generations pursue alternative careers or geographical mobility (Venter et al., 2006). Internal family conflicts, including intergenerational tensions and sibling rivalries, can also disrupt succession processes (Brown and Coverley, 1999; Ferrari, 2021).

Communication barriers are particularly prominent. To minimise conflict, families often avoid explicit succession discussions and postpone decision-making until external pressures intervene (Noor et al., 2023). Pahnke et al. (2024) suggest that family business successions are often shaped by shifting preferences and contextual constraints. These findings challenge assumptions of orderly intergenerational transfer, even within family firms.

2.4. Capacity constraints

Organisational factors play a decisive role in shaping succession outcomes. SMEs commonly exhibit a high degree of managerial centralisation where knowledge and authority are the preserve of the owner (Ip and Jacobs, 2006; Magasi, 2016). Whilst such control may support business growth and entrepreneurship at early stages of business development, it may also magnify risks and inertia during ownership transition and impact knowledge transfer. The development of a wider management team is particularly critical for some types of succession, such as MBOs, but it may also ultimately affect business valuations for all types of ownership transfer.

Resource constraints further limit succession capacity. SMEs often lack the internal expertise or financial capacity to support succession management development and the use of external specialist advisers (Csizmadia et al., 2016). Often informal SME governance arrangements may be ill-equipped to manage the uncertainty and performance volatility that can be associated with leadership change (Brown and Coverley, 1999). Employee responses to succession planning can also influence outcomes. Leadership transitions typically generate uncertainty, and may affect staff morale, retention, and productivity if inefficiently managed (Hannonen, 2013; Rodriguez Serna et al., 2022).

2.5. External context

Succession planning is shaped not only by firm-level characteristics, but also by regional economies and regulatory contexts. Place-based contexts influence both the availability of successors and the attractiveness of business ownership transfers (Ryan et al., 2010). In regions with smaller markets or more limited entrepreneurial activity, owners may face a geographically restricted pool of potential successors or buyers, or those with the right experience or qualifications, lowering potential transfer values.

Cultural norms concerning inheritance and entrepreneurship further shape succession behavior (Casson et al., 2003; Ferrari, 2021).

In some contexts, gendered expectations may also influence succession choices and perceptions of successor legitimacy (Martin, 2001). Sector-specific contexts also further condition succession pathways. Farming businesses, for example, exhibit asset intensity and land tenure, and are strongly influenced by cultural inheritance practices (Rech et al., 2021).

Policy support for SME succession planning is an important contextual factor. Regional economic policy often acknowledges the importance of advice and finance support for SMEs, but succession planning tends to remain implicitly rather than explicitly addressed (UK Government, 2025; Welsh Government, 2025).

2.6. Knowledge transfer

The transfer of knowledge across ownership transitions is widely recognised as one of the most challenging aspects of succession planning. Much of the knowledge held by owner-managers is tacit and experiential (Sambrook, 2005). In SMEs lacking formal training systems or mentoring arrangements, this knowledge is particularly difficult to transmit (Csizmadia et al., 2016; Ferrari, 2021).

The ability to be entrepreneurial is a skillset that is especially challenging to transfer.

Successor preparedness is often constrained by a potential successor's lack of prior entrepreneurial exposure or leadership experience. The importance of ensuring an appropriate post-transition skills mix, particularly where debt servicing necessitates renewed emphasis on growth and performance, is a critical factor in managing successful ownership transitions (Wavehill, 2017). In SMEs with flat structures, or that lack a wider managerial team, these factors can be significantly amplified.

2.7. Financial, valuation, and regulatory factors

Financial considerations are central to succession planning outcomes. Business valuation frequently proves contentious, with owners' expectations often exceeding what successors or investors are willing to support or able to offer (Csizmadia et al., 2016; Merwe, 2010). Liquidity constraints following ownership transfer can further undermine firm stability. Many SMEs perceive sale to an external buyer as the only viable option, but they may (in the Welsh case) struggle to attract buyers for businesses with turnover below £5 million (Wavehill, 2017). Consequently, where debt finance is involved, valuation outcomes are shaped by lender risk assessments, resulting in negotiated compromise.

Taxation and legislative frameworks also significantly influence succession incentives. Changes to UK Business Asset Disposal Relief and reduced tax advantages for employee ownership trusts may alter the relative attractiveness of different transfer models (Financial Times, 28th November 2025). Nevertheless, access to finance remains essential across all ownership routes, including employee ownership (Nuttall Review, 2012). In Wales, in response to these challenges, the Development Bank of Wales, for example, has introduced targeted succession finance instruments to support successful ownership transitions (DBW, 2025).

2.8. A framework for understanding SME ownership succession

In summary, the literature demonstrates that SME succession planning is shaped by interdependent behavioral, organisational, financial, and external contextual factors. Lower rates of ownership transfer in weaker regional economies may, therefore, reflect reinforcing constraints rather than a single deficit. These insights emphasise the importance of understanding succession planning as a long-term, embedded process, shaped by both firm-level and industry dynamics, and place-based conditions.

Consequently, this report proposes a multi-dimensional framework to understand SME ownership succession planning in Wales. This recognises succession as a dynamic and context-dependent process rather than a single event. Thus, succession outcomes are understood to emerge from the interaction of five interrelated domains: owner factors, organisational capacity, family and relational dynamics, financial and regulatory conditions, and place and industry-based context.

These can be summarised as follows:

- **Owner-related factors** are central to engagement with succession planning. Psychological readiness, attitudes to exit or retirement, and perceptions of identity and control, influence whether and when planning occurs. Owners may recognise the rational necessity of succession planning but delay action due to emotional resistance, fear of exit, or uncertainty about post-exit income. This creates a critical timing challenge, and engagement can occur too late to support effective transfer.
- **Organisational capacity** shapes the feasibility of succession once planning begins. Firm size, governance structures, management depth, and workforce stability affect the ability to prepare successors, retain staff confidence, and maintain performance through transition. SMEs with highly centralised leadership and informal systems, and with limited financial capacity, face heightened succession risk.
- **Family and relational dynamics** introduce additional complexity in family-owned businesses. Succession intentions are mediated by family relationships and intergenerational expectations. Even where intentions exist, succession outcomes remain uncertain, with plans frequently postponed, reshaped, or abandoned entirely due to conflict or capability constraints.
- **Financial and regulatory conditions** influence both the choice and viability of succession routes. Access to finance, valuation expectations, taxation regimes, and exit and retirement planning needs interact to shape ownership transfer options. Changes in tax policy and the availability of tailored finance instruments affect incentives for different models, including employee ownership, management buyouts, and external sales.
- **Place and industry-based contexts** frame all other factors. Regional economic conditions, sectoral composition, cultural norms, entrepreneurial attitudes, and the density and coherence of advisory ecosystems shape successor availability and access to specialist support. This can ultimately determine the success or failure of small business ownership transfer.

This framework suggests that lower succession activity should not be understood as the result of a single failure or deficit. Rather, it reflects reinforcing barriers across multiple domains, indicating that effective policy responses must be integrated and place-sensitive, and align capability-building interventions and access to finance throughout the SME lifecycle. These domains can, therefore, be mediated by timing and shaped by the availability of sufficiently integrated intervention mechanisms.

The scale of the succession issue in Wales 3

This section presents a review of data that highlights the size and scope of the business succession issue in Wales, and more positively the scale of the opportunity. Business population estimates along with data on changing ownership/legal structures are analysed.

