

Transeo AISBL

European Association for SME Transfer

Transfer of business
as an opportunity for

GROWTH

AND VALUE CREATION

Good practices to raise
awareness among
business owners

Conclusions from the Transeo Working Group

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Academics / research centers	
Business transfer advisers, auditors, lawyers ... / Association of business transfer advisers	
Chamber of Commerce	
Economic development agency/regional or national business transfer agency or association (also matching platform)	
Matching platforms / brokers	
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Introduction

Transfer of SMEs is a challenge in Europe. According to the EU Commission, 450.000 enterprises, representing 2 million jobs are transferred yearly in Europe. According to Transeo, the EU Association for SME Transfer, one of the biggest challenges towards more successful SME transfers in Europe is to efficiently raise awareness about business transfer among business owners/potential sellers.

All European countries face the same difficulties in making business owners really aware of the need to prepare, in time, for the change of ownership, as pointed out by the European Commission, among others in the 2006 Communication, in the Small Business Act & its Review, in the Entrepreneurship 2020 Action Plan and in the recent “2013 Study on Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers” .

The Transeo solution in order to improve the situation is to provide competent authorities in Member States with concrete recommendations and good practices easy to implement and likely to bring good results and return on investment. Transeo is convinced of the priority of improving awareness among potential sellers, because it is the best way to prepare successful transfers. It is also important to raise awareness about takeover entrepreneurship among potential buyers, it is essential to develop powerful SMEs through innovation, development of new products, new services, new markets. Creation of value after the takeover is a positive result of a well prepared transfer.

Our recommendations apply both to the policies and the “practices” in the field of awareness-raising. The present brochure outlines a summary of our conclusions. We take the opportunity for thanking all Transeo Members for their involvement in this work and the efficient exchange of views and good practices.

As recently reminded by the EU Commission, Transeo is now calling on the Member States and their competent Ministries of Economy and SME agencies to establish an action plan to actively support SME transfers and more particularly, to raise awareness about sale/acquisition of SMEs among 1) business owners 2) entrepreneurs/potential buyers.

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Objectives

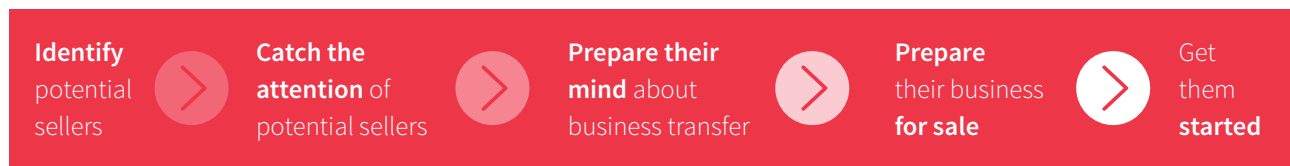
The main objectives of the Transeo working group were :

- To make a state of the art of the policies to raise awareness about business transfer among business owners in Europe
- To identify the existing solutions that are the most efficient and cost-effective (good practices)
- To make recommendations to improve policies in the field and the complementary role of the stakeholders involved in the awareness-raising process (public institutions, professionals, academics, ...)

Methodology

Our methodology for this working group was based on the basic working method of Transeo with its Members: an initial consultation of Members, a first working group meeting with presentations, discussions, analyses by academics, an on-line questionnaire, good practice sheets to fill in, a second working group meeting and a final report. The members of the working group are Transeo Members, from different sectors and horizons, which creates interesting exchanges of views and synergies: academics / research centers, business transfer advisers, auditors, lawyers , associations of business transfer advisers, chambers of commerce, economic development agencies/regional or national business transfer agencies or associations and matching platforms / brokers.

The awareness-raising process was split into 5 phases :



For each phase, both recommendations and concrete good practices were proposed.

Members of the working group

All Transeo Members were informed and invited to take part in the working group but the following members were specifically involved in the meetings and preparation of reports:

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Background – state of the art

The political point of view was discussed in order to make a state of the art of the existing policies supporting awareness-raising in Europe and in countries under study.

