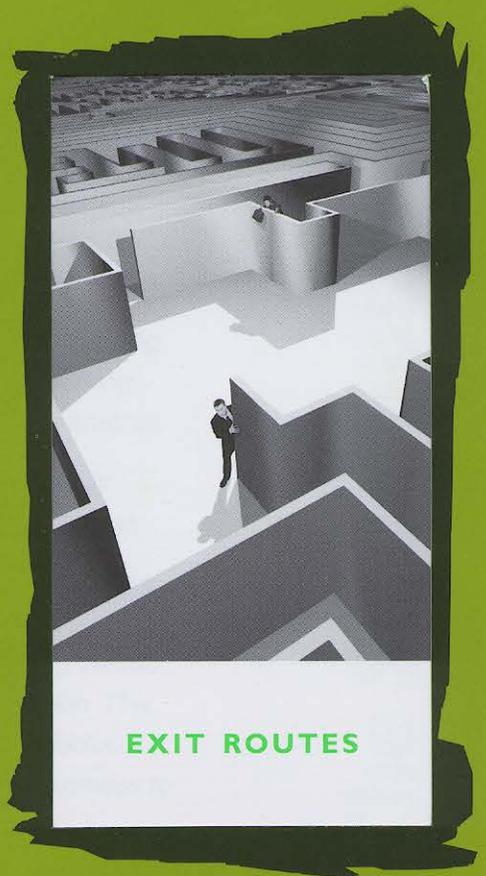


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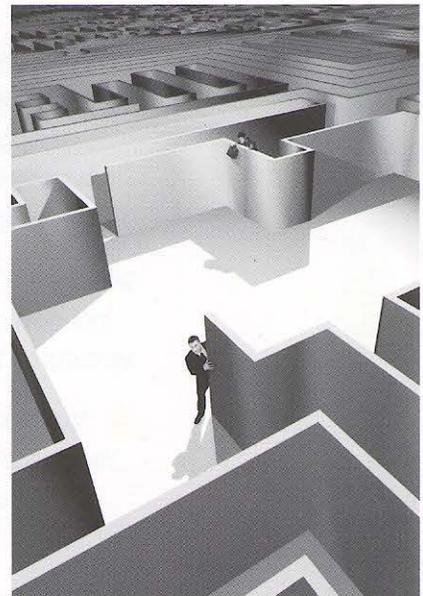


EXIT ROUTES

QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

Exit Routes

L L O Y D S T S B
SMALL BUSINESS RESEARCH TRUST



EXIT ROUTES

**QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT**

SMALL BUSINESS RESEARCH TRUST
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OPEN UNIVERSITY BUSINESS SCHOOL
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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,
University of Westminster**
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,
Kingston University**
<http://business.kingston.ac.uk/sbrc>

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Lloyds Bank/TSB & SBRT
Quarterly Small Business Management Report
ISSN 0968-6444

1993 (Vol.1)

- 1 Surviving The RecessionFebruary 1993
- 2 Using Your TimeJune 1993
- 3 Management Style September 1993
- 4 Financial ManagementDecember 1993

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- 1 Purchasing March 1994
- 2 Quality Standards & BS 5750June 1994
- 3 Management Succession.....August 1994
- 4 Customers & Competitors . November 1994

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- 1 Information Technology..... March 1995
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- 3 Company Vehicles.....August 1995
- 4 Pricing Policies..... November 1995

1996 (Vol.4)

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- 3 Financial Management September 1996
- 4 Tax ComplianceDecember 1996

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- 4 Small Firms & The Environment .. Mar 1999

1999/2000 (Vol.7)

- 1 The Impact of HolidaysJune 1999
- 2 Late Payment September 1999
- 3 Management Development .December 1999
- 4 Exit Routes..... March 2000

2000/01 (Vol.8)

- 1 E-commerceJune 2000
- 2 Sources of Finance September 2000
- 3 Transport & GovernmentDecember 2000
- 4 Government & RegulationsApril 2001

2001/02 (Vol.9)

- 1 Marketing & Sales.....July 2001
- 2 The Human Side of Enterprise Oct 2001
- 3 Health Issues January 2002
- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in BusinessAugust 2002
- 2 The EuroDecember 2002

Lloyds TSB & Research Team
Small Business Management Report
ISSN 1478-7679

- 3 Crime Against Small Firms June 2003

Lloyds TSB & SERTeam
Small Enterprise Research Report
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And PoliticsOctober 2003
- 2 Pensions February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & EnterpriseOctober 2004
- 2 Made in Britain February 2005
- 3 Management &
Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT May 2006
- 3 Networking in Business September 2006

2006-07 (Vol.4)

- 1 Owner-Manager
Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic
And Paralympic Games..... April 2008
- 2 Competition: Small Firms
Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the twenty-eighth in a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Exit Routes**. The principal findings were as follows:

- **Lack of advance planning** – Only a tiny minority of respondents, 7%, had planned their likely 'exit' route in any detail before starting their business.
- **Early exits** – There was a strong desire amongst younger entrepreneurs in our sample to exit from their businesses at the age of 50 or younger.
- **Early exits amongst females** – Women respondents were twice as likely as their male counterparts to want to exit from their businesses by the time they were 50 years old. Against that, nearly 30% of female respondents had no idea when they might exit, compared with less than 10% of males.
- **Main factors** – The smaller firms were more likely to keep going for reasons of personal commitment (either positive - satisfaction gained, or negative - economic necessity) than their larger counterparts where preparing for succession becomes more of an issue. Early exits were driven mainly by the desire to achieve a payback for enduring years of hard work and financial risk.
- **'Exit' = 'Retirement' ?** – Only 12% overall thought that they would be seeking another challenge afterwards. So whilst others envisaged part-time working, the majority of exits seemed to be leading to retirement of one sort or another.
- **Exit via sale of business** – Over half of all our respondents intend finally exiting their businesses by means of establishing a sale and complete break. Nearly 1-in-5 intend passing on the business to others in their family and nearly 1-in-10 intend renting their business to their employees.
- **Family succession** – Amongst entrepreneurs from the manufacturing sector, one-quarter intended handing on their businesses via family succession. This figure dropped to one-tenth for respondents in the business service sector. Older business owners were more likely to choose to pass on their business to family than younger owners who were looking to sell out.
- **Business sale needed to achieve a pension** – Women were substantially more likely than men to be dependent on the proceeds from a final business sale as a method of securing an adequate pension.
- **Trends in naming businesses** – There is a strong trend away from personalised naming of businesses, that is, where the name of the founder/s is integrated in some way. Younger entrepreneurs in our sample were 5 times more likely than their older counterparts to use names which described their products/services, rather than naming their business after its founder/s.
- **Women associated with descriptively-named firms** – Women seemed less inclined to personalise their business name than men.

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ACKNOWLEDGEMENTS

The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report. The Trust acknowledges the help provided by David Purdy, The Open University, and The University of Westminster, in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

Lloyds TSB

The Small Business Research Trust

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds TSB/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on **Exit Routes**.

PAST SURVEYS

1993 (Vol.1)

- No.1 *Surviving The Recession***
- 2 *Using Your Time***
- 3 *Management Style***
- 4 *Financial Management***

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- 3 *Employment Strategies***
- 4 *Small Firms & The Environment***

1999/2000 (Vol.7)

- 1 *The Impact of Holidays***
- 2 *Late Payment***
- 3 *Management Development***

THE SAMPLE

This report is based on responses received from a panel of over 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during December 1999-February 2000.

Firms with descriptive names dominate

THE SURVEY

Much attention is directed towards the issue of small business start-ups but relatively little thought appears to be given to the issue at the opposite end of the process – ‘exiting’. How do people who run businesses finally dispose of them and is it a great preoccupation during their career as an entrepreneurial small business person ?

BUSINESS NAMES

There has been a great deal of research into the highly personal nature of small business owners’ relationships with their firms. For instance, it is often said that a small business person’s enterprise is ‘the shadow that they cast’, which is a metaphor for the close and intense relationship.

Thus, for the first question in our most recent questionnaire, we decided to investigate the kinds of names that respondents had given to their firms. For instance, had they used personal names, descriptive names, mixed or other.