Change of ownership shareholder data is taken from the Moody FAME database to illustrate the relative dynamism in Welsh companies compared with the UK as a whole. Data on how much consideration SMEs in the UK have given to succession planning are derived from international consulting firm Azets and their quarterly 'Barometer'. Finally, observations and Development Bank of Wales data on numbers of exits by succession route are revealed to indicate where awareness raising by support bodies could best be targeted.

3.1. Business population estimates of enterprises with headquarters in Wales

Succession planning has been noted as a particular concern for Welsh SMEs. To highlight the number of business enterprises that may have a concern in succession planning in Wales, and the scope of these enterprises, data from the UK Government Department for Business and Trade Business Population Estimates[2], published in October 2025, can be utilised.

Importantly, in this data set, "counts of business (and associated employment and turnover) are based on businesses' head office location", so that an enterprise operating in Wales with a head office located elsewhere is not included in the business count for Wales.[3] The estimates include businesses registered for Value Added Tax (VAT) and/or Pay As You Earn (PAYE), and unregistered businesses.

Table 3.1 identifies the number and percentage of private sector businesses, by size band, with a head office in Wales, along with employment numbers and turnover.

The latest Business Population Estimates indicate that there were 194,200 private sector businesses[4] with their head office in Wales at the start of 2025, employing 854,000 people and with turnover of £121,139m. Recall that Wavehill (2017) research suggested that just 16% of Welsh firms have engaged in long-term succession planning, and a further 7% for transition of ownership or closure in the next three years, such that potentially around 77% or 150,000 private sector businesses in Wales have no succession plans. An estimated 99% of these enterprises were defined as SMEs[5], with these being accountable for 58% of all turnover (£70,041m), and accounting for 74% of total employment. The comparative percentage figures for the UK as a whole were 60% of employment in SMEs, and 51.2% of turnover respectively.

[2] https://www.gov.uk/government/statistics/business-population-estimates-2025

[3] Differences can occur between this data set and the "Size Analysis of Active Businesses in Wales" data release where Welsh Government allocates business units, turnover and employment for local units in Wales, to Wales, no matter where the head office is located https://www.gov.wales/sites/default/files/statistics-and-research/2026-03/size-analysis-businesses-2025-012003.pdf

[4] Private sector businesses are here defined as: Companies (including public corporations and nationalised bodies), sole proprietors and partnerships. Excludes Government and non-profit organisations.

[5] Outside of these statistics, the definition of a SME can depend on several factors, including turnover. But for these Business Population Estimates statistics, SME means any business with fewer than 250 employees.

Table 3.1.
Size by employee band, breakdown for business numbers, employment and turnover, Wales 2025

	Count			Percentage		
Size breakdown (by number of employees)	Number of businesses	Employment (000s)	Turnover (£m)	**% of businesses**	**% of employment (000s)**	**% of turnover (£m)**
Micro (0 to 9 employees)	184,135	329	28,867	94.8	38.5	23.8
Small (10 to 49)	8,415	163	18,600	4.3	19.1	15.4
Medium (50 to 249)	1,415	139	22,574	0.7	16.3	18.6
Large (250+)	235	223	51,098	0.2	26.1	42.2
All	194,200	854	121,139	100.0	100.0	100.0

Source: Business Population Estimates, Department for Business and Trade.

Table 3.1. also highlights the relatively small number of employees in medium-sized businesses in Wales (16.3%). This apparent 'missing middle' as it has been termed, also exists at the national UK level where, in 2025, 13.3% of all enterprises were in this cohort.

Business Population Estimates shown in Table 3.2 highlight that between 2010 and 2025 there was an increase in the number of SMEs headquartered in Wales of just 1.8%, with the comparative figure for the UK increasing 26.9%.

Between 2010 and 2025 there was a relatively large increase in the number of enterprises with their headquarters in Wales in both the 10 to 49 employee range ("small", +18.3%) and 50 to 249 range ("medium", +27.3%). The comparative growth in the UK was 26.8% and 31.6% respectively.

Table 3.2.
Number of private sector businesses with a head office in Wales, years 2010 and 2025 comparison

	Wales 2010	Wales 2025	Wales % change year 2010 to 2025	UK % change year 2010 to 2025
All private sector businesses	190,800	194,200	1.8	26.9
All SMEs (0 to 249)	190,600	194,000	1.8	26.9
All small (0 to 49)	189,500	192,600	1.6	26.9
All employing businesses	53,300	54,800	2.8	15.8
With no employees	137,400	139,400	1.5	31.1
1 to 9	44,900	44,800	-0.2	13.4
10 to 49	7,100	8,400	18.3	26.8
50 to 249	1,100	1,400	27.3	31.6
250 or more	200	200	0.0	32.3

Source: Business Population Estimates, 2025, [Wales: Table 26; UK: Table 24] UK Department for Business and Trade.

Table 3.2 also shows that in 2025, there were 184,200 private sector Micro businesses (0 to 9 employees) in Wales (calculated by adding the rows "With no employees" 139,400 + "1 to 9 employees" 44,800). This equates to 94.9% of all Welsh SMEs and was marginally below the figure for the UK (where 95.5% of all private sector SMEs were micro-firms).

This illustrates the importance of the private sector micro-business cohort to the Welsh economy and allows some inference to be drawn on the number of smaller firms that need to have succession plans in place.

3.2. Longitudinal small business survey

A valued resource for data on changing ownership structures and/or legal status is the Longitudinal Small Business Survey. The UK Government Department for Business and Trade publish separate reports for the Longitudinal Small Business Survey due to the use of different sampling frames - one details results from SME employers (businesses with 1 to 249 employees)[6], while the other focusses on businesses with no employees[7]. The latest data available for both reports relate to 2024 and were published in September 2025.

Looking at the results from the **SME employers cohort** first, businesses in Wales were less likely to have reported changing their **ownership structure** in the last twelve months than the all-UK survey average (1% and 3% respectively), and also less likely to have changed their legal status in that time (<0.5% for Welsh businesses and 1% for all-UK). Table 3.3 highlights the **legal status** breakdown of SME employers in Wales and the all-UK survey average. Here, a larger proportion of Welsh SMEs indicated their business was a partnership (10%) when compared to the all-UK average (7%).

Table 3.3.
Legal status of SME employers 2024

Status	Wales	All UK
Sole proprietorship/trader	6%	6%
Private limited company, limited by shares (Ltd)	68%	74%
Private company limited by guarantee	7%	5%
Partnership	10%	7%
Limited liability partnership	1%	1%
Charitable Incorporated Organisation	3%	2%
Other (includes DK/ Refused)	5%	5%
Total	100%	100%

Source: Longitudinal Small Business Survey, SME employers, Table 16 A5. Legal status – summary. Department for Business and Trade.

[6] https://www.gov.uk/government/statistics/small-business-survey-2024-businesses-with-employees/longitudinal-small-business-survey-2024-sme-employers-businesses-with-1-to-249-employees#profiles-of-smes

[7] https://www.gov.uk/government/statistics/small-business-survey-2024-businesses-with-no-employees/longitudinal-small-business-survey-2024-businesses-with-no-employees

Whereas just over two-thirds of all UK SME employers were based in an **urban** area (68%) and a third in **rural** areas (32%), the locational split in Welsh businesses was more even (urban 52%, rural 48%). Welsh SME employers were more likely to respond that their business was a **family business** (that is one which is majority owned by members of the same family) when compared with the all-UK SME employers average (75% and 73% respectively). Of the SME employers noting their business was a family business, 99% of Welsh respondents indicated that the person or family that majority-owned the business was actively involved in the day-to-day management (all UK, 98%).