First, at **European level**, the position of the European Commission regarding awareness-raising of SME sellers is that Member States should intensify their efforts to raise awareness about change of ownership, getting inspiration from existing good practices.

Regarding **the policies at Member States level**, the Transeo working group could observe that for the moment not all Member States have a policy into place to raise awareness about business transfer and this is not on many governments' agenda. Besides, it appeared that the regional level was crucial (local anchorage, close to business owners, ...) but there is not enough cooperation between regions nor coordination at national level. It was also underlined that the public sector has a central role to play in the awareness-raising programmes: professionals can afford to spend limited time finding new clients but making them aware much earlier should be a task for the (semi-) public authorities or at least shared with them. Furthermore, business transfer tends to be disconnected from other policy areas: yet, without successful business transfers, the continuity and then growth of SMEs are compromised. Therefore, business transfer should be included in the Member States policies and budgets to reach growth. One of the observations was also the added value of academic researchers in bringing tangible facts and carrying out interesting studies on business transfer, including on awareness-raising. More collaborations between the public sector, the professionals from the private sector, the academics and the entrepreneurs themselves (through their federations for instance) are needed.



Lessons learned from academic research

> 3 academic members of Transeo were invited to share their knowledge about awareness-raising:

- **Annika HALL** | Co-Director CeFEO • Centre for Family Enterprise and Ownership, Jönköping International Business School • Sweden
- **Pr Lex VAN TEEFFELEN** | Professor in Business Transfers and Innovation at the HU Business School Utrecht • The Netherlands
- **Edwin WEESIE** | PhD Candidate, HU Business School Utrecht • The Netherlands

> Among the main lessons learned from their presentations, here are a few worth sharing:

- Consider every situation as unique
- Work as a process facilitator, ask the seller the right questions, he/she is the one who has the knowledge, listen actively to his/her answers and ask why, do not propose a standardized solution but co-produce the solutions together with the seller
- Manage insecurity: insecurity is a fact, it should not be avoided, but accepted and well managed, provide/open up alternatives, not absolutely want to provide answers
- Be sensitive to national differences, cultural factors, sector aspects and family vs. non-family transfer
- Campaign on improvement of revenues, value or attractiveness to the market and not on selling the firm and planning
- Prepare sellers and buyers groupwise
- Lower the costs for support
- Create one stop-shops, engage financial parties upfront
- Change the corporate business model of advisory services: focus on facilitators and one-stop shops
- Don't work without control groups (to evaluate the efficiency: for instance a group with facilitators and a group without, sector-wise, over 3-5 years)
- Don't underestimate the psychological barriers and consider the coping strategies of the business owner and ways to deal with the void after the transfer
- ...



Recommendations

General recommendations for POLICY-MAKING

What are the key ingredients for a successful policy for awareness-raising of business owners about the transfer of their business?

✓ RECOMMENDATIONS	ACTOR		
	European level - European Commission	Member States - national level	Member States - regional level
✓ Organize a coordination of awareness-raising activities of Member States at the European level and/or appoint a European business transfer coordinator	X		
✓ Have a EU portal for business transfer where business owners can find the single contact point of their country ✓ Guarantee that Member States provide a single contact point/ an orientation site of where to go when an entrepreneur starts to consider a major change in business ownership, or the transfer of the company	X		
✓ Provide the Member States with recommendations and good practices on awareness-raising	X		
✓ Finance national and regional communication/awareness-raising campaigns in Member States	X	X	X
✓ Promote academic research on business transfer and develop partnerships with academic institutions	X	X	X
✓ Develop partnerships with the private sector (among others, in organizing awareness-raising activities and later in the process, to guide business owners towards professional support)		X	X
✓ Monitor the progress of the improvement of actions taken in the field of business transfers by Member States	X		