The responses to this question are presented in **Figure 1**. This shows that nearly half of all respondents (46%) used

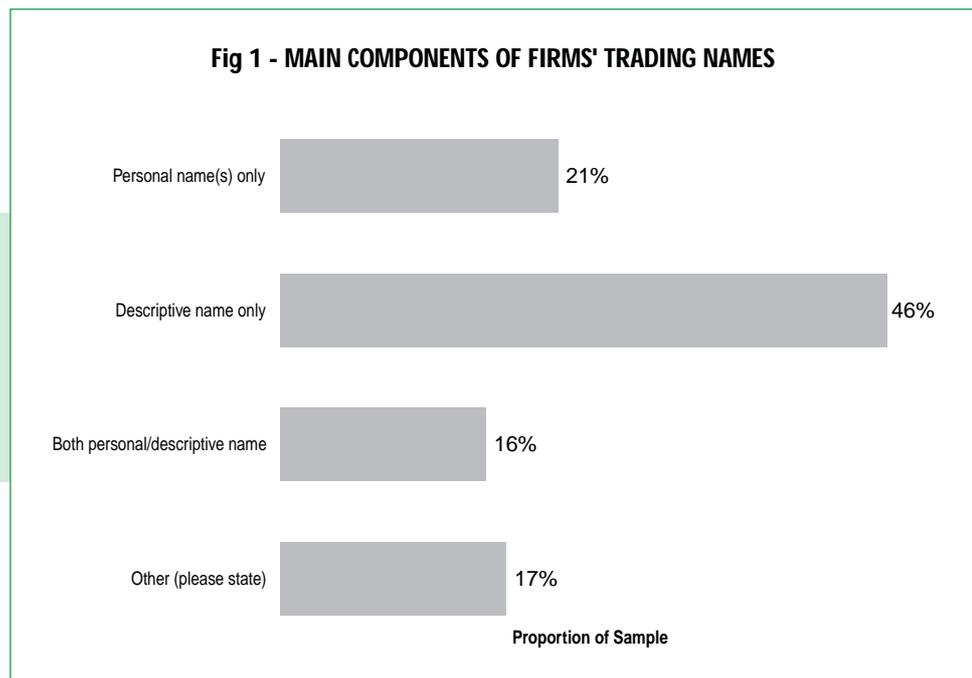
names which described the activities of their firms. Examples are:

- Achievement Training Limited
- A-Form Plastics
- Arco Candles
- Bingham Hire Centre Limited
- Invicta Training Limited
- Lynx Packaging Limited
- P. M. D. Haulage Limited
- Pan Tek Arts
- Regal Heating & Plumbing
- Saxon Graphics Limited

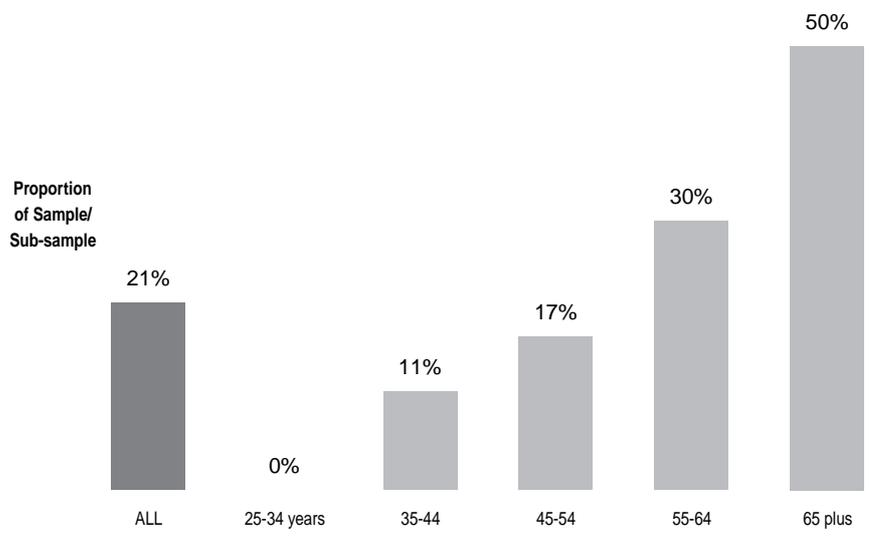
Next on terms of priority (21%) came ‘personal names’ where the name of the individual, family or partners took precedence. For example:

- Alan Hynd & Company
- E. L. Sibbles Limited
- F.W. Hawker & Sons Limited
- Hockin & Roberts Limited
- J. C. Groves Limited
- Jordans
- Matt Clarke Limited
- Mayes & Warwick Limited
- N. A. Eagle
- Peter Lole & Company Limited

A further 16% used ‘mixed’ names linking both of the above categories, such as:



**Fig 2 - MAIN COMPONENTS OF FIRMS' TRADING NAMES
'Personal Name(s) Only': By Respondent Age**



Are businesses becoming increasingly depersonalised ?

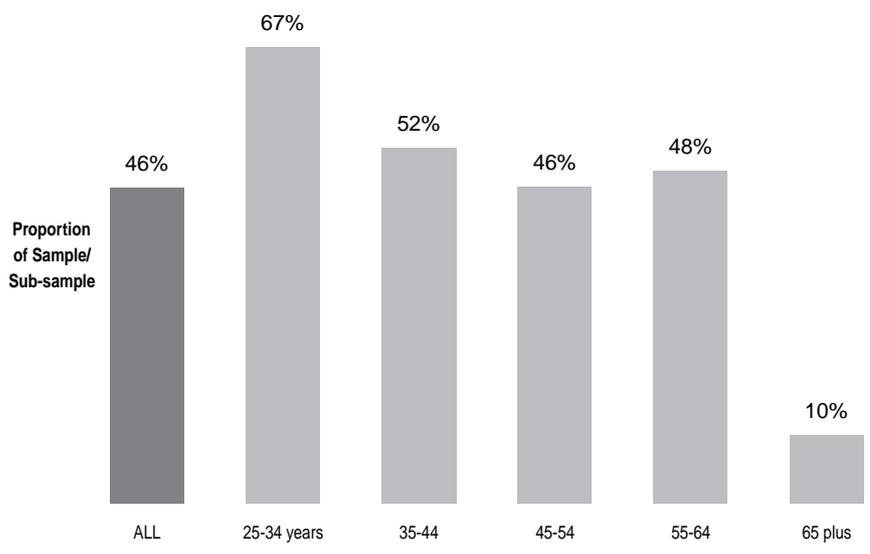
- Ian Sparrow Equipment Limited
- Lewis Electrical
- Moores Hairstyles
- Norton Waugh Computing Limited
- Pattison Scientific Services
- T. Jarvis (Exhibitions) Limited
- Thomas Bolton Process Metals

could have referred to electrical lamp supplies, spectacles or, maybe, hairdressers (in the event it was the latter). Other examples were Objectivity Limited, lonet Systems, Casdec and Quest 4 Limited.

Finally, a further 17% used names which we categorised as 'other'. The kind of names featuring here were those with names like, for example, 'Shades', which

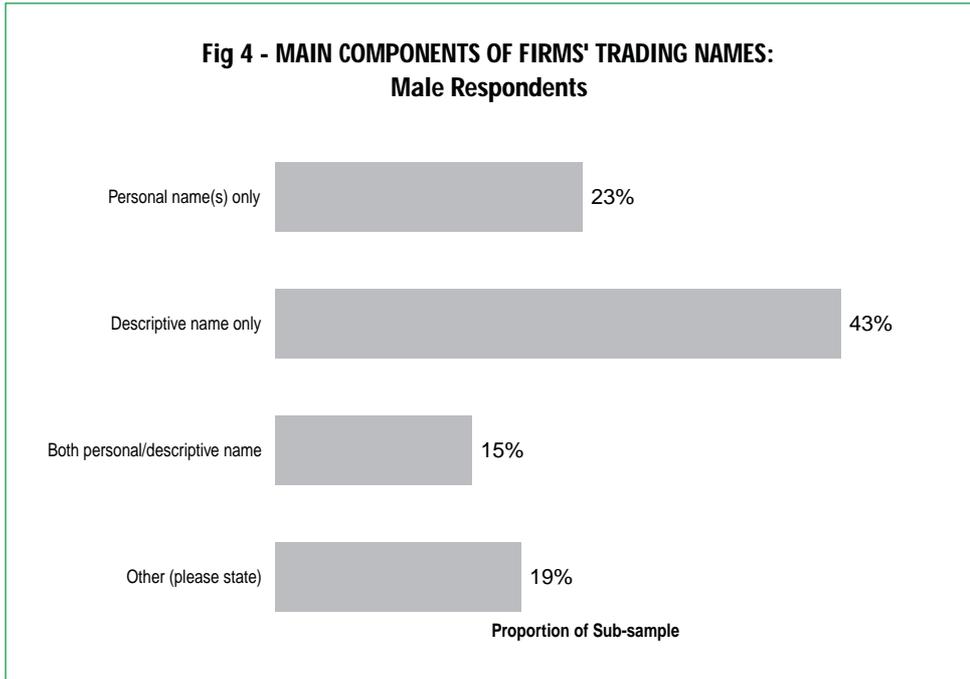
One key reason why we decided to investigate this issue of names was the theory that owners who had given there firms personalised names might feel more closely bonded to them and that this might

**Fig 3 - MAIN COMPONENTS OF FIRMS' TRADING NAMES
'Descriptive Name Only': By Respondent Age**



Women respondents tended to be found more frequently in firms having descriptive names

**Fig 4 - MAIN COMPONENTS OF FIRMS' TRADING NAMES:
Male Respondents**



influence future intentions and behaviour when it came to disposing of their firms. In the event, it did not. Rather, naming behaviour proved in the event to be most strongly linked to age (see **Figures 2 and 3**).

