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EXPLORING WHAT WORKS

FRONTIER REPORT



03 KEEP

Keeping Value In Wales

Ownership, Succession And Indigenous Productive Capacity

September 2026

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Shahbaz Husain | September 2026

THE PROPOSITION

A strong SME economy does not merely create firms. It makes successful transitions possible, retains capabilities where that is commercially sensible, and recycles the gains from success into the next generation of enterprise.

The Argument In Brief

Economic development is usually discussed as a process of creating and growing firms. That is only half the job. An economy also needs mechanisms that preserve viable businesses when founders leave, keep important capabilities rooted where they were built, and recycle the people, knowledge and capital released when successful firms are sold.

Keeping value is not the same as keeping every Welsh business Welsh-owned. External ownership can bring capital, markets and capabilities; a trade sale can be the right outcome for an owner and for the firm. The relevant question is what happens to the productive capability accumulated inside the business — its jobs, management, technical knowledge, intellectual property, supplier relationships, headquarters functions and entrepreneurial experience.

Wales has an unusually timely reason to address this. Cardiff Business School's July 2026 review for Economic Intelligence Wales concludes that SME succession planning is significantly underdeveloped and support fragmented. Its overarching recommendation is a single accessible succession service. Development Bank data also show that succession is already a substantial market: 360 companies received succession funding between 2017 and May 2026, with trade sales and management buy-outs accounting for the great majority of transactions. [1]

This report argues for a broader objective: retain or recycle productive capability. Succession should become a normal part of enterprise policy; ownership routes should be chosen for commercial fit rather than ideology; finance should preserve strategic choice without being mistaken for the whole solution; and successful exits should be treated as potential harvest events from which experienced people and capital flow into the next generation of Welsh firms.

Keeping value is not the same as preventing a sale

There is an understandable tendency in regional economic policy to equate local ownership with local benefit. Ownership can matter, but it is too crude a proxy to carry the whole argument. A locally owned company can stagnate; a foreign-owned company can invest, export, develop skills and maintain substantial strategic functions locally. Conversely, an acquisition can remove headquarters functions and decision-making even while a production site remains.

Research on US cities illustrates the distinction. Kolko and Neumark found evidence that some forms of local ownership insulated employment from economic shocks, but the clearest effect came from corporate headquarters and, to a lesser extent, small locally owned chains — not from small independent firms generally. [8]

The economic objective should therefore be broader than ownership. Wales should care about where strategic decisions are made, where management capability develops, whether technical knowledge remains, what happens to supplier relationships, and whether the capital and experience realised through an exit remain economically active.

What changes	What Wales should care about
Founder retires	**Whether a viable firm survives; whether management and customer relationships transfer successfully.**
Management or employees buy the firm	**Whether continuity, investment capacity and governance improve after transition.**
Trade sale	**Whether employment, strategic functions, skills and supplier capability remain; whether the seller and senior team recycle capital and experience.**
External investment	**Whether the firm gains markets and capability without unnecessarily losing strategic choice or prematurely exiting.**
Closure	**Whether viable activity, customer relationships and jobs are lost because no transition was prepared.**

Succession is economic development, not private housekeeping

The Cardiff Business School study is unusually clear. Succession is not a single event at the end of an owner's career; it is a context-dependent process shaped by owner behaviour, organisational capacity, family relationships, finance, regulation, place and industry. Poor planning can leave otherwise viable firms exposed to closure or forced transition. [1]

The report cites earlier Welsh research in which only 16% of firms had considered succession in the longer term and 7% anticipated ownership transfer or closure within three years. Those figures come from 2017 survey evidence rather than a current census and should be treated as an indication of the historic planning gap, not a present-day estimate of the entire Welsh business population. [1]

More recent evidence suggests the issue remains live. The Cardiff report cites 2025 FSB research in which 28.3% of respondents said developing a succession plan was a priority for the next two years, while only around 14% reported using business support for succession. None of the firms expecting to close within a year reported having developed a succession plan with support. [1]

THE POLICY GAP

Wales supports start-up and growth as normal stages of the business journey. Succession should be treated the same way: an expected transition for which owners prepare early, not a specialist intervention triggered when retirement or crisis is already close.