✓ RECOMMENDATIONS	ACTOR		
	European level - European Commission	Member States - national level	Member States - regional level
✓ Organize a central coordinating organization/one stop shop, public or semi- public, officially appointed by the Ministry of Economy <ul style="list-style-type: none"> ■ If business transfer is a regional competence: coordinating organization at regional level ■ If business transfer is a national competence: coordinating organization at national level, with an efficient collaboration with competent regional organizations 		X	X
✓ Build a network of professionals in business transfer , recognized, labelled as quality experts or simply listed with a minimum of filtering for business ethics		X	X
✓ Organize a trustworthy host organization that manages or simply coordinates the matching platforms		X	X
✓ Offer subsidies , through partnerships between authorities and/or competent coordinator organizations and the private advisory sector, in order to lower the cost of advisory services		X	X
✓ Label mentor associations , being able to support potential sellers and more generally entrepreneurs in their strategy optimization of their business development and/or business transfer		X	X
✓ Appoint a clear ad hoc regional leader organization (institution), offering local contact points and network.			X

As pointed out by Pr Geraldine Ryan, Lecturer at the Cork University School of Economics in her research “Small Business Transfer Decisions; What Really Matters? Evidence from Ireland and Scotland” (3rd prize, 2013-2014 Transeo Academic Awards), it appeared **that the factors that influence the owner-manager’s decision to transfer the company differ from one region to another**. Therefore, it is important to note that the Transeo recommendations regarding awareness-raising of business owners should be **adapted to the reality of each region/country. A one-size-fits- all policy within the EU 28 will not work** and awareness-raising efforts should be further emphasized by Member States and tailor-made to the mindset of their business owners.



> 1st phase of awareness-raising process: IDENTIFICATION OF POTENTIAL SELLERS

The act of transferring one's business to a new owner requires a good balance between high confidentiality and measured attractiveness of the “company for sale” profile in order to attract good potential buyers. **Identifying business owners likely to transfer their business is therefore very difficult.**

In this first phase, the recommendations and corresponding good practices deal with **how to find business owners likely to transfer their business and how to have their contact details**. It is important to segment the market, to define precisely the target group of business owners to be approached (with age of owners – although this is not an essential criteria any more - , size of company, sectors, geographical area, ...).

Besides, a new shift in target groups is coming: **potential sellers are no longer solely ageing entrepreneurs**. The climate has changed and the general aim is now to foster business transfers in order to boost business dynamics and by doing so, revitalizing old businesses by new entrepreneurs in Europe. The focus should no longer be on ageing entrepreneurs only, younger ones should also be informed and approached. The most prominent group of potential sellers are the “founders” in all branches and age groups because those who have experience in business transfer do not need awareness-raising any more.

RECOMMENDATIONS

✓ Select appropriate potential sellers (business owners) through **databases** (criteria such as NACE codes, sectors, geographical areas, number of FTE, sizes of companies (VSEs or SMEs), age of owners...) and implement a **communication strategy/plan**

> *Actors: national/regional coordinating entity, mentor labelled organizations, CClIs, ...*

✓ **Collaborate**, in order to identify potential sellers within more precise targets, with CClIs (for instance moderators), business federations, business associations, SME agencies, business transfer professionals

> *Actors: national/regional coordinating entity, mentor labelled organizations, CClIs, ...*

Concrete good practices were identified for this phase, for more information, please contact Transeo.



> 2nd phase of awareness-raising process: CATCH ATTENTION OF BUSINESS OWNERS

Once the contacts details of business owners to approach are obtained, one should communicate towards them efficiently:

- The stakeholders involved in the communication strategy/campaign (coordinator/partners & relay organizations)
- The best strategy to combine these tools
- The most efficient communication tools
- The content/message to be passed on to business owners.

PREREQUISITES:

- Favour a **neutral, non-commercial approach**, do not favour ads but professional and scientific events and studies.
- Before raising awareness, be sure **to have implemented the recommendations on the policy and support structure** so that the communication can be coherent and coordinated.
- Before working with stakeholders, have an **exhaustive stakeholder's model** with needs & resources, and then activate with them and through them.
- **Long-term consistency** – no “one-shots”!
- It is important to **define the target and the specific needs**.
- **ROI**: ideally, awareness-raising initiatives ought to be evaluated.
- ...