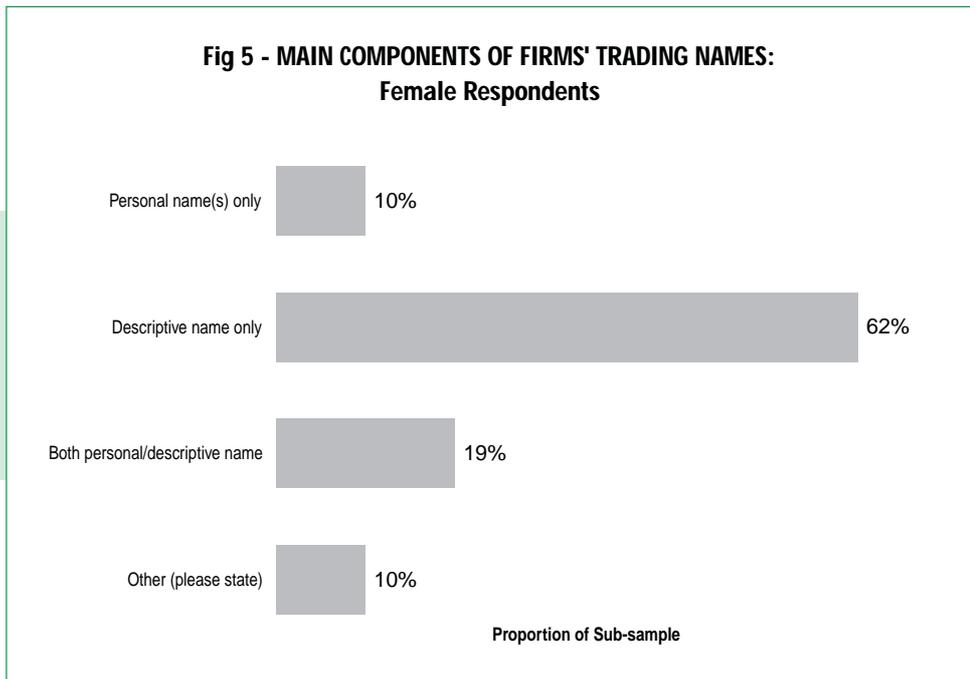
Figures 4 and 5 demonstrate gender differences on this issue with women being noticeably less likely than men to use personalised names for their businesses (only 10% for women compared with 23%

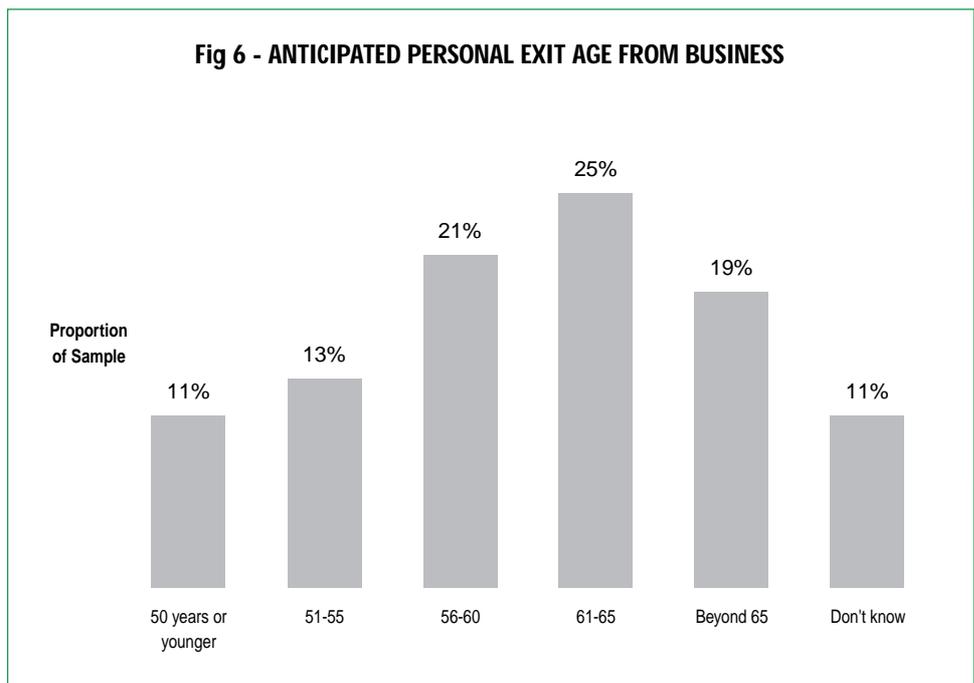
for males) and far more likely to use names which specifically described the actual function of sector of the business (62% for women compared with only 43% for men).

AGE OF RESPONDENT

Age of respondent proved an interesting variable with **Figure 6** showing that 25% of respondents thought it likely that they would exit between the ages of 61 and 65 and a further 19% feeling that they would

**Fig 5 - MAIN COMPONENTS OF FIRMS' TRADING NAMES:
Female Respondents**





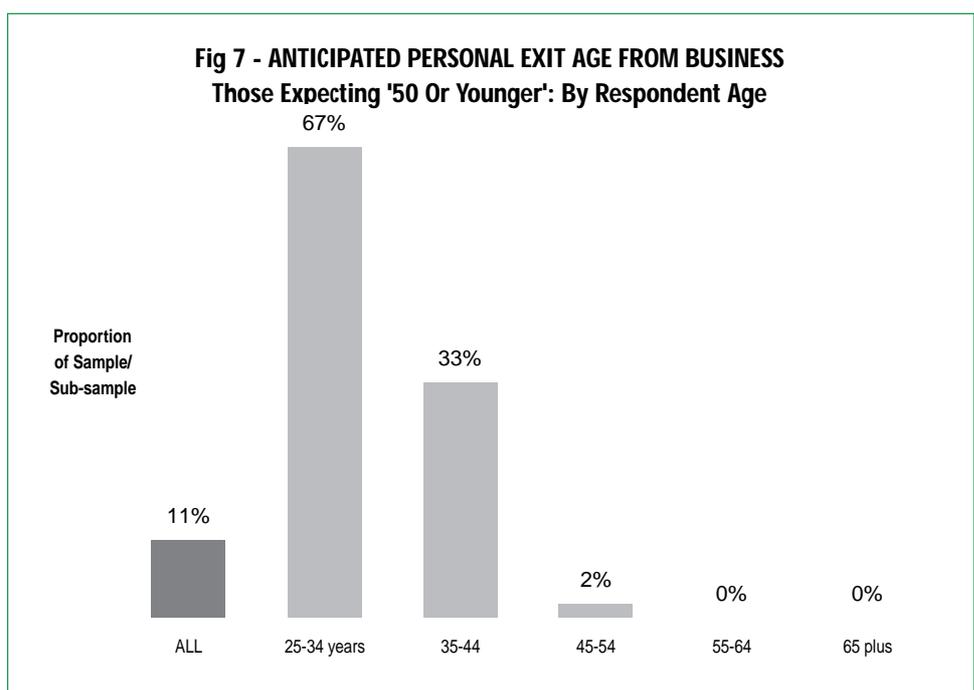
Respondents wished, on average, to exit at 60 – with only 1-in-8 overall looking for 'another challenge'

continue in business past the age of 65.

