Guidebook Series

How to support SME Policy from Structural Funds.

Facilitating Transfer of business

A Smart Guide on promoting and supporting the transfer of businesses with the help of EU structural funds

This guidebook has been produced by the European Commission and is based on the information gathered in a number of projects and studies executed in this field. Although the work has been carried out under the guidance of the European Commission officials, the views expressed in this document do not necessarily represent the opinion of the European Commission.

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This guidebook is part of a Series. The titles published so far are :
Nr.1 Building Entrepreneurial Mindsets and Skills in the EU
Nr.2 Using standards to support growth, competitiveness and innovation
Nr.3 Facilitating Transfer of Business
Nr.4 The Smart Guide to Service Innovation

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Foreword

After the creation and growth of a business, transfer is the third crucial phase in its life cycle. It involves complex legal issues, but it is also about valuation, finding a new owner and transferring the leadership of the company. It is a long process that needs sound preparation. Too many viable companies close down due to insufficient attention to these issues. And with them many quality jobs are lost for their economic environment.

Much attention has been given to encouraging the creation of new businesses, but it is also important to ensure the continuation and growth of existing viable enterprises. Policy makers often forget that starting a new firm is not the only way to secure jobs.

Given that, the regional dimension of individual business activity Structural Funds should play an important role in supporting concrete projects aiming to enhance the operation of business transfers. This guidebook suggests relevant actions which could be usefully taken at regional level with the support of the European Regional Development Fund (ERDF).

We recommend this Guide to policy makers, stakeholders and managing authorities at regional level, hoping it will inspire concrete measures to further support the successful transfer of businesses to the benefit of regional development.

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Executive Summary

1.1 Purpose of the guide

Structural Funds should play an important role in supporting concrete projects aiming to enhance the transfer of business. This document therefore intends to provide an indication of actions that could be usefully taken in all countries and in all regions with the support of European Structural Funds. The target audience of this report are the policy makers and the managing authorities at regional level.

This guide presents:

- The need for and potential positive impacts of public intervention for facilitating Transfer of Business in the EU via Structural Funds
- A look back on the Commission's and Member States' actions already taken
- Suggestions for measures to support Transfer of Business
- A number of good practice examples to inspire measures that could be included in the Structural Fund operational programmes (OPs).

1.2 What is Transfer of Business?

A business transfer in the context of this report is understood as a transfer of ownership of an enterprise to another person or enterprise that assures the continuous existence and commercial activity of the enterprise. This can take place within the **family**, through **management buy-outs** (sales to non-family management/employees) and **sales** to outside persons or existing companies, including take-overs and mergers[1].

In most small and many medium-sized companies the transfer of ownership goes hand in hand with the transfer of the management function. In the case of private limited companies a transfer of 51 % of shares may be considered a business transfer. In the case of public limited companies, which concerns mostly large scale enterprises and

[1] Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002

where ownership and management functions are separated, transfers in the sense of this report do not take place and have a different nature. In some cases enterprises are sold or taken over for the use of the building or the location only and specific business activities are not continued. This may not be considered as a transfer in the sense of this report. In addition, a number of enterprises may not be transferable for a variety of reasons such as inferior earning potential or bankruptcy. In other cases entrepreneurs will prefer to close down rather than transfer the business or they may be unable to find a successor (buyer).

Business transfers are still very often triggered by the entrepreneur's retirement. However, retirement is only one reason for business transfers. Causes for earlier transfers are personal decisions (early retirement, change of profession, etc.), changing competitive environment (changing markets, new products, new channels of distribution, etc.) or incidents (divorce, illness, death, etc.) which also play an important role.

1.3 The importance of Transfer of Business

The Commission Recommendation of 7 December 1994 and the Commission Communication on the transfer of small and medium-sized enterprises of 28 March 1998 have to a great extent focused upon inheritance, gift and income taxation. The main target has been transfers to another member of the family, the main reason for transfers being age. This pattern seems to be changing.

The 2006 European Commission Communication "Transfer of Businesses – Continuity through a new beginning" reminds Member States of the importance of adequate conditions for business transfers.