Given the above, succession in Wales can be viewed as a more significant issue due to specific factors that make it particularly challenging - Wales having a larger proportion of rural businesses than the UK as a whole, and a larger proportion of family-owned firms- with both lending to challenges on succession.

Just over one quarter of Welsh SME employers (26%) had sought business **information or advice** in the twelve months prior to their interview (UK 27%). Of the Welsh businesses seeking information or advice, 1% gave **succession** (including closing/selling business) as the reason (all UK 2%).

According to the 2024 Longitudinal Small Business Survey results for **businesses with no employees**, 1% of Welsh businesses and 3% of all UK businesses had changed their ownership structure in the last twelve months, and 1% of each had changed their **legal status** in that time. Using the latest data from the Business Population Estimates published by the UK Department for Business and Trade (Table 3.2), 1% of Welsh businesses with no employees equates to roughly 1,400 enterprises. Table 3.4 highlights the legal status of SMEs with no employees, indicating that three-in-five of both Welsh businesses and the all-UK average were sole proprietors/traders. Businesses in Wales were more likely than the all-UK average to be in a partnership arrangement (16% and 6% respectively), but less likely to be a private limited company, limited by shares (Wales 17%, all-UK 27%).

[8] https://www.moodys.com/web/en/us/capabilities/company-reference-data/orbis/fame-orbis-for-the-united-kingdom.html

Table 3.4.
Legal status of SME businesses without employees, 2024

Status	Wales	All UK
Sole proprietorship/trader	60%	60%
Private limited company, limited by shares (Ltd)	17%	27%
Private company limited by guarantee	1%	2%
Partnership	16%	6%
Limited liability partnership	0%	1%
Charitable Incorporated Organisation	3%	1%
Other (includes DK/ Refused)	3%	3%
Total	100%	100%

Source: Small Business Survey, SME businesses with no employees, Table 14 A5. Legal status. Department for Business and Trade.

Examining the broad **urban/rural** categorisation, 44% of Welsh businesses without employees were classified as rural (all-UK 28%), and 56% urban (all-UK 72%). Respondents from Welsh SME businesses without employees were more likely to be a **family-owned business** than the all-UK average (89% and 83% respectively).

While 16% of Welsh SME businesses with no employees had **accessed information or advice** in the previous twelve months, 1% gave the reason for this as **succession** (including closing/ selling their business). 17% of all-UK SME businesses with no employees had accessed information or advice in the previous twelve months, but fewer than 0.5% of these were for succession reasons.

Of related interest to succession planning here, 2% of Welsh SME businesses without employees that had accessed information, or advice, gave the reason as "management/leadership development" (the all-UK comparative figure was 3%).

3.3. Change of ownership shareholder data

Change of ownership shareholder data can be used as one measure of dynamism, helping to illustrate what is happening within companies in terms of ownership and control. It can be used as a potential indicator of where a succession issue may exist. It may be expected that most companies do not to have a complex ownership 'tree' and with succession issues focused at the first layer of ownership. Data on shareholder ownership can also aid in revealing the scale of the succession issue. Table 3.5 reveals high-level data giving an indication of the scale of shareholder changes.

Moody's[8] has created an Independence Indicator within its FAME database to 'characterize the degree of independence of a company regarding its shareholders'. Known as the **BvD Independence Indicator**, this industry standard categorises a company's independence measured from 'A' (highly independent), 'B' (substantially independent), 'C' (potentially controlled), to 'D' (controlled entity). Sub-categories of 'A' and 'B' are also defined, along with a 'U' category where the ownership structure within a company is unknown.

Using data from the BvD Independence Indicator, the first row of data in Table 3.5 highlights that 1.46% of Welsh companies (or 2,412) became more dependent over the 12 months to the end of April 2026 (UK as a whole, 1.42%). Similarly, the second row of data indicates that a smaller proportion of companies in Wales (0.59%) became more independent than the UK average over the last year (0.64%). These two indicators signal a slightly higher degree of dynamism at the UK level.

[8] https://www.moodys.com/web/en/us/capabilities/company-reference-data/orbis/fame-orbis-for-the-united-kingdom.html

Table 3.5.

Summary of Change of Ownership in Shareholders data (May 2025 to April 2026)

Status	Companies in Wales	% of companies in Wales	% of companies in the UK
1. Companies that became **more dependent** (measured by change in BvD Independence Indicator).	2,412	1.46	1.42
2. Companies that became **more independent** (measured by change in BvD Independence Indicator).	972	0.59	0.64
3. Companies with a **Global Ultimate Owner (GUO) change**.	5,691	3.44	4.26
4. Companies with an **Immediate parent change**.	5,291	3.20	3.76
5. Companies with **any change in their shareholder at first level owning more than 50%**.	11,263	6.81	8.04
6. Companies with **any change in their shareholders at first level**.	20,966	12.67	13.09
7. Companies with **shareholder(s) newly identified as current manager**.	12,713	7.68	7.81
8. Companies with **shareholder(s) no longer identified as current manager**.	8,752	5.29	5.16

Source: Moody's FAME database (Data extracted on 28/04/2026).

A **Global Ultimate Owner (GUO)** refers to the individual or entity at the highest level of a corporate ownership structure. In this context, the threshold for identifying an ultimate owner is set at 50.01% ownership, meaning that any shareholder holding more than 50% of the voting rights has effective control over the company's strategic direction and decision-making. Table 3.5 reveals that there was slightly less dynamism evident in companies in Wales (3.44%) compared with the UK as a whole (4.26%).

An **immediate parent** is a company that directly holds a controlling interest in a subsidiary. This means it can control the subsidiaries' day-to-day operations if it chooses. In Table 3.5, the threshold for identifying the immediate parent is set at 50.01% ownership. Again, it is evident that for companies in Wales there is slightly less dynamism observed than the UK as a whole, with the proportionate changes in an immediate parent company being 3.20% and 3.76% respectively.

First-level shareholders refers to the direct shareholders of a company - the individuals or legal entities that own shares in that company at the first layer of ownership. For example, if Company A is 60% owned by Company B, and 40% owned by Investor C, in Moody's ownership data, Company B and Investor C would be the first-level shareholders because they directly hold equity in Company A. In Moody's terminology, 'first-level shareholders' is mainly about direct ownership, not necessarily control. A first-level shareholder can own 5%, 50%, or 80% - it simply means they are on the first ownership tier.

The fifth row of data in Table 3.5 highlights the proportion of companies in Wales, and then the UK, with any change in their shareholder at first level owning more than 50%, while the sixth row shows similar, but with no minimum shareholding percentage. The UK average figure shows greater dynamism (a larger proportion of companies reporting changes) than the Welsh figure in both measures over the last year.

Finally, the last two rows of data in Table 3.5 reveal changes in current managers. The seventh row indicates companies with **shareholder(s) newly identified as current manager**. Data from Moody's tracks both ownership structures and officer/board relationships. Identifying shareholders newly classified as current managers helps analysts detect when a passive owner becomes an active decision-maker. As well as potentially benefiting corporate governance analysis, investment due diligence, and credit risk assessment, this figure can flag dynamism in business succession. The Welsh figure here is only slightly below that of the UK (7.68% and 7.81% respectively).