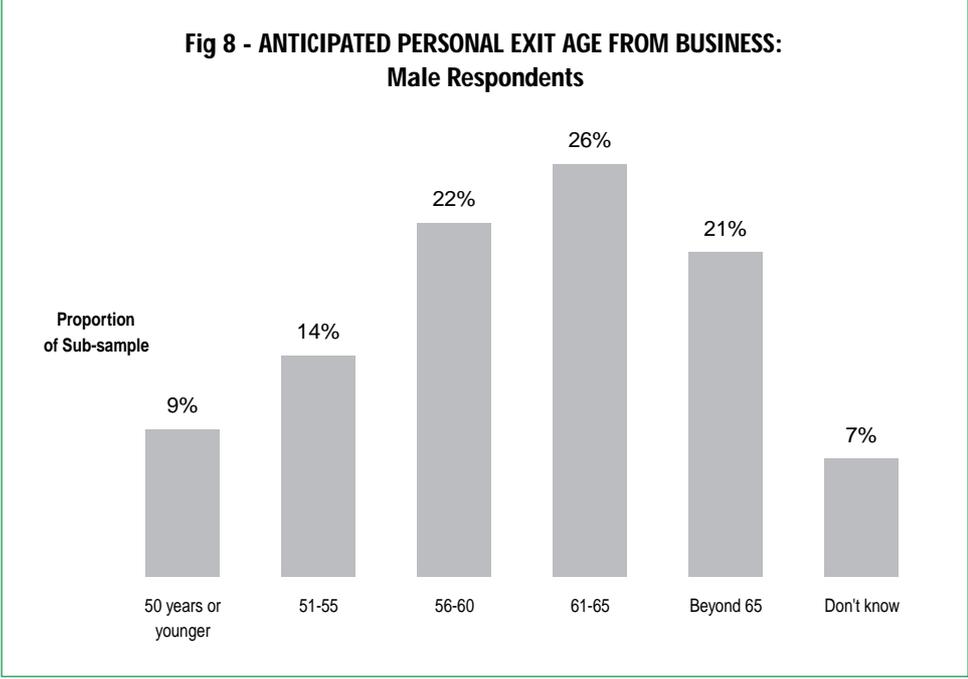
wished to retire. For instance, one said:

However, **Figure 7** shows massive differences here according to current age of small business owner. For instance, two-thirds of respondents currently between the ages of 25 and 34 years old, aspired towards exiting their businesses when, or before, they reached the age of 50. As can be seen, older age groups were considerably less optimistic on this point, not that all of our older respondents even

"Ideally, I would like to be at the point where I could work to suit myself. For example, I could work an 80-hour week if I wanted to, or just open the post, take a long holiday, etc. This would be better than just a clear exit. I appreciate that, to do this, you need a good management structure, profit sharing, etc. Keeping your mind active has to be



Proportionally more women than men are not clear about the timing of their exit



better than just switching off - unless you have (made) that much money that you can do anything."

Again, on this issue, there were distinct gender variations. For instance, **Figures 8 and 9** demonstrate quite clearly that women were far keener than their male counterparts (by a margin of 19% to 9%) to exit at 50 years of age or younger. Not

surprisingly, women were also less likely to feel that they would continue in the same business after the age of 60 (only 29% for women compared with 47% for men). There was also a very marked gender contrast when it came to the proportions who felt that they simply could not at this stage hazard a guess concerning when they might exit. In fact, 29% of women were quite undecided against just 7% of men.

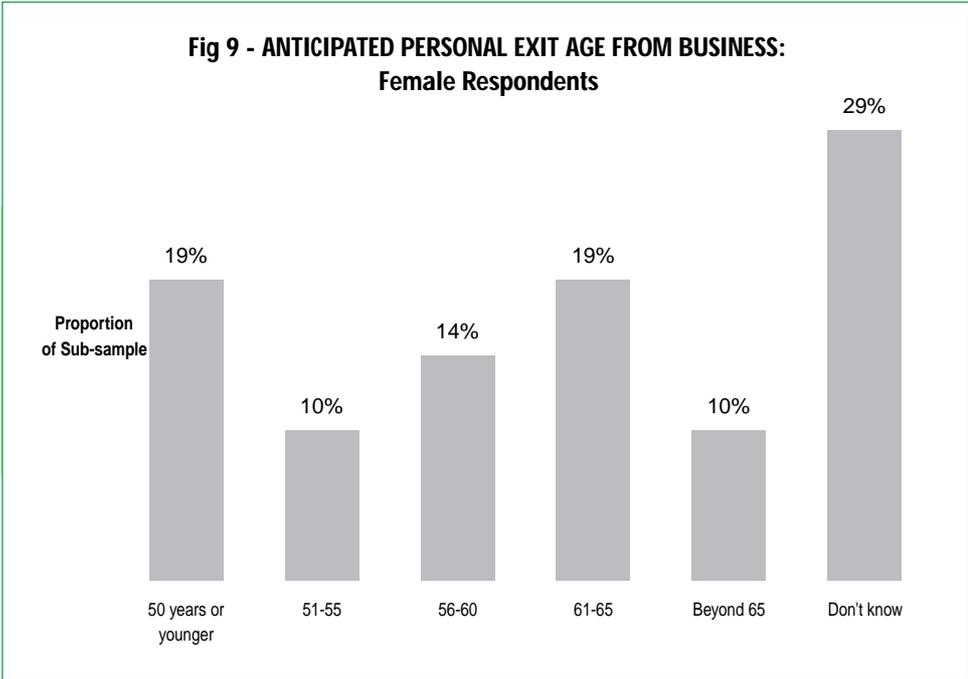
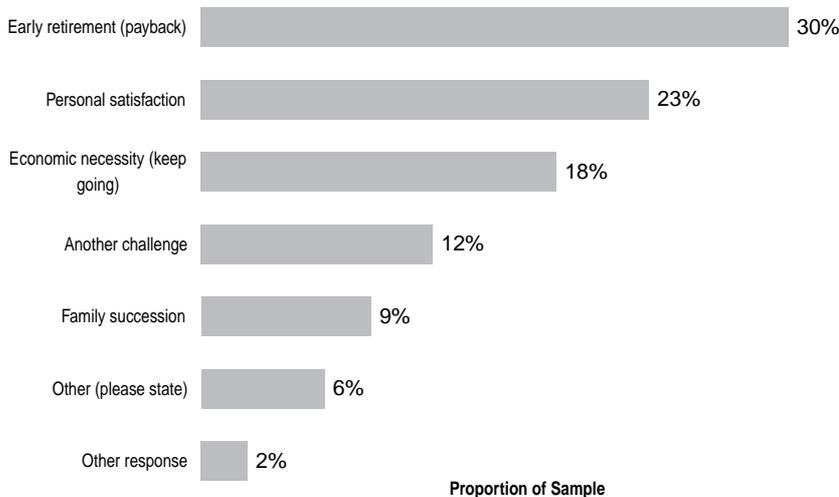


Fig 10 - MAIN FACTOR INFLUENCING PERSONAL EXIT

**For many,
'exit'
may mean
'retirement'**

'EXIT' REASONS

Respondents were asked what had been the main factor when they had earlier identified to us the age they had in mind for an exit.

The replies, illustrated in **Figure 10**, showed a range of influences at work here. For instance, 30% said they wanted to retire at a relatively early age in order to achieve a 'payback' for their years of hard work and financial risk. Next came 'personal satisfaction' (23%) where respondents were motivated to keep on going as long as health factors permitted in order to maximise the intrinsic rewards of self-employment. Then, 18% felt that 'economic necessity' would be the driving force governing their final decision on an exit.

'Other challenges' and family succession issues, between them, accounted for a further 21% of responses. On the issue of 'other challenges', one respondent said:

"With an average pot of £150,000, I need the sale of the business as an

extra form of pension. I would then work in a 'less lively' business like leasing quality cars as I was in the motor trade years ago."