Capital affects strategic choice — but finance alone does not solve succession

Wales is not starting with an absence of succession finance. The Development Bank of Wales launched a £40 million Wales Business Succession Fund in September 2025, offering structured debt and equity packages of £500,000 to £5 million for management buy-outs and buy-ins. Its predecessor £25 million fund supported 26 buy-outs and safeguarded more than 700 jobs; the new fund is forecast to support more than 1,000 jobs. [2]

Development Bank transaction data also show why succession policy cannot revolve around one preferred ownership model. Of 360 companies receiving succession funding between 2017 and May 2026, 46% followed acquisition or trade-sale routes, 38% management buy-outs, 13% management buy-ins, 1% buy-in management buy-outs and 2% employee buy-outs. These are DBW-financed companies, not the entire Welsh succession market. [1]

Succession route in DBW-funded companies	Share of 360 companies, 2017–May 2026
Acquisition / trade sale	46%
Management buy-out	38%
Management buy-in	13%
Buy-in management buy-out	1%
Employee buy-out	2%

The Cardiff report's main recommendation follows directly: establish a single, accessible support service for SME ownership succession. It identifies useful specialist provision for some routes — notably Cwmpas on employee ownership and Development Bank finance — but a fragmented overall journey. A coherent service should help owners explore the full option set, understand valuation and financing implications, prepare management early and reach the right specialist advisers. Accountants are specifically identified as trusted long-term advisers who can help surface succession before it becomes urgent. [1]

Broader capital availability still matters because it shapes strategic choice. The British Business Bank reports that Wales lagged every UK nation and region except the East Midlands in its measure of the concentration of equity investment value between 2022 and 2024. Welsh equity deal numbers rose 7.2% in 2024 while the UK total fell 15.1%, but Welsh investment value fell 12.1%; Cardiff City Region accounted for 71% of Welsh deals and 80% of investment value over 2022–24. [9]

This does not prove that Welsh firms are being forced into premature sales, and the £130 million Investment Fund for Wales is broader SME finance rather than succession finance specifically. The more useful question is whether owners reach succession with

a viable business, credible management, realistic valuation, suitable finance and enough time to choose among the available routes. [9]

Employee ownership is a useful succession tool, not a default answer

Employee ownership deserves a visible place in the option set. Wales reached 100 employee-owned businesses in November 2025, above the previous Programme for Government target of 74 by 2026. Business Wales and Social Business Wales already provide specialist support for employee buy-outs. [4]

The strongest Welsh evidence is more nuanced than some advocacy around the model. Wavehill's 2023 study found recurring evidence around employee engagement, recruitment and retention, resilience and succession. The study was primarily qualitative and did not establish a clear causal effect on turnover growth or productivity. [3]

A UK study estimated GVA per employee to be 8–12% higher in employee-owned businesses than a non-employee-owned benchmark derived from national statistics. The finding is useful, but the research was commissioned by the employee-ownership sector and the observed difference should not be treated as proof that ownership structure alone caused the productivity differential. [5]

The practical conclusion is straightforward. Employee ownership should be promoted when it suits the business, workforce, valuation and financing circumstances. It should sit beside management buy-outs, family succession, trade sales and other routes — not above them.

THE PRINCIPLE

Ownership policy should widen viable choices for owners and successors. It should not replace one succession problem with an ideological preference for one structure.

Capability built through a major customer should outlast the relationship

CONNECT asks whether relationships with other firms and much larger organisations help Welsh SMEs acquire capability. An anchor institution is a large, relatively place-rooted organisation — such as a university, health body, local authority or other major public institution — whose employment, purchasing, assets and convening power can materially shape its local economy. A major private employer or inward investor can play a similar economic role but is not necessarily rooted in the same way.

KEEP asks the next question: what remains if that relationship changes? A supplier can increase turnover and employment while becoming more economically vulnerable if an increasing share of its activity depends on one dominant customer. The stronger outcome is a firm that uses the relationship to acquire management capability, technical

knowledge, equipment, quality systems, certifications, intellectual property, market credibility and experienced people — and can deploy those assets with other customers.

THE RESILIENCE TEST

Would the supplier remain viable if the major customer reduced procurement, relocated or left Wales?

Supplier development should therefore examine customer diversification alongside contracts and jobs created. A relationship has produced durable productive capability when the supplier has become more capable and more independent, not simply larger. This is where CONNECT and KEEP meet: CONNECT asks whether economically useful relationships create capability; KEEP asks whether that capability survives changes in individual contracts, customers and locations.

A sale can release productive capacity rather than destroy it

The strongest version of KEEP is therefore not “never sell”. Successful exits can strengthen a regional economy if the people, capital and knowledge they release remain active.