Identifying companies with shareholder(s) **no longer identified as current manager** is useful as it assists differentiating economic ownership from operational authority. It also helps in improving clarity around ownership, governance oversight, and risk evaluation. Again, Table 3.5 highlights Welsh companies showing similar figures to the UK average.

It is important to note here that the FAME data may not fully identify the smallest enterprises with no stated employment.

3.4. Azets Barometer

Azets, an international business advisory group, surveys over 1,700 businesses across mainly northern Europe as part of its business 'Barometer'. The research, published quarterly, seeks to 'analyse trends relating to economic outlook, financial performance, and emerging threats and opportunities'.

Firms operating in the UK, Ireland, Norway, Finland, Sweden, and Denmark were included in the analysis for 2026Q1. A caveat from this latest analysis is that the total sample size was 1,768, including 492 from the UK. Of this 492, a total of 254 were classified as UK SMEs.

Table 3.6.
How much thought were organizations giving to succession planning? (%), 2026Q1

Score description (0 to 10)	All % (n=1,768)	UK SME % (n=254)	UK large % (n=238)
0: No consideration at all	2	6	0
1:	1	0	0
2:	1	2	0
3: Minimal consideration	5	9	4
4:	3	2	2
5: Some consideration	14	21	11
6:	12	11	7
7: Significant consideration	24	29	24
8:	20	11	27
9:	14	3	16
10: Fully integrated into strategy	4	7	8
All %	100	100	100
Average scores (out of 10)	**6.7**	**5.9**	**7.3**

Source: Azets Barometer, 2026Q1.

[9] https://www.azets.com/en/about-us/azets-barometer

The Azets barometer asks business leaders 'How much thought is your organisation giving to succession planning?' and enables responses on a scale of 0 to 10 where: 0 = 'No consideration at all'; 3 = 'Minimal consideration'; 5 = 'Some consideration'; 7 = 'Significant consideration'; and, 10 ='Fully integrated into business strategy'. Table 3.6 highlights the breakdown by amount of consideration given by the type of business surveyed in February and March 2026[10], indicating that 7% of UK SMEs reported having fully implemented succession planning into their business strategy – this being 1.0 percentage points behind the comparative figure for UK large firms (8%). The average score on the Azets Barometer for succession planning was 5.9 out of 10 for UK SMEs in 2026Q1, and 7.3 out of 10 for UK large businesses. Note here that the sample sizes for the UK are quite small.

The Azets Barometer shows data by industrial sector for each country on how much thought organisations had given to succession planning. For UK SMEs in 2026Q1, the sectors leading in succession planning engagement were education (average score of 7.2 out of 10), transport and storage (6.9), property/real estate (6.4), and manufacturing (also 6.4). Sectors with relatively lower scores included health (5.3), trade (5.3), and professional and business services (5.4).

3.5. Data on succession routes in the UK

There is little robust data available in the UK highlighting the breakdown in numbers of completed exits by succession route. However, some observations around the most commonly considered types of succession, and their challenges are outlined in Table 3.7.

[10] https://app.displayr.com/Dashboard?id=d3533906-9006-42fc-8697-c2534e39b5d8#page=4d0f6db4-b574-4863-a59f-2e0cee690a7a

Table 3.7.
Breakdown of most popular of succession routes and their challenges

Succession route	Description	Challenges
Trade Sale[11]	Remains the "default" succession route. Usually a buyer from the same or similar sector acquires the enterprise, typically with the support of a corporate finance manager. Trade sales have proved to be effective for larger firms capable of attracting corporate interest.	The process can be lengthy, costly and uncertain for smaller SMEs that account for the majority of enterprises seeking exit.
Management Buy-out (MBO)[12]	Often cited as a preferred succession option. An MBO can offer continuity for employees, customers and suppliers, while allowing the owner to exit gradually.	Dependent on having a sufficiently rounded secondary management team in place who are capable of taking on leadership of the business. In many smaller firms, the owner remains central to operations and there is no management team with the capacity to take over.
Management Buy-in (MBI)[13]	An outside management team purchases a substantial ownership interest in an established company and assumes key leadership and executive positions.	As above with MBO, one of the major barriers for MBIs is having a capable management team that is both willing and able to acquire the business, as well as access to acquisition finance.
Buy-in Management Buy-out (BIMBO)[14]	A company restructures its share ownership to facilitate a change in management. Existing managers acquire a sufficient stake in the business to complete a management buyout from within, while external managers join the company and take on leadership roles through a management buy-in. To finance the transaction, both the internal and external management teams may seek funding from venture capital investors or other financial backers.	As above, relies on capable external management team.
Employee Ownership Trust (EOT)[15]	A trust structure that acquires and maintains a controlling stake in a trading company for the collective benefit of its employees. Instead of employees purchasing shares directly, the EOT acts as the majority shareholder, holding the shares on behalf of the workforce as a whole. Adopted less frequently than more conventional business succession options.	In general, best suited to skilled businesses management teams, with a track record of profitability, and sufficient cash flow to support the transaction over an extended period. Changes to the tax treatment of qualifying EOT sales have reduced some of the incentives that previously encouraged their use.

[11] https://www.exitradar.co.uk/blog/uk-business-exit-statistics?
[12] https://www.exitradar.co.uk/blog/uk-business-exit-statistics?
[13] https://sprintlaw.co.uk/articles/management-buy-ins-explained-legal-considerations-for-business-owners-and-investors/
[14] https://www.lexisnexis.co.uk/legal/glossary/bimbo-buy-in-management-buy-out
[15] https://sprintlaw.co.uk/articles/employee-ownership-trusts-eots-in-the-uk-explained/

Development Bank of Wales data on types of succession, shown in Table 3.8, reveals the outcomes of 360 companies that have received funding for succession over the period 2017- May 2026. Trade sales accounted for 48% of successions by number of investments and 52% by value (note that some companies have had multiple investment events in the period), while the corresponding values for MBOs were 37% and 36%. EOT successions were chosen by a relatively very small number of enterprises. In terms of impact interventions that could be carried out by support bodies, then action / recommendations to strengthen awareness might need to focus on the areas of Trade sales, MBOs and MBIs.

Table 3.8.
Development Bank of Wales data on succession routes (2017-May 2026)

Succession type	Number of investments	% Number of investments	Investment value £m	% Investment value	Number of companies	% Companies
Acquisition/Trade sales	178	48	91.66	52	167	46
MBO	136	37	62.78	36	135	38
MBI	47	13	11.42	7	47	13
BIMBO	5	1	4.1	2	5	1
EBO	6	2	5.09	3	6	2
Total	**372**	**100**	**175.05**	**100**	**360**	**100**

Improving succession outcomes presents economic opportunity. When no workable succession route can be found, closure becomes a possible outcome, with the associated economic and social value loss of factors including operational knowledge, long-established customer relationships, and supplier connections.

3.6. Summary

The business population estimates included in this section illustrate the importance of the private sector micro-business cohort (0 to 9 employees) in Wales and allow inference to be drawn on the number of smaller firms that need to have succession plans in place.

The Longitudinal Small Business Survey data highlight particular characteristics of private businesses in Wales liable to be pertinent when examining succession planning, such as their being more likely to be a family business, and more likely to have a legal status of 'partnership' when compared with the UK average.