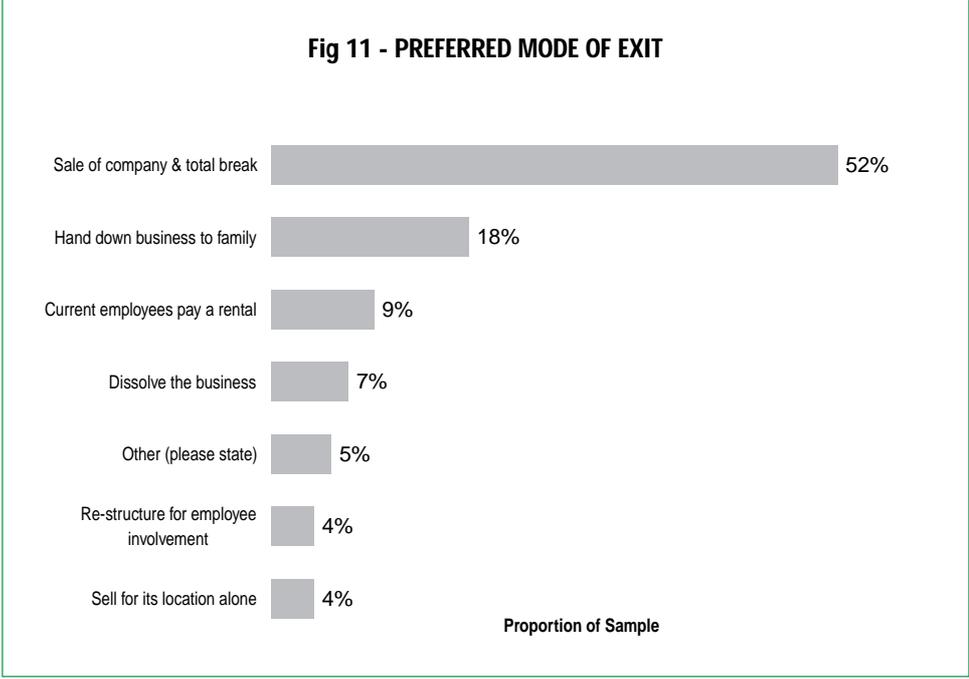
Another respondent said:

"After 54 years since my father started our business and 28 years personal involvement, I am selling up before we have to go into liquidation. Family business becomes a labour of love. I have worked six days a week, 60 hours and finished up skint. I will look for a job where some other mug worries about the VAT and the tax men."

'Exit' = 'Retirement' For Most Owner-Managers ?

Only 12% overall thought that they would be seeking another challenge afterwards. So whilst others, for example, envisaged part-time working, the majority of exits seemed to be leading to retirement of one sort or another.

Respondents in manufacturing were more likely to have an interest in family succession

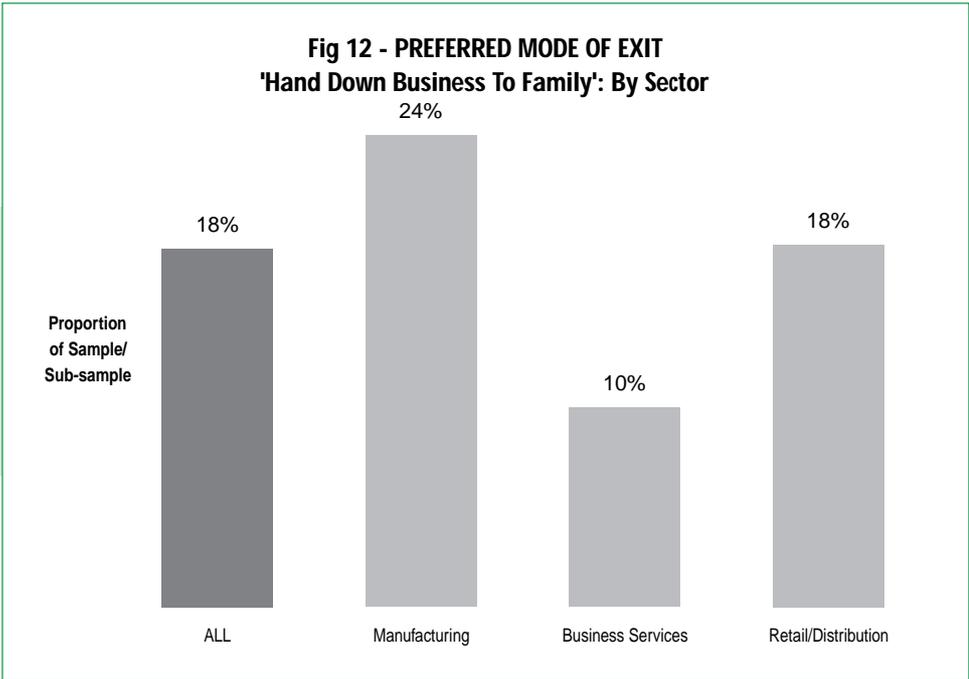


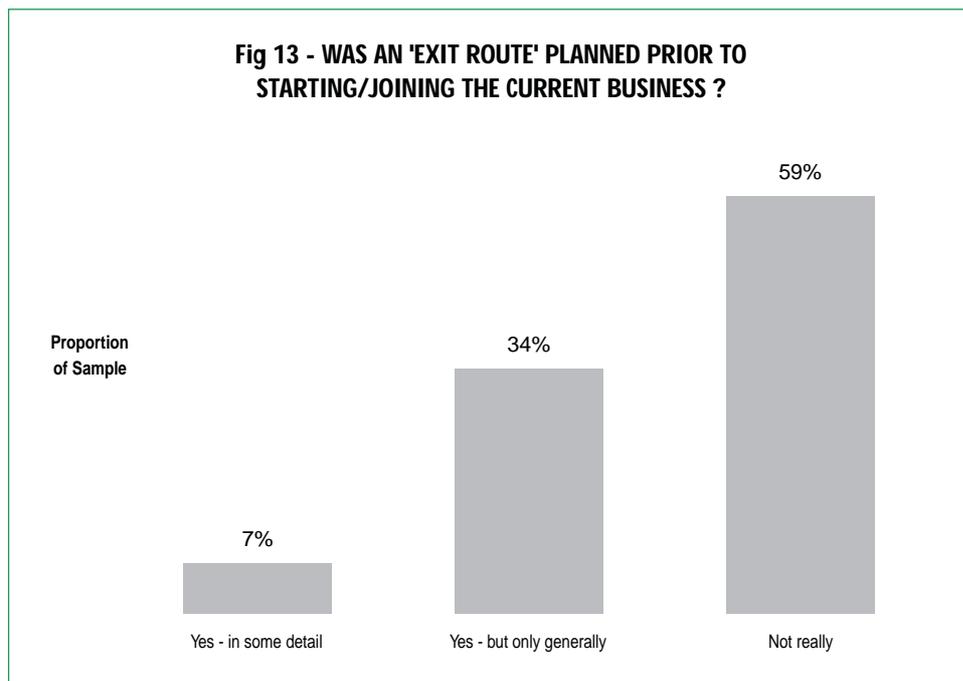
EXIT ROUTES

On the issue of exactly how respondents anticipated they would exit their firms, **Figure 11** shows that over half (52%) favoured the notion of a sale followed by a total break from their business. This was followed by 18% who intended handing down their business to other members of their family. A further 9% intended to rent their business to current employees whilst 4% wished to re-structure their business to

facilitate employee involvement. Another 7% wished to simply dissolve their business and 4% intended selling the business for its location alone.

Throughout our analysis, we found very few differences of any substance linked to the three main sectors from which our sample is drawn. However, as shown in **Figure 12**, there were sector differences in terms of the proportions wishing to exit their businesses via family succession with the





Preoccupation with a successful 'entry' may over-ride a distant 'exit'

more traditional sector (manufacturing) standing out most strongly here with 24%, followed by retail/distribution with 18% and, finally, business services with 10%.

Interestingly, amongst our sample we have a few franchisees. One of these made the comment:

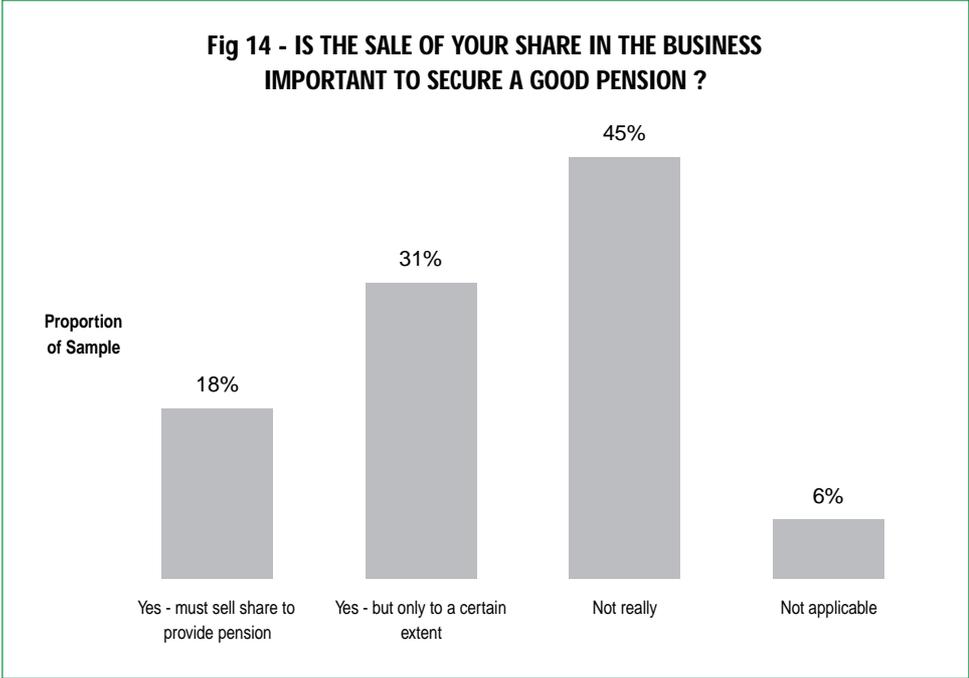
"Planning an exit route is very difficult when you own a franchise as people are not prepared to pay a large amount for a franchise and we (franchisees) are forbidden by our contract from selling to a competitor."