Mason and Harrison described this as entrepreneurial recycling. Their peer-reviewed study of five Scottish technology firms acquired by non-UK companies found founders subsequently using wealth and accumulated experience to start new ventures, invest as business angels or venture capitalists and support other businesses. Once that post-exit activity is included, they argue, the regional effect of acquisition can be more positive than a simple ownership-loss calculation suggests. [6]

Scottish Enterprise later examined recycling directly. Its research found no evidence for the assumption that cashed-out entrepreneurs simply stop activity. More strikingly, companies and entrepreneurs placed greater priority on recycled talent than recycled cash: experienced people, trusted relationships and judgement were often the scarce resource. The report also broadened recycling beyond founders to managers and others who had helped build successful firms. [7]

That changes the economic-development question after an exit. Rather than only asking who bought the company, Wales should also ask what the founder does next; where senior managers go; whether employees spin out businesses; whether capital is reinvested; and whether experience is made available to the next generation of Welsh SMEs.

FROM EXIT TO HARVEST EVENT

A successful sale should be treated as a potential harvest event: capital, management talent, technical knowledge and commercial relationships can be released into the wider SME ecosystem rather than disappearing from it.

KEEP should close the loop back to CREATE

The strongest entrepreneurial ecosystems accumulate capability over time. Founders who have built and sold companies become investors or mentors. Senior managers join younger firms. Technical employees create spin-outs. Customers and suppliers carry knowledge into other businesses. Capital released from one success finances several new attempts.

That process links KEEP directly back to CREATE and CONNECT. It is easier to start and grow a firm in a place where experienced people, trusted advisers, suppliers, investors and potential customers have already built businesses before. The economic asset is not one company frozen in its original ownership structure; it is a stock of productive capability that compounds across firms and generations.

This is why Welsh policy should distinguish between the loss of ownership and the loss of capability. Sometimes they coincide. Sometimes they do not. The objective should be to prevent avoidable loss and maximise recycling when change is commercially sensible.

What should change

1. **Make succession a core stage of the Welsh business journey.**
   Welsh Government should implement the Cardiff Business School recommendation for a single accessible succession service, connected to Business Wales, Development Bank of Wales, Cwmpas and private advisers. Succession should be introduced early in business support rather than waiting until an owner is close to exit.
2. **Support the full succession market rather than one preferred ownership model.**
   Advice should compare family transfer, management buy-outs and buy-ins, employee ownership, partial investment and trade sale on commercial merits. Welsh Government should continue employee-ownership support, but the measure of success should be durable businesses and capability retained, not the number of firms adopting one structure.
3. **Treat access to capital as a strategic-choice issue, not a substitute for readiness.**
   Development Bank of Wales and Welsh Government should assess whether succession and growth finance provide credible choices across Wales, while recognising that finance alone cannot compensate for weak management preparation, late planning or an unrealistic valuation.
4. **Build an entrepreneurial recycling mechanism into the Welsh SME ecosystem.**
   Welsh economic-development bodies should actively connect exited founders, senior managers and technical talent with promising Welsh firms through investment, non-executive roles, mentoring and new ventures. The Scottish evidence suggests that matching trusted expertise to real opportunities matters more than maintaining a passive directory of names.
5. **Measure whether productive capability survives major economic transitions.**

Wales should track succession outcomes; headquarters and strategic functions following significant ownership change; customer diversification among firms receiving supplier-development support; founder reinvestment and new ventures; and the movement of experienced managers and technical talent. The aim is not to police private commercial decisions. It is to understand whether publicly supported economic activity leaves behind durable capability.

Who can act?

Welsh Government can act directly	UK Government / Westminster action
Create and fund a single succession support service; integrate succession into Business Wales; provide finance through DBW; support employee ownership; build founder/manager recycling networks; collect and evaluate outcome data.	**Company/business-association law; EOT statutory and tax framework; most CGT and other tax incentives; substantial areas of financial-market regulation.**
Use Welsh public investment and economic-development programmes to widen financing choices and support management transitions.	**Any material reform of company ownership structures or UK-wide tax treatment requires UK legislation.**
Make evidence-based representations where reserved rules appear to constrain Welsh succession or ownership objectives.	**Work with Welsh Government where UK-wide reform can support devolved economic-development goals.**