There is no contradiction between a certain death rate of old firms and their replacement by new companies and an expanding innovating economy. Not every business is transferable. Moreover, **a transfer is more difficult for smaller businesses and for businesses where the incumbent owner plays a dominant role**.

Business transfers are standard in the business life cycle as well as in the entrepreneur's life cycle. Despite the individual differences in the Member States we are looking at the same trends in all Member States[2]:

- An increased importance of business transfers as a policy issue due to the high and **rising number of transfers** within the ten years to come;
- **An increasing number of business transfers will take place outside the family** to third parties;
- An **increasing number of entrepreneurs will only stay in the same enterprise for a shorter period of time**, not a life time;
- **Personal decisions** (early retirement; change of profession, interests or in the family situation, etc.) **and changing competitive environment** (changing markets, new products, new channels of distribution, etc.) and not only age **will increasingly be the trigger for transfers**.

Statistics on transfers are not available in most of the countries and when available the definitions used vary significantly. The lack of reliable descriptive (what has already happened) and predictive (what is anticipated to happen) data on business transfers results in a lack of support for governments to produce and implement specific policies to facilitate business transfers. Within this context, it becomes clear that there is a lot of potential value in creating a common approach, methodological tools and indicators, leading to the development of a regular common monitoring mechanism for business transfers in Europe.

[2] Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002

1.4 Why should Transfer of Business be supported by Cohesion Policy?

For budding entrepreneurs, it is often forgotten that **starting a new firm is not the only way to go into business**. Every year, thousands of existing small businesses close down, as their owners retire or seek new challenges, but cannot find anybody to take on the firm. Ensuring a smooth handover is a long and sometimes complex process, but making it simpler would reduce much of the 'waste' - of skills, jobs, market presence and goodwill - when such a business closes down. Existing companies conserve on average five jobs whereas a start-up generates on average two jobs. Moreover, **the success rate of transfers is higher than that of start-ups**. With an estimated 450,000 businesses, providing 2 million jobs, being transferred in the EU every year, Europe needs to make it easier to transfer businesses and develop more effective support services.

The 2011 Commission's study on "Business Dynamics", measuring the impact of non-efficient transfer of businesses on job creation and business births in Europe, concludes that Europe is losing approximately 150,000 firms representing 600,000 jobs a year due exclusively to inefficiencies in business transfers. **The smallest businesses are the most vulnerable to failed transfers**, considering that they are often closely related to their owner's skills and personality that are not easily transferable. Additionally, the small value of their tangible assets often makes their valuation impossible as the main assets of value in these businesses are the entrepreneurs themselves. In addition to the size of the business, the legal form of the company as well as its age, are another two emerging factors of vulnerability.

1.5 Actions to take

Given the importance of the Transfer of Business for the European economy, the following actions could be taken in order to enhance it:[3]

- **Raising awareness**: One cause of major problems in business transfers is that the planning for the transfer process has started too late. Raising awareness about the need to prepare for the transfer a long time in advance is therefore the starting point for a successful transfer.

- **Creation of a transfer-friendly regulation framework**: To help the transfer of businesses means having the right regulatory framework. The European Commission dealt with this area in its recommendation on the transfer of small and medium-sized enterprises.[4] It invited the Member States to improve their legal and fiscal environment for business transfers. Some progress has already been made in implementing the recommendation, but there is still work to be done.

- **Finance for business transfers**: Businesses which are taken over are generally larger at the time of takeover than new enterprises at the time of formation. Buying an existing business therefore often requires more capital than starting up a new business. Assisted loans (preferential rates of interest), guarantees, and forms of equity capital for a limited period could make it easier for a larger number of potential transferees to take over businesses.

- **Creation of business advisory services**: As business transfers touch upon complex problems such as succession legislation, taxation, preparing the company for sale, price evaluation, etc., advice from specialists such as business consultants, tax auditors, lawyers, accountants, banks and notaries is needed to carry out the process.

- **Organization of transparent markets for business transfers**: An increasing number of business transfers take place to third parties. It is therefore all the more important to facilitate the matching of buyers and sellers. The market for the purchase and sale of smaller enterprises, however, is sometimes not transparent. Many potential purchasers and vendors are listed in the files of individual accountants, banks and consultants. The restricted scope of these files limits the likelihood of establishing suitable contacts.