The change of ownership shareholder data, shown in this section, generally reveals a slightly higher degree of dynamism at the UK level than in Wales, while analysis of the Azets Barometer provides additional UK and international context on how much thought organisations were giving to succession planning.

Observations and data on the number and value of completed successions in the UK indicate that focus should be placed on awareness raising of Trade sales, MBOs, and MBIs.

Thematic analysis of qualitative interviews 4

This section presents a thematic analysis of the findings from a series of qualitative semi-structured interviews conducted with SMEs and conversations with a small group of connected stakeholders across Wales. These were undertaken through a mixture of online and face-to-face conversations and were held between January and March 2026.

The businesses span a range of sectors, including legal services, manufacturing, digital and creative industries, food production, and business services. Table 4.1 provides anonymised details for each of the interviews undertaken[17]. The authors are grateful to the businesses and agencies that have taken the time to engage with this research.

[17] Interviews were undertaken with ethical approval from the Cardiff Business School Research Ethics Committee

Thematic analysis of qualitative interviews

Table 4.1.
Project interviewees

Interview	Interviewee	Business structure	Succession strategy
		SME business owner interviews	
A	Current Co-Owner	Legal services business, three co-owners with equal shares, around 20-25 employees, South Wales.	Individually negotiated by departing shareholder, typically buy-in, must be approved by remaining shareholders.
B	Current Co-Owner	Marketing materials and printing business, three equity partners, around 25-30 employees, South Wales	Completed an MBO process within last five years, early stages of thinking about future succession planning.
C	Current Co-Owner	Specialist technology business, three equity partners, around 50 employees, North Wales.	Completed an MBO process within last five years, early stages of thinking about future succession planning.
D	Current Owner	Building products business, one owner, 35-40 employees, South Wales.	Completed an MBO process within last five years, early stages of thinking about future succession planning.
E	Current Co-Owner	Legal services business, between 5 and 10 equity partners, around 60 employees, North and South Wales locations.	Individually negotiated by departing shareholder, typically buy-in, must be approved by remaining shareholders.
F	Current Co-Owner	Specialist recycling business, 2 equity owners, around 100 employees, South Wales.	Completed an MBO process within last five years, future succession planning at early stage with systems being put in place.
G	Former Owner	Business services business, 1 equity owner, between 10-15 employees, West Wales.	Completed an MBO process within last five years, interviewee was former owner.
H	Current Owner	Specialist engineering business, 1 equity owner, between 40-50 employees, South Wales.	Completed an MBO process within last five years, future succession planning at early stage with systems being put in place.
I	Current Owner	Food manufacturing and services business, 1 equity owner, 20-25 staff, South Wales.	Current owner stepping back from active management of the business, family member succession planning underway.
J	Current Owner	A textile wholesale business, 2 equity owners, 5-10 staff, South Wales.	Current owner planning to stand back from active management of the business, family member succession planning underway.
K	Current Co-Owner	Branding agency, 3 equity owners, 15-20 employees, South Wales.	Completed an MBO process within last five years, future succession planning at early stage.
		Stakeholder interviews	
L	A small business membership and representative organisation.		
M	A UK professional membership and representative organisation.		
N	A not-for-profit business support and development organisation.		
O	A business finance organisation.		

Thematic analysis of qualitative interviews 4

Although the interviews with business owners were loosely structured, a menu of possible questions (contained within the Appendix to this report) was referenced during the interviews to help ensure, where appropriate, each interview covered at least the central themes identified in the literature review for this report. There was scope for additional input from interviewees beyond these themes. Interviews with stakeholder groups were high-level and consultative conversations, and were used to inform wider understanding and frameworks rather than address specific questions.

Consistent with the small business and entrepreneurship literature, some of which is referenced in the section 2 literature review in this report, succession planning is conceptualised as an extended and relational process, rather than as a discrete event.

Mapped against the literature review framework, business owners' interview responses are thematically presented under five structured headings. These are:

- **Owner-related factors** (i.e. emotional resistance, fear of exit, or post-exit income planning).
- **Organisational capacity** (i.e. business size, governance structures, management depth, and workforce stability).
- **Family and relational dynamics** (i.e. intergenerational factors).
- **Financial and regulatory conditions** (i.e. access to finance, valuation expectations, taxation regimes, and retirement planning).
- **Place and industry-based context** (i.e. regional economic conditions, sectoral composition, cultural norms, and the density of advisory ecosystems).

4.1. Owner-related factors

Owner-related factors emerged as a central dynamic in shaping engagement with succession planning and, critically, its timing. Across the interviews, a distinction was evident between awareness of the necessity of succession and either the psychological or practical readiness to act. This aligns strongly with existing research emphasising the centrality of the owner–manager in small firms and the emotional dimensions of ownership and business exit.

Several interviewees delayed formal succession planning despite recognising its importance. Interview I illustrates this dynamic, as succession planning was only seriously considered when the owner reached their mid 50s and began to consider exit and reflect on retirement income.

Similarly, Interview G described how intentions to pass the business on to children initially limited engagement with alternative succession routes. Only when this option receded did the owner begin actively exploring other pathways.

Even where succession was planned in principle, implementation was frequently delayed. Interview C describes how the now owner was recruited into the business as part of a succession strategy around ten years prior, yet formal transfer of ownership did not occur until around 2022. This extended transition period perhaps reflects the difficulty many owner–managers face in relinquishing control, even when successors are in post, although it may also reflect wider practical challenges in doing so.

Concerns around autonomy and identity were particularly salient where external finance or equity participation was involved. Interviews A and E both reported strong resistance to succession models that involved external equity stakes, board representation, or ongoing scrutiny. In these cases, preserving professional autonomy and control was prioritised over potentially more efficient financial arrangements. These findings are consistent with research (such as Pecking Order Theory[18]) highlighting the role of owner identity and control preferences in shaping strategic decision-making in small firms.

Timing emerged as a critical recurring issue. In several cases (Interviews D, F and K), successors had already been running the business operationally for an extended period before ownership formally transferred. While this reduced disruption and facilitated continuity, interviewees recognised that delayed formalisation risked constraining future planning. Overall, the findings suggest that succession planning may be constrained both by owner readiness and emotional barriers to exit, as well as technical feasibility.

4.2. Organisational capacity

Organisational capacity significantly influenced the feasibility and form of succession once engagement began. Firm size, governance arrangements, management depth, and the presence (or absence) of formal systems shaped the range of viable succession options available to businesses.

Businesses with established senior management teams and formalised processes were better positioned to pursue management buyouts or phased ownership transfers. Interview F provides an example of this, as the business recruited a new managing director and additional senior managers with the explicit aim of developing a future ownership transition. Because prospective owners were already embedded in the organisation, knowledge transfer was not a major concern, and the succession process was perceived as credible by customers and employees.

In contrast, firms characterised by flat structures and highly centralised leadership faced more constrained options. Interview I explicitly ruled out an MBO because the business lacked a management team, requiring the owner to focus first on systemisation and reducing reliance on their own involvement. Interview J similarly indicated that while staff had the operational capability to run the business, they lacked the entrepreneurial and strategic skills needed to assume ownership.

High degrees of centralisation increased succession risk. In Interviews H and I, owners had historically been deeply involved in day to day operations, and only began introducing formal systems, governance arrangements, and second tier management once succession planning became unavoidable. This restructuring may create additional pressure and uncertainty, thus reinforcing the importance of early organisational preparation.

