



Lord Wei
Office of Government Adviser for Big Society
Office for Civil Society
Cabinet Office

15 February, 2011

Dear Lord Wei,

Family business and the Big Society

Thank you for meeting with Andrew Wates and myself on 1 February, 2011, and for letting us explain in more detail our views on the role that family businesses can play in the Big Society agenda.

I am setting out some of the ideas we discussed in this letter together with some more information on our association.

1. About the IFB and the family business sector

The IFB is an independent, not-for-profit, politically neutral, membership association which supports the UK family-owned business sector through Representation, Education (IFB Forum) and Research. There are currently 200 IFB member companies, whom together account for more than £40 billion in turnover.

Studies have consistently demonstrated the importance of family firms - research on the UK family business sector, conducted for the IFB by Capital Economics, estimates that:

- Family firms account for **65% of private sector enterprises** in the UK economy - 3 million businesses
- Family firms account for over 40% of private sector employment, providing jobs to 9.5 million people **one job in three throughout the UK**

2. Summary of Key Findings of the IFB Family Business Philanthropy and Social Responsibility Inquiry- June 2009

Research shows that family business owners are “natural philanthropists” and their firms are more likely to support charitable activities than non-family businesses, and their commitment to being philanthropic, socially responsible and good members of the community is genuinely felt and deeply held.¹ With their roots in the local areas in which they are based, which often go back for generations, family firms are often regarded as “local heroes”.

There are three key drivers for family business philanthropy and corporate social responsibility (CSR) – values, marketing and peer-pressure. Family values, especially an ethos around “giving something

¹ *Coutts 2005 Family Business Survey*

back”, are a key driver of much philanthropic and socially responsible behaviour in family businesses. However, these activities can also be marketing-driven and peer-driven, as family businesses seek to align their values with their business goals.

On the whole, family businesses see philanthropy and CSR as being on the same continuum, as both are rooted in a desire to put family values into practice within the business. Socially responsible activities generate multiple benefits for family businesses and when done well, can simultaneously meet the needs of the owners, the employees and the wider community.

3. Family Business and the Big Society:

The IFB has two recommendations for possible government action to encourage greater commitment from the UK’s 3 million family firms, to promote greater philanthropy and social responsibility, as well as to generally foster responsible corporate stewardship (see also the [IFB 10th National Conference](#), Liverpool, 9-10 June 2011- **Family Business Stewardship: A Model for Business Success**).

3.1 New tax breaks on donations to create a multiplier effect. Notwithstanding the fact that reputational benefits, personal satisfaction and the desire to implement family values are more important drivers than tax breaks or regulation, the Government could create new tax incentives to encourage the giving of time and money by family firms, their owners and employees.

Recommendation: HM Government could explore the possibility of giving tax breaks to employers who match employee donations

3.2 Encouraging greater social enterprise through matched funding. Matched funding schemes can be a popular method to attract family businesses to start or scale up their CSR activities, for example as they relate to promoting social enterprise, in a market that is currently unserved because it is not sufficiently profitable.

Recommendation: A growth fund for social enterprise supported by the Big Society Bank that would provide matched seed capital for ventures serving a social purpose

The IFB believes that implementation of these two recommendations would allow family businesses to support the Big Society agenda in a more effective and widespread way.

Please don’t hesitate to contact our office if you wish to discuss these recommendations further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Gordon', with a large, stylized flourish above the name.

Grant Gordon
Director General