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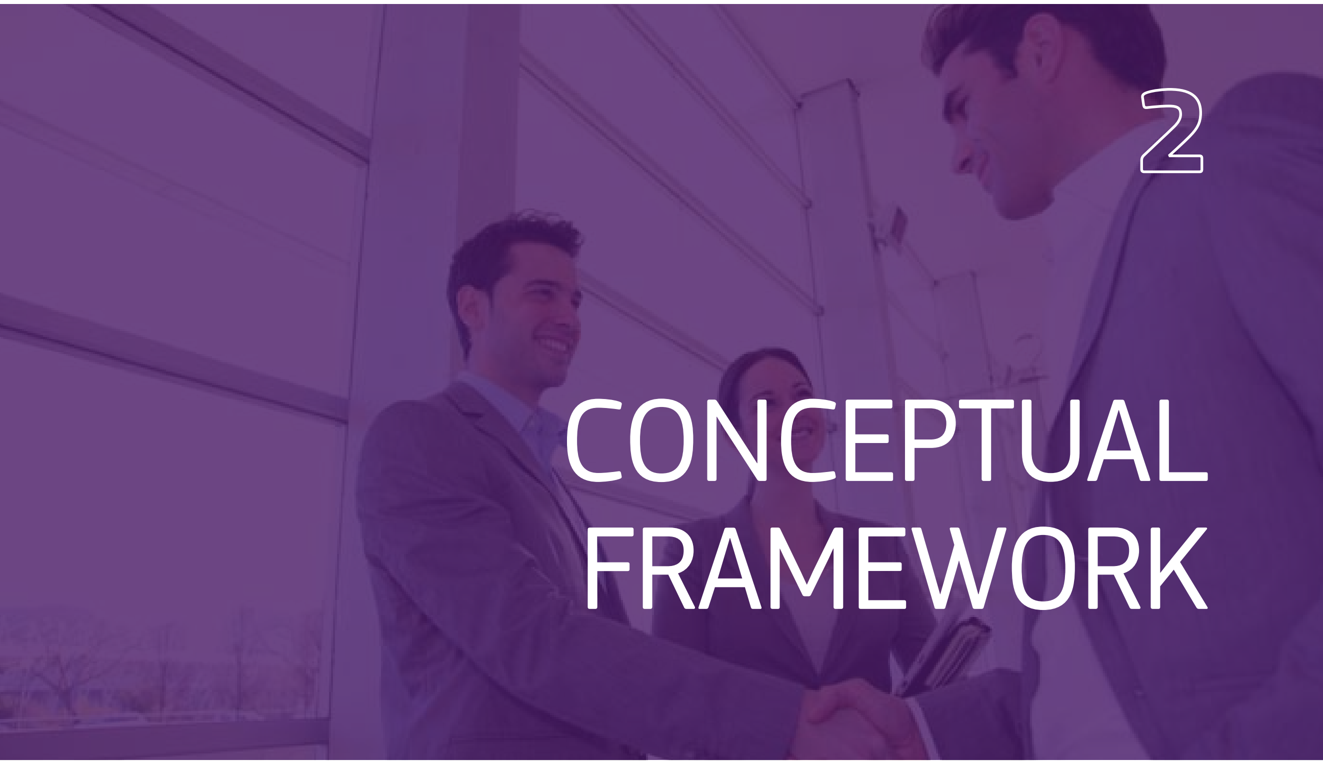
[3] A 'good practice guide' of measures for supporting the transfer of businesses to new ownership, European Commission - 2003

[4] Commission recommendation on the transfer of small and medium-sized enterprises, OJ L 385, 31.12.1994, p. 14