PRIOR PLANNING

Figure 13 shows responses to the question of how the issue of exit routes figured at the pre-start-up or pre-entry stage. Perhaps not surprisingly, 59% said that the issue of an exit route from the business had not been considered at the outset, and as few as 7% said that this had in fact featured in early stage planning in some detail.

Some respondents felt that 'exit' planning was often delayed unnecessarily. As one put it:

"Too many owner-managers do not plan their exit routes until it is too late simply because then can not accept that they must at some time 'let go'."



PENSION PROVISION

Finally, we asked respondents about the importance of the need to sell their business as a means of providing a good pension. **Figure 14** shows that only 18% claimed this as an important consideration. However, **Figures 15** and **16** show up substantial gender differences here. Over all, 67% of females claimed that the sale of their businesses would have at least some degree of importance in ensuring a good

pension subsequently compared with just 46% of males. Conversely, only 33% of women respondents were not relying on a sale of their business to yield pension funding, compared with 55% of their male counterparts.

Some respondents felt that the Government is unsympathetic towards the needs of small business owners trying to make provision for retirement:

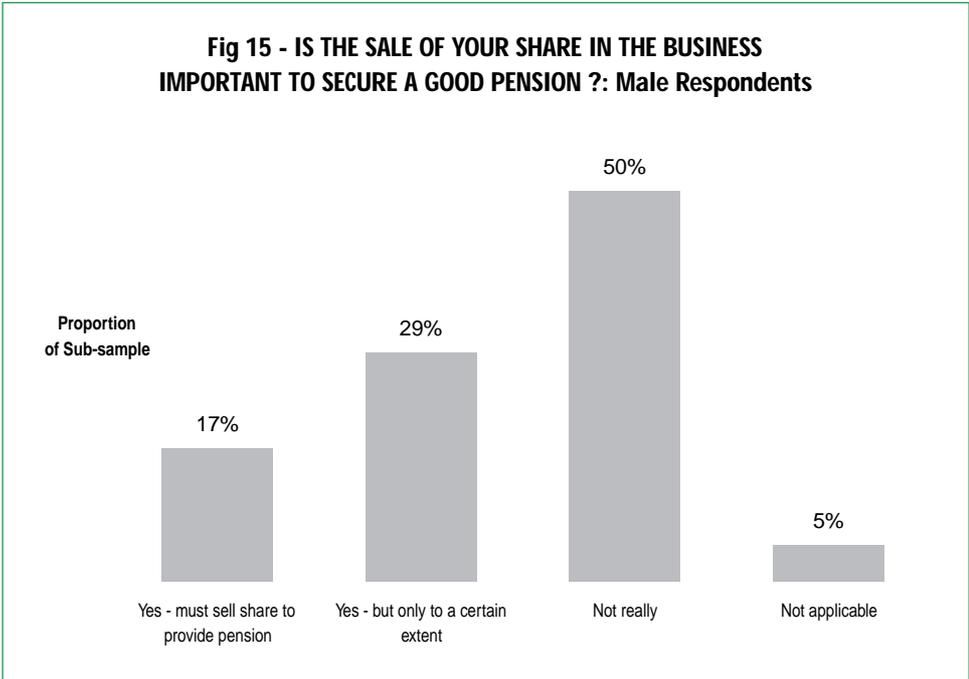
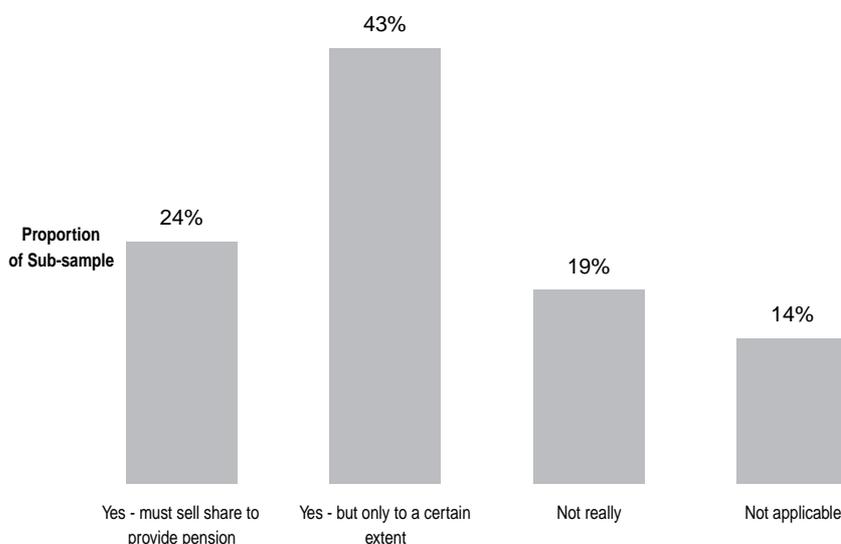


Fig 16 - IS THE SALE OF YOUR SHARE IN THE BUSINESS IMPORTANT TO SECURE A GOOD PENSION ? : Female Respondents



Women more likely than men to be dependent upon business proceeds for a pension

“There should be better tax breaks when people take an early exit.”

“Capital Gains Tax is the most important road block.”

“I am very strongly opposed to the Chancellor’s review of retirement relief which benefits multi-millionaire shareholders/directors but penalises small business entrepreneurs.”

“Small businesses are restricted by lack of capital. This means that in many cases growth can only be achieved by reinvestment earnings, after deduction of tax. In these circumstances, some form of relief is needed, whereby reinvested earnings to some extent are subject to special relief ...”

“In selling any business under the age of 50, tax payable is a huge consideration and a serious disincentive.”

RESPONDENTS’ COMMENTS

These are shown on the following pages.

REFERENCES: EXIT ROUTES/STRATEGIES

The references below are offered as an aid to readers interested in seeking further information, much of which is readily available via the Internet (WWW). The coverage is not intended to be definitive, and inclusion here should not necessarily imply either agreement or disagreement with the views expressed via these sources.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply. N.B. Some pages may contain links to other WWW pages offering related material.

- **BizPlanIt.Com (USA)**

“BizPlanIt.Com is an internet-based business plan consulting firm that’s changing the way serious companies approach the serious art of business planning.” *Virtual Business Plan: Exit Strategy Section*

<http://www.bizplanit.com/vplan/exit.htm>

- **British Venture Capital Association**
 “The BVCA represents virtually every major source of venture capital and private equity in the UK and is dedicated to promoting the industry for the benefit of entrepreneurs, investors, its practitioners and the economy as a whole.” Many external investors will expect an identifiable exit route/s in order to realise a return on their investment.
<http://www.bvca.co.uk/>
- **CCH Business Owner’s Toolkit™ (USA)**
 From “... CCH INCORPORATED, a leading provider of business, legal, and tax information and software to the business community in the U.S. and abroad since 1913.” *Getting Out of Your Business:*
 - Pass the business on to children or other family members.
 - Sell the business as a going concern.
 - Liquidate the business and sell the assets.
 - File for bankruptcy, if all else fails and the business has substantial debts.http://www.toolkit.cch.com/text/P11_0100.asp
- **Entrepreneurial Edge (USA)**
 “A service of the Edward Lowe Foundation, provides information you can use to grow and improve your business. It offers entrepreneurs a full-text searchable library of over 3,000 articles and book chapters, reviews with links to other content-rich resources, practical “how-to” training modules, and peer-to-peer interaction.” Search for articles using ‘Exit Strategy’.
<http://edge.lowe.org>
- **Kauffman Center for Entrepreneurial Leadership (USA)**
 “Promotes the growth of entrepreneurship in America. The Center’s Entrepreneur Training Institute sponsors education, training and research initiatives targeted to the needs of adult entrepreneurs and entrepreneurship support systems.” 43 Off-Site Articles were found under the topic ‘Exit Strategies’
<http://www.entreworld.org/Content/GYB.cfm?Topic=Exit>
- **Tolley Online**
Butterworths Tax Planning for Buying & Selling Businesses By Colin G Davis, MA (Cantab) FCA ISBN: 0 406 05189 5
<http://www.butterworths.co.uk:2006/>
- **UK Businesses For Sale (web page)**
 “The WWW server insolvency commenced in January 1996 and has established itself as the major UK insolvency website.” Provided by Insolvency Solutions Ltd t/a insolvency.co.uk. Includes UK Insolvency Law and FAQs (Frequently Asked Questions) and links, including *A Review of Company Rescue and Business Reconstruction Mechanisms*.
<http://www.insolvency.co.uk/sales/business.htm>
- **US Small Business Administration**
Business Plan Exit Strategy: Asset Liquidation: “If you have decided to get out of business and are not able to pass your business on, merge or sell it as a going concern, liquidating the assets could be the most appropriate exit strategy. However, before you terminate your lease, sell a key piece of equipment, or disconnect your utilities, make sure you have a well thought-out plan. Improve your chances for success by following this basic advice:
 - Talk to your lawyer and accountant
 - Prepare your assets for sale
 - Arrange security for your merchandise
 - Establish the liquidation value of your assets
 - Estimate your net sale proceeds
 - Choose the best type of sale for your merchandise
 - Schedule your sale for the most appropriate season, day and time
 - Select the most appropriate location