Economic-development support is broadly within Welsh competence. Welsh Government can fund succession advice, Development Bank products, employee-ownership support, founder and management networks, co-investment and data/evaluation programmes. Schedule 7A to the Government of Wales Act 2006 reserves company and business-association law and several related matters, while most taxation also remains UK-wide. [10] [11]

Employee Ownership Trust tax rules are therefore a UK matter. HMRC confirms that for qualifying disposals on or after 26 November 2025, 50% of the gain is chargeable to Capital Gains Tax and the remaining 50% receives EOT relief. Any Frontier proposal to change that treatment must be directed to UK Government and Westminster, not the Senedd. [12]

Keeping capability turns development into accumulation

CREATE asks how Wales can build a broader enterprise base and enable ambition. CONNECT asks how independent SMEs can gain capabilities and markets through relationships. KEEP completes the sequence by asking whether productive capability survives changes in ownership, leadership, major customers and individual firms.

Taken together, the argument is not that Wales should close itself off from outside ownership or capital. It is the opposite: a confident SME economy should trade, collaborate, attract investment and allow successful owners to realise value. But it should also become better at preserving viable firms, retaining strategic capability where commercially sensible and recycling the gains from success into the next generation.

That is how economic development becomes cumulative rather than episodic.

The companion CREATE · CONNECT · KEEP Frontier Briefing brings the three parts of the framework together and asks how Wales can measure whether productive capability is accumulating across successive generations of businesses.

References and archive links

All links below are included so that the underlying sources can be downloaded or saved. Where a source reports programme outputs rather than causal evaluation, the report says so.

1. Lang, M., Munday, M., Roberts, A. and Roche, N. / Economic Intelligence Wales (2026). SME Business Ownership Succession Planning. Source / download — Principal Welsh evidence on succession preparedness, support gaps and DBW-financed transactions.

2. Development Bank of Wales (2025, updated 2026). Wales Business Succession Fund. Source / download — £40m succession fund; £500,000–£5m packages; predecessor-fund outcomes.

3. Wavehill for Cwmpas (2023). The Economic Benefit of Employee Ownership in Wales. Source / download — Commissioned Welsh qualitative evidence; useful on engagement, resilience and succession, not causal productivity proof.

4. Welsh Government (2025). Number of employee-owned businesses in Wales hits 100. Source / download — Official Welsh count of employee-owned businesses.

5. Ownership at Work / Employee Ownership Association (2023). People Powered Growth: EO Knowledge Programme. Source / download — Sector-commissioned UK comparison evidence on employee-owned businesses.

6. Mason, C.M. and Harrison, R.T. (2006). After the exit: acquisitions, entrepreneurial recycling and regional economic development. Regional Studies 40(1), 55–73. Source / download — Peer-reviewed evidence on post-exit entrepreneurial recycling.

7. Scottish Enterprise (2015). The Recycling of Entrepreneurial Talent. Source / download — Evidence on recycled talent, relationships and post-exit activity.

8. Kolko, J. and Neumark, D. (2010). Does local business ownership insulate cities from economic shocks? Journal of Urban Economics 67(1), 103–115. Source / download — Evidence distinguishing local ownership from headquarters effects.

9. British Business Bank (2025). Nations and Regions Tracker 2025 — devolved nations briefing notes. Source / download — Welsh equity deal trends, investment-value concentration, Cardiff concentration and Investment Fund for Wales.

10. Government of Wales Act 2006, Schedule 7A, as amended. Source / download — Primary constitutional source for reserved matters.

11. Welsh Government (2026). Cabinet handbook — Section 6: Legislation and the law, paragraphs 6.1-6.7. Source / download — Explanation of the devolution settlement, economic-development responsibilities and reserved matters.

12. HM Revenue & Customs (2025, current guidance). Capital Gains Tax — Employee Ownership Trusts. Source / download — Official position on the reduction of EOT CGT relief from 100% to 50% for disposals from 26 November 2025.

Use of artificial intelligence

Artificial intelligence tools were used in the preparation of this publication as research and editorial aids. They assisted with:

- identifying, cross-checking and corroborating sources and factual claims;
- testing internal consistency, including terminology, evidence strength and, where relevant, constitutional competence;
- improving the structure, clarity and readability of the text; and
- identifying claims or areas requiring further verification.

The selection and interpretation of evidence, analysis, arguments, conclusions and recommendations are those of the author. Sources cited in the publication were checked against the underlying material before inclusion.