2 CONCEPTUAL FRAMEWORK

2.1 The challenges and obstacles of Transfer of Business Model

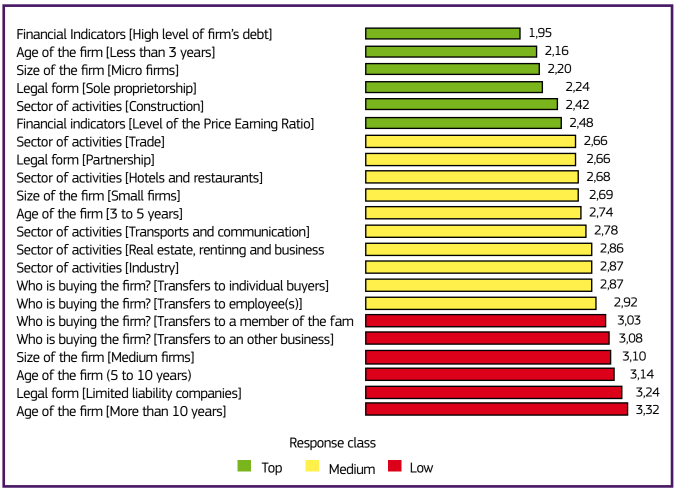
The transfer of a business from one person to another is a complex process that involves much more than the legal transfer of ownership in exchange for a price. To complete such a transfer successfully numerous problems, many of them of an emotional and psychological nature, have to be overcome. Business transfers have several important characteristics in which they differ from the sale (or the gift) of most other assets. Traditionally, the most common solution to these problems used to be the transfer within the family from one generation to the next.[5] Ideally, the family context, the existing framework of mutual relations, trust and the shared information about the business itself facilitated the economic transfer of assets, of information, knowledge, business relations etc. The transfer of businesses entails certain transaction costs, which can greatly diminish the value of the business that is handed over or which can even constitute prohibitive obstacles that prevent the development of comprehensive transfer markets outside families. Inside families, the transaction costs of the transfer can often be reduced to a degree that makes a transfer possible and efficient. This is not to deny that there are cases where distorted family relations endanger the economic transfer of the business. Families are social groups that have their own problems which, in some cases, can hinder a successful transfer.[6] Moreover, there can be other factors, for example industry- and sector-specific problems, that make a family transfer problematic.[7]

The Business Dynamics Survey from 2010 allows for a ranking of the factors that make SMEs more vulnerable to transfer failure:

[5] See e.g. Bjuggren, Per-Olof and Sund, Lars-Göran (2002), A Transaction Cost Rationale for Transition of the Firm within the Family, in: Small Business Economics, vol. 19, pp. 123-133.

[6] For an overview, see Handler, Wendy C. (1994), Succession in Family Business: A Review of the Research, in: Family Business Review, vol. VII, no. 2, pp. 133-157.

[7] See e.g. Getz, Donald and Petersen, Tage (2004), Identifying Industry-Specific Barriers to Inheritance in Small Family Businesses, in: Family Business Review, vol. 17, no. 3, pp. 259-276(18).



Source: Business Dynamics Survey 2010

Note[1]: Data is based solely on the views and perceptions of the survey's respondents.

Note[2]: Respondents were asked to answer the following question: "Identify which are the factors that make SMEs more vulnerable to transfer failure (rate 1 very negative impact, 2 negative impact, 3 positive impact , 4 very positive impact, 0 no impact). Small numbers indicate that the factors make SMEs more vulnerable. The graph presents an average of the answers.

The numerous particular features of a business transfer can be grouped under the following four headings[8]:

1) Matching the preferences of buyers and sellers;

2) Building trust (information asymmetries);

3) Emotional and psychological issues;

4) Technical issues.

2.1.1 Matching preferences

Most businesses are unique in many ways and what suited the incumbent owner might not be favoured by a potential buyer or transferee. Even if one looks only at the most obvious features of a business, i.e. sector and size, it might still be complicated to match a potential buyer and a potential seller in the same area and at the same time.[9]

A great majority of those interested in becoming entrepreneurs have a preference for starting a new business, as compared to taking over an existing one. The decision to become an entrepreneur is (possibly with the exception of cases where a business is started as a result of unemployment or a similar situation) only partly motivated by purely economic considerations. To some degree, self-fulfilment and the desire to realise an idea will also play a role. According to the 2004 Flash Eurobarometer, 53% of Europeans would rather set up a new company; only 29% preferred taking over an existing one.[10] There are two reasons for this. First, starting-up a business allows the new entrepreneur to shape it exactly the way he wants it. Not only has the founder of a business more freedom regarding his business choices in the strict sense. Founding his own business will also make it easier to match personal needs, such as locating the business close to his residence. The second reason is that setting up a new business usually requires less financing than a takeover. According to some estimates, taking over an existing business requires 60% more investment than a start-up.[11]

For the owner and potential transferor of a business, alternatives to selling the business are relatively limited. If the business cannot be transferred within the family, an alternative to the sale of the business as a whole could be winding up the company piece by piece. The disadvantage of this arrangement, of course, is that a substantial part of the value – client relations etc. – will be lost.