- Hire an expert to do the selling
- Use a non-recourse bill of sale
<http://www.sba.gov/regions/states/wa/seattle/selegal.html>

- **What's Your Exit Strategy?: 7 Ways to Maximize the Value of the Business You've Built** (USA book) by Peter H. Engel, Hardcover, 242 pages, August 1999, Prima Pub; ISBN: 0761519971

- **womenCONNECT.com** (USA)
Women's small business resources by USA Today newspaper. "An eight-part series from womenCONNECT.com covering everything you need to know about starting your own business - from evaluating your idea and your own skills to operations issues to planning an exit strategy." See *Planning Your Exit Strategy* By Beth Joselow
<http://www.usatoday.com/small/womenarc.htm>

MANUFACTURING

Conservation of Antique Clocks

"I've lost interest in actively managing the business. The town generally has lost trade to out of town traders. This may now be coming back."

Fireplace Manufacture & Gas Fire Sales

"After 54 years since my father started our business and 28 years personal involvement, I am selling up before we have to go into liquidation. Family business becomes a labour of love. I have worked six days a week, 60 hours, and finished up skint! From January I will look for a job where some other mug worries about the VAT and the tax men."

Mechanical Installation and Maintenance Service

"Being in a competitive 'market', tenders become increasingly difficult to price and achieve. Employer NIC [National Insurance Contributions] (12.2%), Safety Regulations and general overhead increases, i.e. fuel, leave small, if any profit margins. Do governments have 'help agencies' ?!!!"

Moving Electronic Information Signs

"There is very little help, just loads of people feeding the Government loads of c.... Look to Ireland and you will see loads of help for the small company."

Publishing

"[There is] Too little information about the legal niceties of/for exit strategies.

Consultants push too hard."

Special Purpose Machine Design & Manufacture

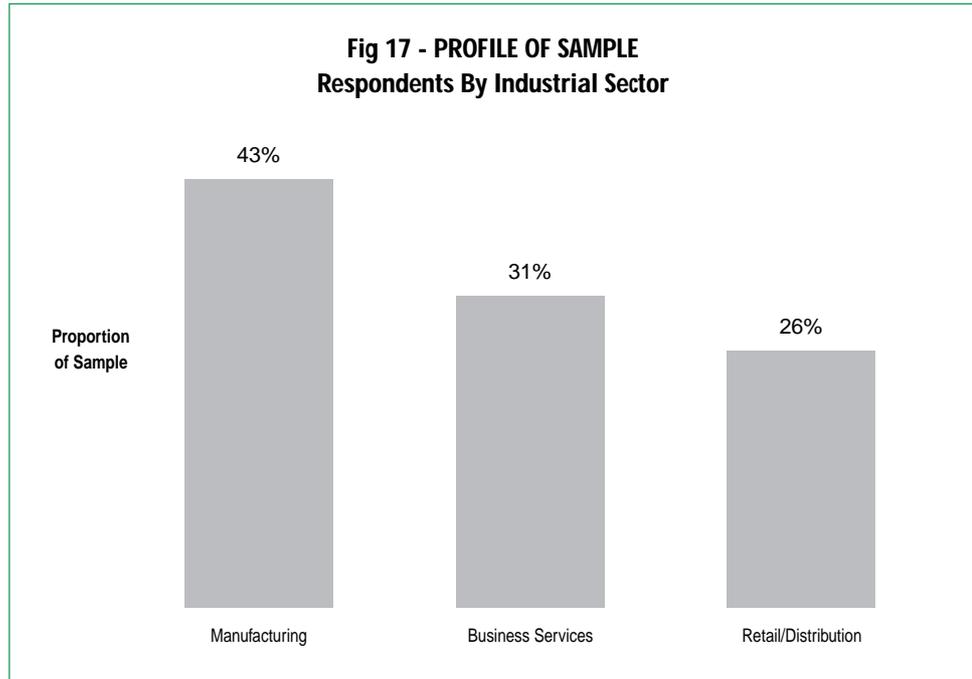
"Changing marketplace, Red Tape, uncertainty and investment requirements in manufacturing are becoming difficult to overcome, predict and control."

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"Too many owner managers do not plan their exit routes until it is too late simply because they can not accept that they must at some time 'let go' in order to maximise a return for their efforts."</i>
Audit Accountancy and Taxation	<i>"The phasing out of retirement relief means that fairly modest gains may suffer tax. This is very unfair and should be addressed as a matter of urgency."</i>
Chartered Surveyor	<i>"Government from the point of taxation should revise its parameters. There are now many small businesses, like this one, which were formed following redundancy - and probably the prejudice about employing older people. We have identified a 'niche' but clearly the 'rewards' are likely to be limited - currently taxation in the personal sense is somewhat penal in respect of our situation."</i>
Commercial Cleaning	<i>"[An] Exit route is very difficult when owning a franchise as: 1) people are not prepared to pay large amount for a franchise, 2) we are forbidden by our contract from selling to a competitor."</i>
Insurance Consultancy	<i>"Small business are restricted by lack of capital. This means that in many cases growth can only be achieved by reinvestment of earnings (after deduction of tax). In these circumstances some form of relief is needed, subject to safeguards against abuse, whereby reinvested earnings to some extent are subject to special relief, either in all or on a 'deferred' basis."</i>
Plumbing & Heating Services	<i>"You need to keep your mind active and you need an interest. Ideally I would like to be at the point where I could work to suit myself. E.g. 80-hour week if you wanted to, or just open the post, [take a] long holiday, etc. This would be better than just a clear exit. I appreciate to do this, you need a good management structure, profit sharing etc. Keeping your mind active has to be better than just switching off - unless you have that much money in your early retirement that you can do anything!"</i>
Public Relations & Marketing Support Consultancy	<i>"[I am] Very strongly opposed to the Chancellor's review of retirement relief which benefits multi-millionaire shareholder/directors but penalises small business entrepreneurs."</i>
Recruitment - Contract & Permanent	<i>"There should be better tax breaks when people take an early exit!"</i>
Software Development & Maintenance	<i>"Capital Gains Tax is the most important road block."</i>

RETAIL AND DISTRIBUTION

Hardware and Pet Store	<i>"Self-employed, small business people enter because they are lucky to enjoy the job. Retirement or 'exit' does not figure highly in day-to-day thinking. Our overriding principle for employment and also for after employment is independence ! Any planning will always reflect this."</i>
Specialist Suppliers of Computer Systems to the Security Industry	<i>"In selling any business under the age of 50, tax payable is a huge consideration and a serious disincentive."</i>
Supplier of Computer Systems for Business	<i>"Government help agencies should help those who need help. Business people should find the most suitable exit route for themselves. The financial services sector should be avoided because of the exorbitant commissions."</i>
Tool Plant & Equipment Hire, Sales & Repair Service	<i>"With an average pot of £150,000, I need the sale of the business as an extra form of pension. I would then work in a less 'lively business' like leasing quality cars as I was in the motor trade years ago."</i>
Training of Engineering Skills	<i>"The lack of consideration and understanding by government and larger sections of the business community, of the stress and strain placed on the owners of small companies through continuous introduction of new regulation, legislation and bureaucracy."</i>