Workforce stability had mixed effects. Interviews B and C reported very low staff turnover, which supported continuity but also resulted in ageing workforces and limited leadership pipelines. By contrast, Interviews F and H benefited from apprenticeship schemes and structured recruitment pathways, supporting longer-term succession planning. Overall, the findings reinforce existing evidence that limited organisational capacity and informal systems heighten succession challenges in small businesses.

[18] Myers S and Majluf N (1984). 'Corporate financing and investment decisions when firms have information that investors do not have', Journal of Financial Economics, 13:2, 187-221. DOI: 10.1016/0304-405X(84)90023-0

4.3. Family and relational dynamics

Family and relational dynamics added further complexity to succession planning, frequently reshaping intentions and outcomes. While intra-family succession was, where relevant, expressed as a preferred route, it was rarely straightforward or guaranteed.

In Interviews B and D, family members were introduced into the business early and progressed through structured roles, reflecting relatively planned approaches to intergenerational succession. However, even in these cases, succession was framed as a long-term and contingent process rather than a fixed endpoint. Interview D also illustrates how succession planning can be iterative, with the current owner having previously managed ownership transition for an earlier owner and now preparing for potential succession within their own family.

Other cases demonstrate how family intentions can change unexpectedly. Interview G initially assumed that their own children would inherit the business, delaying wider succession planning until it became clear that they were unwilling.

Interview I shows a late-stage reconfiguration of succession plans, with the owner's child expressing interest after several years of preparing the business for sale. This resulted in a hybrid arrangement, combining retained ownership with managerial transfer.

Relational considerations extended beyond family ties. Interview A and Interview E both highlighted perceived risks associated with bringing in external equity partners, particularly where trust, cultural fit, or shared values were uncertain. In these cases, succession arrangements relied on internal progression and private financial agreements rather than external recruitment and formal market transactions.

These findings highlight the relational embeddedness of succession planning in small businesses, whether these are family-owned or non-family-owned. Even where intentions exist, outcomes remain uncertain and are frequently reshaped by family preferences, interpersonal dynamics, and perceptions of successor capability.

4.4. Financial and regulatory conditions

Financial and regulatory conditions played a critical role in influencing both the choice and viability of succession routes. Access to finance, valuation expectations, and taxation regimes also interacted closely with owner preferences and organisational capacity.

The Development Bank of Wales (DBW) featured prominently across the interviews. Multiple interviewees (for example, Interview C, Interview F, and Interview H) reported positive experiences of working with DBW, emphasising professional processes, continuity of relationship management, and a supportive long-term approach. In these cases, DBW finance enabled succession models that would otherwise have been difficult to achieve.

In contrast, Interview A and Interview E, expressed concerns about the perceived rigidity of equity finance arrangements of the type offered by DBW, as well as perceived level of scrutiny involved, and perceived constraints on entrepreneurial decision-making. It should be noted, these businesses did not report having specifically worked with DBW, and their comments were about equity financing more generally.[19]

High street banks were largely viewed as disengaged from succession finance. Several interviewees (A, B and E) noted the difficulty of accessing tailored partnership or MBO finance products, resulting in greater reliance on personal savings, remortgaging, or private repayment arrangements.

Taxation and policy incentives also shaped behavior. Interview G considered an Employee Ownership Trust partly because of tax advantages but later rejected it due to governance concerns. Interview H explicitly called for the reinstatement of entrepreneurial tax relief, while Interview I identified a lack of accessible financial and tax planning advice as a significant barrier for owner-managers approaching retirement.

Overall, financial and regulatory frameworks not only enabled or constrained succession, but actively shaped which ownership transfer models were perceived as acceptable and desirable within the small business context.

[19] It may also noted that as well as equity funding the Development Bank of Wales also offers loans and aims to structure funding to provide the most suitable finance structure for a deal.

4.5. Place-based context

The place-based context framed and conditioned all other themes. Regional economic conditions, labour markets, sectoral composition, and the availability of advisory support varied across cases, shaping succession planning outcomes.

Several interviewees operating outside the Cardiff and M4 corridor reported both locational advantages and disadvantages. Interview B noted reduced online visibility and client acquisition associated with being based outside this location, while, conversely, Interview C described the benefits of operating in a rural area, including strong workforce stability and science park infrastructure. Likewise, Interview H viewed its non-prime location as advantageous due to relatively low premises costs and suggested that their location did not impact wider regional proximity to clients.

Labour market conditions were strongly place-sensitive. Recruitment challenges related to soft skills and work-readiness among younger workers were reported in Interviews B, D and K, while Interviews F and H indicated that they benefited from strong local labour supply. Sectoral characteristics also intersected with place, particularly in digital and creative industries, and perhaps account for some of these differences.

Reported access to professional advice and support was uneven. Interviews D, I, and J highlighted fragmented advisory landscapes, with succession support often discovered late and on an ad hoc basis through personal networks or online searches rather than systematic signposting. Some interviewees (such as A and E) intimated that the perceived time costs of identifying and accessing public sector support were too onerous and, instead, tended to access private sector specialist support from their accountants and/or legal advisors, or more informal support from peer-to-peer associations.

Taken together, these findings reinforce the importance of spatial embeddedness in small business succession, with place influencing access to successors, skills, finance, and specialist advice.

4.6. Stakeholder perspectives

The stakeholder interviews collectively highlighted the development of business succession policy and practice in Wales, alongside a recognition that no single ownership model fits all firms. Interview L reflected on how policy discussions six to seven years ago stimulated a more active response from Welsh Government and delivery partners, resulting in a broader suite of succession support mechanisms.

Employee ownership, in particular, has become an established and well-supported option (including by a specialist team based at Cwmpas), offering benefits around continuity and employee engagement. However, Interview L noted that outcomes depend strongly on business context and preparedness. Where skills, governance or balance sheets are weak, they suggested, any transition model can create later challenges. This reinforces, it was suggested, the importance of carefully matching business characteristics and ownership routes, rather than reliance on a preferred policy solution. However, whereas some succession routes were well served by public sector support, others experienced more limited and fragmented support interventions.

A further theme addressed by stakeholder interviews relates to the timing and quality of advice. Interview L and Interview M both emphasised that succession planning is most effective when embedded early in business strategies, rather than treated as a late-stage event. While Business Wales plays an important role at start-up and in signposting, Interview M described a generally complex public support landscape, with private sector advisors, and especially accountants, often acting as trusted, long-term partners. These professional relationships are not constrained by geography and Interview M suggested that rural firms may benefit from particularly deep advisory ties, often developed over generations.

From a finance perspective, Interview N indicated that Wales has a relatively strong succession funding ecosystem. Development Bank of Wales support spans MBOs, MBIs and employee ownership, with MBOs being one of the most common (as indicated in section 3). Crucially, it was suggested that funding availability is less of a barrier than 'succession readiness', including financial robustness and credible plans. Overall tax considerations remain influential, shaping the relative attractiveness of different routes over time.

4.7. Summary

The analysis confirms that succession planning in small businesses is a prolonged, relational, and context-dependent process. While awareness of succession is widespread, engagement can be delayed by owner-related factors, constrained by internal organisational capacity, complicated by family and relational dynamics, mediated by financial and regulatory frameworks, and outcomes that are embedded within place-based contexts.

These findings suggest a need for early engagement, tailored financial instruments, clear advisory pathways, and place-sensitive policy interventions to support sustainable business ownership transfer. These themes will be explored further in the following section.