This is why there is often a numerical difference between the supply and demand sides in transfer databases. In such databases there are usually more offers of businesses (2/3 of the advertisements) than persons looking actively for a business (1/3 of advertisements).

[8] Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006
[9] Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006
[10] Flash Eurobarometer, Entrepreneurship. In the USA the results are rather similar: 54% of the population express a preference for start-ups, and 30% a preference for taking over a business. There are, however, large differences within the European countries ranging from Greece (66% preference for start-ups) to the Czech Republic (32% preference for start-ups).
[11] Deutsche Ausgleichsbank, cited after: European Commission (1997), European Forum on the Transfer of Business, p. 5.

2.1.2 Building trust

There are usually strong information asymmetries between buyers and sellers of businesses (especially smaller ones), i.e. the owner knows much more about the strong and weak sides of his business than the potential transferee. In negotiating the conditions for the business transfer it will be in his interest to exaggerate the strong aspects and downplay the problems. Knowing this, the transferee might distrust the information provided by the owner.[12]

The classical solution to information asymmetry problems is reputation: information advantages are not exploited because of the risk of endangering further business opportunities. However, a seller will only be concerned about his reputation if he has an interest in future transactions which would be thwarted by having earned a bad name. In the case of a business transfer this will often not be the case since after the transfer the former owner might retire.

The building of trust will also be made difficult because potential sellers will usually not want to have it widely known that their business is for sale. Therefore, advertisements in databases will be quite general and vague. This means, however, that the advertisement is not very attractive for potential successors who often wish to gain a deeper impression before they try to establish contact. In most cases an intermediary can play a useful role in trying to convince the entrepreneur that a certain amount of information is necessary in order to make the advertisement attractive enough.

Yet issues of information asymmetries and trust apply not only to the relationship between potential buyers and sellers but also to intermediary institutions. For example, potential advertisers in a web-based marketplace sometimes do not believe in the trustworthiness of the institutions involved in running the database. Many entrepreneurs fear a lack of discretion if they agree to advertise information on their business. Moreover, if there are private intermediaries involved they are sometimes suspected of concentrating on a quick turnover rather than on finding good contacts.

2.1.3 Emotional and psychological problems

Many entrepreneurs, especially those who have created and built up their own businesses over a number of years, are very reluctant to let go and to prepare the transfer of their business. The transfer of know-how and skills takes place very late, if at all. The result is that the transfer is often insufficiently prepared. This is not only a matter for the entrepreneur who is transferring the firm but it also affects and limits the preparation time for the buyer or the successor or their nearest collaborators.[13]

The lack of planning and openness can have quite dramatic, serious effects for the continuity of the business in unexpected situations (illness, accident, death). This is the case especially in those small companies where the entrepreneur has taken on the whole responsibility of the firm and there are limited plans over the company's future. There can also be difficulties if the transferor and the successor are both in charge.

For the incumbent owner (transferor) the business to be transferred will often be the achievement of his life. He is therefore likely to attach a purely emotional value to the business and, to some degree he will want to be compensated for its loss. But the buyer will not be willing to pay for it, because this kind of value cannot, by its very nature, be transferred to him. To some extent this emotional value will simply be lost in the transfer.[14]

Only if the transferor has some emotional bond with the transferee (in economic terms: if the transferee's preferences are partly included in his own preference mapping) can the loss of the emotional value be diminished. Such intertwined preference mappings can be assumed between parent and child. But they might also be present between owner and buyer. So the two have to get along on an emotional, psychological level and not just on

12 Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006
13 Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002
14 Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006

a business level and the incumbent owner will need assurances that his business is changing into good hands.