COMMUNICATION ACTIONS

The working group members were asked to rank the communication actions in order of importance, here are the results:

1. “Indirect marketing”/partnerships (collaboration with stakeholders in direct contact with target companies (associations, federations, professional unions, ...))
2. Website
3. Events : (Co-)Organize events for business owners
4. Documentation (Information packages, booklets, short guides, ...)
5. On-line tools (On-line tests/questionnaires/self-evaluation tools)
6. Media campaign
7. Phone calls
8. Meetings (personal, face-to-face meetings)



CONTENT & TOPICS

- **Use testimonials & success stories**
- **Don't focus on technical aspects**, rather on changing roles in business transfers and business transfer as normal part of business life today, dedramatise
- **Keep it simple and do not try to educate** the seller on how to do everything by himself/herself, explain that there is a process, that is standard and that **good professionals** follow.
- Need to think ahead one's business transition but do **not over argue about the many years needed to prepare**
- ...

RECOMMENDATIONS

- ✓ Define a **reference organization** (at regional or national level) to coordinate the communication towards business owners.
- ✓ **Establish partnerships**, define the relay organizations and partners who will implement the communication plan with the reference organization (including direct contact such as calls to potential sellers with smart messages) + approach potential sellers through sector federations, business organizations, ...
- ✓ Define the **communication strategy**, in order to reach your targets
- ✓ Define the **communication plan** and choose the **communication tools** to be used: website, events (workshops, trainings, roundtables, with peer testimonials, attracting entrepreneurs including potential sellers), documentation (guides, booklets, ...), on- line tools, media, phone calls, meetings, ...
- ✓ Define **the content** of the communication tools and the specific messages to be conveyed to business owners
- ✓ At national level or regional level, **organize communication campaigns** to go proactively to entrepreneurs/potential sellers

Concrete good practices were identified for this phase, for more information, please contact Transeo.



> 3rd phase of awareness-raising process: PREPARE THE MIND OF BUSINESS OWNERS

Once the business owner is aware of the need to one day change ownership of his/her business and transfer it to a new owner and once his/her attention has been caught, it is necessary to help him/her prepare his/her mind, to start thinking, to start a reflexion about the company and its continuity.

RECOMMENDATIONS

- ✓ **Organize events such as workshops, trainings , roundtables**, in collaboration with relay organizations such as CCIs, business federations, ... These events should feature testimonials from other entrepreneurs, should not mention “business transfer” as a major topic and should propose targeted topics such as challenges of business development, patrimonial preparation, emotions control, transfer processes, types of transactions, support programmes, ...
- ✓ Develop **on-line self-assessment tools/diagnosis tools** and promote them to encourage business owners to use them
- ✓ **Promote practical guides on business transfer**
- ✓ **Promote the existing support programmes** for business owners interested to deepen the reflexion about business transfer: subsidies to call on professionals, passport, succession checks, moderators and local relay agents, ...

Concrete good practices were identified for this phase, for more information, please contact Transeo.

> 4th phase of awareness-raising process: PREPARE THE BUSINESS FOR SALE

Raising awareness on how to best prepare the business for sale is the next step. The technical support to prepare the company for sale (memorandum of understanding, valuation, accounting, ...) should be carried out by professionals. Nevertheless, it is part of awareness-raising

- to **inform** the business owner of
 - The need to prepare the company for sale well in advance
 - all the steps he/she will have to go through to prepare the business for sale
 - the existing tools and support programmes he/she can use to get prepared
 - the added value to call on a quality professional



- to prewash, to **screen** whether the business is ready for sale or not and establish a first diagnosis
 - Business owners should find a trusted neutral organization, one-stop shop to turn to. Then, after a preliminary diagnosis, he/she should turn to professionals to carry on the transfer process (writing of the memorandum of understanding, ...).