Conclusions and recommendations 5

This report has examined the dynamics of business ownership succession planning among SMEs in Wales. Drawing on triangulated research methodology including existing literature, quantitative data, and qualitative interviews with business owners and stakeholders, several key findings emerge. Taken together, these findings highlight that **although succession planning is critically important to the resilience and continuity of Welsh-owned businesses, it is significantly underdeveloped**. Moreover, succession is best understood not as a singular event linked to owner exit, but as a complex and context-dependent process that is shaped by behavioural, organisational, financial, and place-based factors.

5.1. Findings

The central finding of this report is that **succession planning remains insufficiently embedded across the Welsh SME landscape**. Succession planning is not commonly pursued as a strategic activity, with actions frequently postponed. As a result, many SMEs lack formal succession plans, even though their significance is widely recognised. Succession planning is frequently postponed due to competing operational pressures, uncertainty, or reluctance to engage with the implications of owner exits. As a result, SMEs risk beginning succession processes when time is restricted or in the face of crisis, thus reducing the likelihood of optimal outcomes or the viable options available.

Owner-related factors play a particularly influential role in shaping these behaviours. Emotional and psychological dimensions, such as personal attachment, identity, and uncertainty regarding retirement income, often delay engagement with succession planning. Even where owners recognise its necessity, readiness to act is frequently constrained. This creates a timing challenge, as **late engagement limits opportunities for effective preparation, including successor development, organisational restructuring, and financial planning**. The close linkage between succession outcomes and post-exit personal financial security further complicates decision-making, reinforcing the need for nuanced and integrated support that considers both business and individual circumstances.

Organisational capacity can also significantly impact succession feasibility. SMEs are often characterised by centralised decision-making, informal governance, and limited management depth. While these features may support early-stage growth, they can hinder succession by restricting the pool of viable successors and complicating knowledge transfer. **SMEs with developed management structures and formal systems are better positioned to pursue options such as MBOs or phased ownership transitions**. Conversely, businesses lacking these capacities often face constrained succession pathways. This emphasises the importance of embedding succession planning strategies throughout the business lifecycle.

There is a high prevalence of family-owners SMEs in Wales, but while intra-family succession is often preferred in such businesses, it is rarely straightforward. Intentions to transfer ownership within families are frequently subject to change and are shaped by factors such as successor willingness or availability, capability and skills capacity, and evolving personal circumstances.

Communication challenges, differing expectations, and the potential for relational conflict can impact decision-making. Even in non-family firms, relational considerations such as trust or shared values, can affect succession outcomes. These dynamics highlight that **succession decisions are embedded within broader social and interpersonal contexts and are not purely economic transactions**.

Financial and regulatory conditions also enable or constrain succession outcomes. Access to appropriate finance is a key factor, particularly for MBOs and other internal succession routes. While institutions such as the Development Bank of Wales provide important support, gaps can remain in the availability of tailored finance solutions, especially through traditional banking channels. Valuation challenges, liquidity constraints, and taxation considerations further influence the attractiveness of different succession models. Importantly, **financial frameworks do not operate independently of other factors, as they interact with owner preferences, organisational readiness, and external conditions to shape decision-making**.

Place-based contexts are also important dynamics in framing succession. Wales' economic structure, characterised by a high proportion of micro-businesses and a relatively small number of medium-sized firms, creates specific challenges. **Regional labour markets, sectoral characteristics, and access to advisory support vary across locations**, influencing both the availability of successors and the capacity of firms to prepare for ownership transition. Access to advice is partial, fragmented, and can be difficult to navigate, with some businesses more commonly relying on informal networks or private advisors rather than systematic public support mechanisms.

Quantitative evidence suggests that business dynamism related to ownership change in Wales is relatively limited compared with the UK overall. **Indicators such as changes in ownership structures and shareholder dynamics suggest lower rates of transition activity**. While this may reflect structural characteristics of the Welsh economy, it may also point to potentially missed opportunities for business growth and the retention of local ownership.

Collectively, these findings underline the need for a more integrated and nuanced approach to succession planning within Welsh economic policy and business support frameworks. Crucially, **succession planning should be positioned as a core element of business development across the lifecycle**, rather than as a late-stage consideration.

5.2. Recommendations

The findings reached in this report on the diversity of issues faced by small business owners in terms of business ownership succession planning lead to the following overarching recommendation:

- **Establish a single, accessible support service to drive SME ownership succession planning in Wales**. Although some succession types are well served, such as EOT succession support provided by Cwmpas or finance linked support provided by the Development Bank of Wales, there is currently no comparable dedicated support offered to other succession types or funding options, and business support in this area is fragmented. Such a service might be developed by the proposed new national development agency, but should work closely with organisations such as Business Wales, the Development Bank of Wales, and Cwmpas that have expertise and experience in this area.

Although the focus here is on recommendations for public sector support, this does not diminish the responsibility of business owners to engage early with the issue of succession, to develop internal structures that promote effective succession, to better plan, and to engage with professional advice. A subset of further recommendations is made to support these aims:

- Further develop **online information resources** that assist business owners to explore a variety of succession options as an intial gateway, with a potential role for Business Wales (subject to adequate human and financial resources) in this respect. This might take the form of a one-stop shop approach that better signposts owners of different types of firms to specific support and expertise available that are appropriate to their businesses.
- **Embed succession planning in early-stage business support** provided by Business Wales and other agencies to encourage business owners to consider their long-term business objectives from the outset.
- Focus on **information provision**, revealing to SMEs the dangers of poor succession planning, as well as the opportunities that may extend from well-planned and implemented ownership transition. This would be a means of nudging owners to be more proactive in forward planning processes.
- Develop and make greater use of **case studies to reveal the merits of effective succession pathways**. There should be further opportunities for businesses to peer-to-peer learn from best practice.
- Provide specific guidence on how to develop an appropriate succession plan, perhaps supported by the development of **a reflexive toolkit** that can be tailor-made to fit particular businesses and sectoral needs, and preferred succession types.
- Recognise **the important role performed by peer-to-peer business networks and private sector advisors**, and especially accountants, as trusted, long-term partners in supporting business succession planning. This may include targeted training and support to enable advisors to effectively guide clients through succession planning.

References

Brown R and de Coverley R (1999). 'Succession Planning in Family Businesses: A Study from East Anglia, UK', Journal of Small Business Management, 37:93.

Canwell, A., Dongrie, V., Neveras, N., and Stockton, H. (2014). Leaders at all levels: Close the gap between hype and readiness. Research report, Deloitte University Press, March 2014

Casson P, Jennings P and Allen C (2003). 'The Impact of Capital Taxation upon UK Unquoted Companies', Environment and Planning C: Government and Policy, 21:4, 509–530. DOI: 10.1068/c032a

CLES (2022). Owning the Workplace. https://cles.org.uk/publications/owning-the-workplace/

Cromie S, Adams J, Dunn B and Reid R (1999). 'Family firms in Scotland and Northern Ireland: an empirical investigation', Journal of Small Business and Enterprise Development, 6:3, 253–266. DOI: 10.1108/eum0000000006677

Csizmadia P, Makó C and Heidrich B (2016). 'Managing Succession and Knowledge Transfer in Family Businesses: Lessons from a Comparative Research', Vezetéstudomány / Budapest Management Review, 47:11, 59–69. Accessed November 2025: https://unipub.lib.uni-corvinus.hu/2524/

De Massis A, Chua J and Chrisman J (2008).'Factors preventing intra-family succession', Family Business Review, 21:2, 183–199. DOI: 10.1111/j.1741-6248.2008.00118.x

Ferrari F (2021). 'The postponed succession: an investigation of the obstacles hindering business transmission planning in family firms', Journal of Family Business Management, 13:2, 412–431. DOI: 10.1108/jfbm-09-2020-0088

Financial Times (28/11/25). Budget tax rises to hit business sales to workers, warn advisers. www.ft.com/content/fae13ef7-6870-4fc2-bb64-62c873b39a5f

FSB (2017). Wales' Missing Middle. www.fsb.org.uk/resources/policy-reports/wales-missing-middle-MCRCZO3XIL5FE3HKEU7WH5N7U5GE.