In order to build trust between buyer and seller and also in order to pass on, at least to a certain extent, the “emotional” value of a business, longer tutoring periods during which the incumbent owner gradually retires from the business can be helpful.

The size of the company also reflects the way it manages the problems related to business transfers. Owners of large companies are today more easily and frequently assisted by specialists, who can provide them with personalised suggestions to the different aspects involved in the transfer process (legal, fiscal, financial and management issues). The interpersonal and psychological aspects seem to be less considered in large companies, because they are often bypassed – or overwhelmed - by the weight of the economic and financial implications of the transfer. Nevertheless, these are issues that should be addressed, and sensitising owners to the importance of planning the continuity process is very important.[15]

In larger companies, the management of continuity is often the responsibility of some selected managers as a part of an integrated and normal process of management forecast and planning for the future. In such companies, the handover is somehow perceived as one of the processes of change in the company’s life. It is thus seen as part of running the business and it is managed by a project (or by some more or less integrated projects).

Small business owners are more often unaware of the problem of continuity of their company. They generally consider their company as a “part” of themselves. Since they are very busy in living day-by-day, they usually can’t – or won’t – take enough care of planning the change of ownership of their company. More precisely, they don’t think ahead to do that in a structured plan or project, because they are not always aware of its vital importance.

This psychological problem is very important because it prevents them from taking the first step. This first step consists of becoming aware of the problem. After that they can systematically analyse the situation in order to plan the transfer and the continuity of their business, with the right tools.

2.1.4 Legal issues to be included in training, advice and awareness raising

The transfer of a business involves the transfer of several types of assets, such as machinery, real estate, cars etc. each of which might be governed by special rules. The complexity is further increased by the different tax provisions regarding the transfer of assets.

Moreover, there are often more than two parties concerned. The transfer of a business is not just a deal between the owner/seller and the buyer. The family of the owner might have something to say, as might the credit institutions that provide funds for the transfer, for instance.

While certain business assets such as machinery, supplies, and financial assets can be handed over in a relatively simple way, the transfer of a business also involves the transfer of intangibles such as the owner’s knowledge (regarding markets, competitors, clients, employees, technologies etc.), human relations (with clients, employees etc.), authority and the business’ reputation.[16]

For an operating business, setting and agreeing on a price can bring further complications for which the help of an outside specialist might have to be sought.

Obstacles also stem from national legislation, in particular company law, taxation and administrative formalities. Examples of problems of this kind include high inheritance and gift taxes, finance, problems preventing the change of the legal form of a business when preparations are being made for transfer and problems preventing the continuity of partnerships when one partner dies or retires.[17]

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[15] Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002

[16] Idem

2.2 What has been done?

The transfer of business is one of the key issues of the European Commission's enterprise policy. On 7 December 1994 a formal recommendation was adopted concerning the transfer of small and medium-sized enterprises (SMEs), which was addressed by the European Commission to the Member States.[18]

The Recommendation invited the Member States to improve their legal and fiscal environment for business transfers, raise awareness and to provide support for business transfers. The measures proposed in the Recommendation include:[19]

- **raising awareness** among entrepreneurs and encouraging them to prepare the transfer a long time in advance;
- **improving the financial environment** of SMEs by offering them suitable instruments for business transfer;
- **allowing SMEs to adopt the most appropriate legal form** in order to prepare for transfer, e.g. by establishing themselves in the form of simplified public limited companies;
- **ensuring the continuity** of partnerships and sole proprietorships when one of the partners or the business owner dies;
- **reducing inheritance and gift taxes**;
- **encouraging transfer to third parties,** e.g. by promoting the transfer to employees through the taxation system.

After the Commission Communication, which was adopted in March 1998, the Commission continued its work with practical support for business transfers. A call for proposals was published later the same year. The objective was to co-finance projects that would raise awareness about business transfers or provide practical help such as training for entrepreneurs and intermediaries.

In December 2000, the European Commission's Enterprise DG launched a 'Best procedure' project on the transfer of businesses. Its main aim was to monitor the implementation of the 1994 Commission recommendation on the transfer of businesses, to identify support measures for business transfers and to propose areas for future action. An expert group was specifically set up to help the Commission carry out this project.