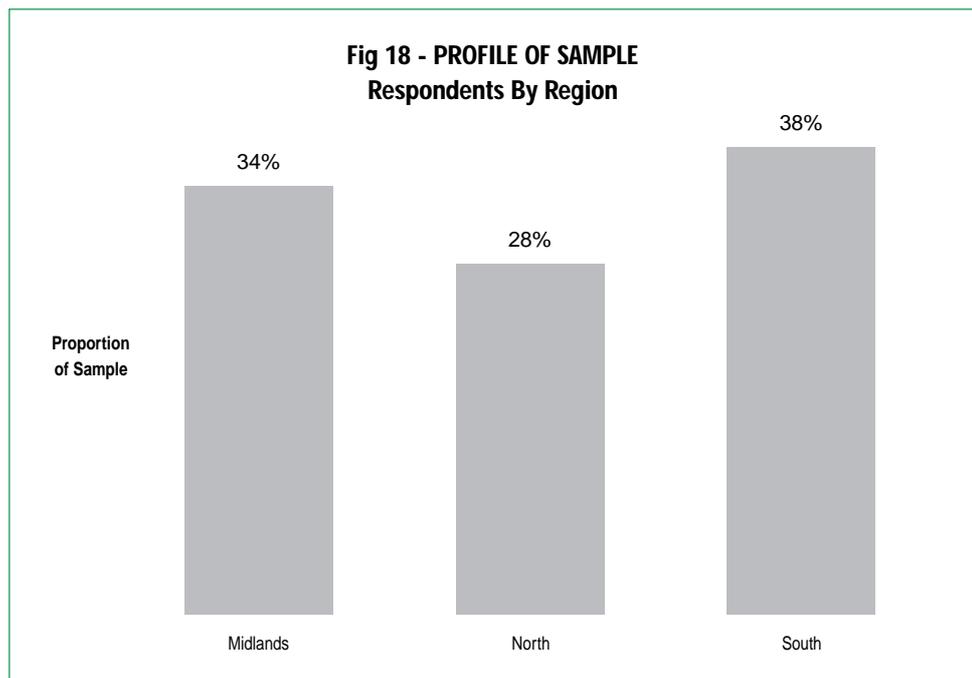
APPENDIX 1 - ADDITIONAL INFORMATION

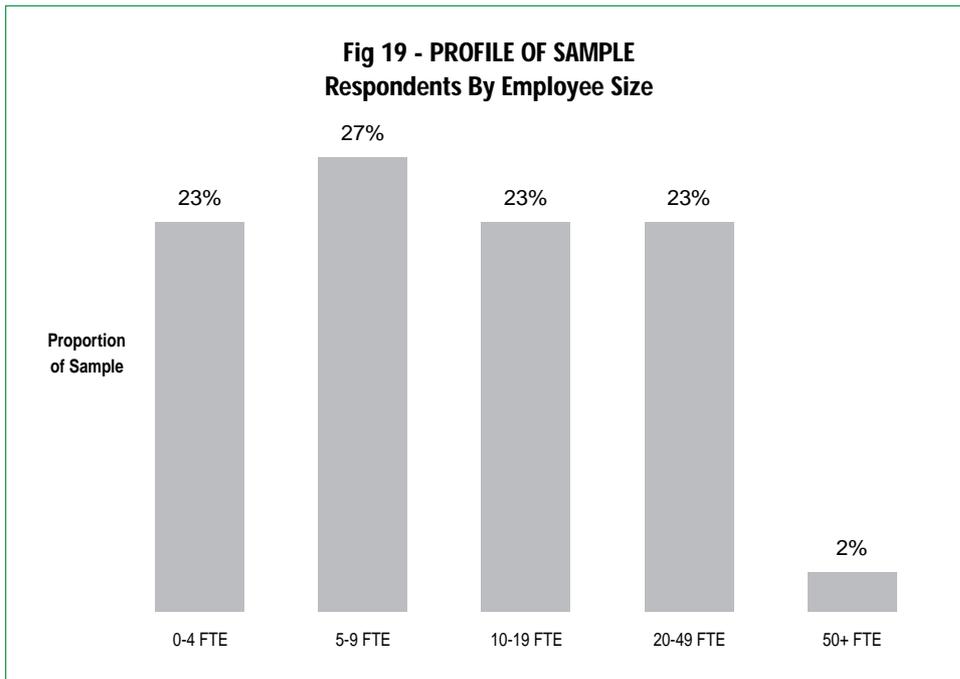
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as they are reasonably reliable indicators and less

prone to misinterpretation. Other variables have also included **region**, **sales growth**, **respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3 bands – previously classified as ‘other’ –





are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Figure axes/scales (histograms) - each figure uses a linear scale, with reference to a common zero axis, e.g. running horizontally across the bottom of each column, as in the figure above.

Distribution of firms

The highest proportion is in manufacturing (43%, previously 50%), followed by business services (31%, see **Figure 17**). Previously, the samples have contained the largest proportion of firms in business services, but the composition has shifted slightly due to the introduction of additional respondents to the sample late 1998, and again, mid-1999.

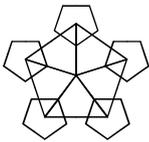
In this survey, the Southern region has the largest representation, with 38% of the sample's respondents (previously the Midlands, with 36%, see also **Figure 18**).

Historically, the manufacturing and business services firms in the samples have tended to be larger, in terms of employees, whereas the firms in retailing/distribution have had fewer full-time equivalent employees. Likewise, the sample has been biased towards the smaller businesses, but since 1999 there has been an increase in the 20-49 FTE firms (**Figure 19**).

As on previous occasions, the sample is predominantly male (84%).

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 <p>SMALL BUSINESS RESEARCH TRUST</p>	<p>Quarterly Small Business Management Report No.28</p> <p>Sponsored by Lloyds TSB</p>
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This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

MANAGEMENT ISSUE: 'Exit Routes'

- 1**
- a) Please indicate the number of people working in your business (including yourself):**
- Full-time : _____ A
- Part-time (16 hours/wk or less)..... : _____ B
- b) Your age last birthday:**
- 16-24 years..... A
- 25-34..... B
- 35-44..... C
- 45-54..... D
- 55-64..... E
- 65 or over..... F
- c) Your gender:**
- Male..... M
- Female..... F

- 2**
- Main trading name – Please indicate the basic components of your firm's main trading name:**
- Just ONE ✓ only*
- Personal** name(s) only – e.g. founder/family/partner, such as 'J. Smith & Daughter' A
- OR** **Descriptive** name only – such as 'Leeds Printers' or 'A-to-Z Office Supplies' B
- OR** Both **personal** name & **descriptive** name – such as 'Smith's Flowers' C
- OR** Other (please state): _____ D

- 3**
- Personal 'exit' age – At what age do you think that you will exit your existing business:**
- Just ONE ✓ only*
- 50 years of age or younger..... A
- OR** Between 51-55..... B
- OR** Between 56-60..... C
- OR** Between 61-65..... D
- OR** Beyond 65..... E
- OR** Don't know F

Small Business Research Trust, based at the Open University Business School CONFIDENTIAL

- 4** **Main reason for exiting – What is the main factor influencing your response to the previous question (Q3):** **Just ONE ✓ only**
- Another challenge – move on to new business opportunity..... A
- OR** Early retirement – to achieve a ‘payback’ for time/effort/money invested in the business..... B
- OR** Family succession – a desire to pass the business on to son, daughter or other family member... C
- OR** Economic necessity – a need to keep going primarily for income needs D
- OR** Personal satisfaction – to keep going as long as health permits..... E
- OR** Other (please state): _____ F

- 5** **Personal ‘exit route’ – Which ONE of the following appeals most as a possible eventual ‘exit’ from your business:** **Just ONE ✓ only**
- Sale of company to co-owners/partners/outside, followed by a total break from the business A
- OR** Hand down business to sons/daughters/family..... B
- OR** Re-structure the business, into say a co-operative, to facilitate employee involvement..... C
- OR** Let the current employees run the business and pay you a rental D
- OR** Simply dissolve the business assets and walk away..... E
- OR** Sell the business for its location alone F
- OR** Other (please state): _____ G

- 6** **Plans for ‘exit routes’ – Before joining/ starting your current business, did you give any prior thought to the likely exits and probable timescale:** **Just ONE ✓ only**
- Yes - in some detail A
- OR** Yes - but only generally B
- OR** Not really C

- 7** **Retirement provision – For some owner-managers anticipating retirement, selling their share of the business is an important means of ensuring a good pension. Is this likely to apply to you ?** **Just ONE ✓ only**
- Yes..... A
- OR** Yes - but only to a certain extent..... B
- OR** Not really..... C
- OR** Not applicable (e.g. no share to dispose of)..... D

- 8** **‘Exit Routes’ – If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment**
- _____
- _____
- _____
- _____
- _____



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