Gaffney-Rhys R and Jones J (2013). 'Where there's a will there's a way: Attitudes to inheritance planning amoungst small business owners', International Journal of Law and Management, 55:2, 103–122. DOI: 10.1108/17542431311308449

ap Gareth L and Milbank F (2025). Cultivating Small Business Growth: The Future of Business Support in Wales. Cardiff: FSB. www.fsb.org.uk/resources/policy-reports/cultivating-small-business-growth-MCSULYGGWY7JGEHNAZG27JRWEKNQ

Gundolf K, Meier O and Missonier A (2013). 'Transmission of family businesses in France', International Journal of Entrepreneurial Behavior and Research, 19:1, 53–71. DOI: 10.1108/13552551311299251

Ip B and Jacobs G (2006). 'Business succession planning: a review of the evidence', Journal of Small Business and Enterprise Development, 13:3, 326–350. DOI: 10.1108/14626000610680235

Kirby D and Lee T (1996). 'Research Note: Succession Management in Family Firms in Northeast England', Family Business Review, 9:1, 75–85. DOI: 10.1111/j.1741-6248.1996.00075.x

LeCounte J (2020). 'Founder-CEOs: Succession planning for the success, growth, and legacy of family firms', Journal of Small Business Management, 60:3, 616–633. DOI: 10.1080/00472778.2020.1725814

Magasi C (2016). 'Factors Influencing Business Succession Planning among SMEs in Tanzania', European Journal of Business and Management, 8:3, 126-135.

Martin L (2001) 'More jobs for the boys? Succession planning in SMEs', Women in Management Review, 16:5, 222-231.

References

Nuttall Review (2012). Nuttall review of employee ownership. www.gov.uk/government/publications/nuttall-review-of-employee-ownership

Pahnke A, Schlepphorst S and Schlömer Laufen N (2024).'Family business successions between desire and reality', Journal of Business Venturing Insights, 21. DOI: 10.1016/j.jbvi.2024.e00457

Rech L, Binotto E, Cremon T and Bunsit T (2021). 'What are the options for farm succession? Models for farm business continuity', Journal of Rural Studies, 88, 272–278. DOI: 10.1016/j.jrurstud.2021.09.022

Rosenthal J, Routch K, Monahan K and Doherty M (2018). The holy grail of effective leadership succession planning. How to overcome the succession planning paradox. Research report by the Deloitte Leadership practice. www.deloitte.com/content/dam/insights/articles/2024/4772_leadership-succession/di-succession-planning.pdf

Rodriguez Serna L, Bowyer D and Gregory S (2022). 'Management control systems. A non-family stakeholder perspective on the critical success factors influencing continuous stakeholder support during businesses succession', Journal of Small Business and Enterprise Development, 30:2, 290–310. DOI: 10.1108/jsbed-09-2021-0364

Ryan G, Power B, McCarthy N and Braidford P (2010). 'Regional Influences of Business Transfers within the British Isles', 50th Congress of the European Regional Science Association: Sustainable Regional Growth and Development in the Creative Knowledge Economy, 19-23 August 2010, Jönköping, Sweden, European Regional Science Association, Louvain-la-Neuve.

Sambrook S (2005). 'Exploring succession planning in small, growing firms', Journal of Small Business and Enterprise Development, 12:4, 579–594. DOI: 10.1108/14626000510628243

UK Government (2025). Backing Your Business: Our Plan for Small and Medium Sized Businesses. www.gov.uk/government/publications/backing-your-business-our-plan-for-small-and-medium-sized-businesses/backing-your-business-our-plan-for-small-and-medium-sized-businesses-web-version.

Venter E, Boshoff C and Maas G (2006). 'Influence of Owner-Manager-Related Factors on the Succession Process in Small and Medium-Sized Family Businesses', The International Journal of Entrepreneurship and Innovation, 7:1, 33–47. DOI: 10.5367/000000006775870451

Davies W and Michie J (2012). Defusing the Business Succession Time-bomb. Cardiff: Wales Co-operative Centre. www.cooperatives-wales.coop/wp-content/uploads/2012/03/business-succession-time-bomb-report.pdf

Wang Y, Watkins D, Harris N and Spicer K (2004). 'The relationship between succession issues and business performance', International Journal of Entrepreneurial Behavior and Research, 10:1/2, 59–84. DOI:1108/13552550410521380

Wavehill (2017). How Dangerous is the Business Succession Time Bomb? SME succession planning support in Wales. www.gov.wales/sites/default/files/publications/2019-05/sme-succession-planning-support-in-wales.pdf

Welsh Government (2025). Business Support Review. www.gov.wales/business-support-review-html

Yedder M (2018). 'Human Resource Management in Family Business Succession: Victim or Saviour?', Journal of Enterprising Culture, 26:4, 401–421. DOI: 10.1142/s0218495818500152

Appendix: Interview topics

Interview topics	
Introductory/business context	Please tell you tell me a little about your business and its history? How many directors are there and what is their approximate age? Are there any family members involved in the business?
Engagement with succession planning (timing)	What do you see happening to the business when you decide to retire or leave? What do you understand is meant by 'succession planning'? Have you considered or engaged with business succession planning? If so, have you received any formal support? Do you have a formal business succession strategy?
Organisational/ business context	Are there any issues within your business, or the sector it operates within, that may make succession planning difficult? For example, time available to engage with the issues, potential impact on staff morale, sectoral complications. Do you think actively planning for succession planning will impact, either negatively or positively, on business performance/productivity?
Place-based/ business environment impacts	Do you think there are any local or regional barriers that might make business succession more difficult? For example, the strength of local economy, local business values, lack of specialist support, or local attitudes to entrepreneurship.
Knowledge transfer issues	Do you foresee any knowledge-transfer obstacles to successful business ownership transition? Are you currently supporting the next generation of business owners from within your firm (or family), or have any plans to do so, to ensure they are ready to take over the business when you depart or retire? What support might be useful to you to aid the process of knowledge-transfer?
Financial barriers to succession	Are there any potential financial barriers to business succession? For example, funding for ownership buy out, or funding for training. Do you have any tax concerns that may impact your succession planning? For example, CGT or Inheritance Tax. Do you foresee any post-succession business liquidity concerns?
Other issues or barriers	Are there any other issues or concerns related to succession planning that you would like to highlight that we haven't asked you about?

Dirnad Economi Cymru
Economic Intelligence Wales

Cardiff University Prifysgol Caerdydd

Office for National Statistics
Swyddfa Ystadegau Gwladol

Ysgol Busnes Bangor
Bangor Business School

ERC Enterprise Research Centre

Banc

bancdatblygu.cymru
developmentbank.wales