RECOMMENDATIONS

- ✓ **Organize events** to provide information to the business owners on the necessary steps to take to prepare the business for sale
- ✓ **Encourage the business owner to seek information in order to prepare the business for sale:** in this respect, develop/promote complete guides detailing the various challenges and solutions at each phase of the transfer process.
- ✓ **Encourage the business owner to analyze his/her company in the perspective of a transfer to a new owner:**
 - **Develop/promote business diagnostics, strengths and weaknesses (SWOT) analyses,** through incentive mechanisms such as an “entrepreneur passport”, or through institutional incentives, the purpose of such diagnostics being to raise awareness of business owners on the needed changes before transfer.
 - **Develop/promote support programmes** to help the business owner seek advice to quality/recognized business transfer professionals or mentors to prepare the business for sale.

Concrete good practices were identified for this phase, for more information, please contact Transeo.

> 5th phase of awareness-raising process: GETTING STARTED

When the business owner has identified the preferred option for transfer and knows the result of the pre-transfer diagnosis, he/she should be followed-up by the business transfer official agency to identify the possible remaining blocking points. Then, he/she can be supported by mentors and by business transfer professionals to enter the transfer process. Nevertheless, it is important to note that they are the only ones to make the decision to enter the process. In this specific phase, the use of testimonials of other entrepreneurs who have been successful and happy with the transfer of their company can be an efficient trigger.



RECOMMENDATIONS

- ✓ **Promote national or regional support programmes** such as the “entrepreneur passport”, with financially controlled or subsidized advisory services by experts, in order to encourage the entrepreneurs to contact those advisors who will assist them in the process.
- ✓ **Organize professional and technical seminars, with success stories, testimonies.**
- ✓ **Organize a follow-up** (by the business transfer official agency, by the mentor organizations, or the professional federations, ...) of the potentially ready to transfer business owners.

Concrete good practices were identified for this phase, for more information, please contact Transeo.

Specificities VSEs – next steps

- > Is it different to raise awareness about change of ownership among very small companies and sole proprietors?

The focus of the working group was SMEs but very small companies are also an important focus group. Here are some first observations coming from discussions on how specific it is to raise awareness among VSEs: basically the recommendations are the same as for awareness-raising among SME owners. Nevertheless, some of them should take into consideration the specificities of VSEs: for instance, the accountant plays an even more important role to identify the potential sellers and guide them towards the central coordinating organization. A local network of relay agents is even more necessary to reach to the business owners of small companies. The media used to catch attention of VSEs are also probably different from those of business owners of SMEs. This question requires further research and work to identify the recommendations specific to the awareness- raising of owners of very small enterprises about business transfer.

- > Next steps & further work needed

Transeo will use the **results of the awareness-raising working group** for its Members (full results, final report, policy sheets, ...), but also to inform authorities, business associations and professionals at EU and national level (position paper & summary brochure). Other actions on the issue of “awareness-raising” should be carried out. Once again, Transeo is calling on the Member States and their competent Ministries of Economy and SME agencies to establish an action plan to actively support SME transfers and more particularly, to raise awareness about sale/acquisition of SMEs among 1) business owners 2) entrepreneurs/potential buyers.



Transfer of business as an opportunity
for growth and value creation : good practices
to raise awareness among business owners

Conclusions from the Transeo Working Group

The working group “Awareness-raising of the business owner about transferring/selling the business” is an initiative of Transeo aisbl. Transeo is the European Association for SME Transfer.

It gathers experts in sale/acquisition of SMEs from the private sector (advisers, brokers, lawyers, banks, matching platforms, accountants, auditors, ...), the public sector (semi-public and public business transfer agencies, chambers of commerce, ...) and the academic sector (universities, business schools, research centers, ...).

The objective of Transeo and its Members is to exchange good practices, to make recommendations to EU and national decision-makers for an efficient SME transfer policy and to contribute to more successful SME transfers in Europe.

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