According to the estimates made by these experts, roughly one third of all EU companies will change hands over the next 10 years, ranging from 25–40 % depending on the Member State. This indicates that each year an average of 610000 small and medium-sized enterprises (300000 SMEs with employees and 310000 one-man companies) will change hands, potentially affecting 2.4 million jobs. [20]

With regard to implementing the Commission recommendation, the expert group found that barely half the 21 tax and legal measures set out by the Commission had been put into practice. The experts found that in two of what they considered to be the five key areas in helping business transfers, the progress made by Member States had been relatively good. Thirteen Member States had introduced special rules for inheritance and gift taxes, and 10 had taken measures to facilitate transfers to third parties. In the other key areas — specific measures facilitating transfers to employees, tax relief for early retirement and tax relief on money reinvested in another SME — only seven or eight Member States had taken measures.

The experts also found that a lot of support is available for business transfers but not in a structured manner and thus not necessarily reaching the target audience. In all, the experts identified 53 support measures for business transfers which have been included in the support measures and initiatives for enterprises database (SMIE).

To conclude its work, the expert group made the following proposals which concern the provision of support measures:

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17 Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002

18 OJ LØ385, 31.12.1994, p.14 (hereinafter referred to as «the recommendation»); see also the communication containing the motivations of the recommendation (OJ CØ400, 31.12.1994, p.1).

19 European Seminar on the Transfer of Businesses – Final Report – Vienna, 2002

20 A 'good practice guide' of measures for supporting the transfer of businesses to new ownership, European Commission - 2003

- creating a European business transfer centre, a virtual European platform to coordinate information gathering, share best practices across Europe, and facilitate cross border cooperation. Similar centres should also be created at national level;

- creating a European sellers' and buyers' marketplace in connection with the business transfer centre, to link up existing national databases and encourage countries that do not yet have such databases to set them up;

- holding regular events on specific transfer questions at European level to exchange best practice and using the results of these events as input for seminars and meetings at national, regional and local level;

- developing alternative or additional tailor-made training and management tools for existing and future owner managed and small family-owned businesses;

- launching publicly initiated support programmes and research on business transfers;

- giving as much attention to transfers as to start-ups.

The European seminar on the transfer of businesses which was held in Vienna on 23 and 24 September 2002 concluded that raising awareness is the starting point for successful transfers. Only then comes practical support. Due to the complex nature of business transfers, professional advice is needed to steer through the process. It appears that there is a lot of support available but it needs to be made more visible and be better coordinated. A holistic approach is required to tackle all aspects related to business transfers: we should not ignore the emotional side. [21]
Both the 'Best' project and the European seminar on the transfer of businesses concluded that business transfers should be given the same degree of importance as start-ups. According to Austrian research presented at the seminar[22], 96 % of successful business transfers survive the first five years after a transfer. The chances of survival are thus higher than for start-ups, where 75 % are still in business after five years. For this reason, it is essential to raise political awareness of the importance of business transfers and to promote transfers as an attractive alternative to starting up one's own business.

The 2006 European Commission Communication "Transfer of Businesses – Continuity through a new beginning" reminds Member States of the importance of adequate conditions for business transfers. It reports on past and present efforts by the European Commission and the Member States to facilitate business transfers and highlights some good practices. The Communication mentioned that there is still room for improvements: only in about 55% of the areas of the 1994 recommendations measures are in place (old Member States 60%, new 45%). In the new Member States there appear to be more efficient solutions regarding company law issues, maybe because business laws in many of these countries were drafted only recently and could be based on efficient examples. The old Member States have relatively more support measures in place, are more active regarding awareness-raising and provide a better environment for sales to employees.[23]

In order to identify success factors for the organisation of transfer marketplaces, Member States of the EU and other countries participating in the Multiannual Programme for Enterprise and Entrepreneurship appointed a group of experts to analyse existing marketplaces (databases) for business transfers and formulate conclusions on how such marketplaces could best be organised. The 2006 report of the Expert Group, called "Fostering Transparent Marketplaces for the Transfer of Businesses in Europe", presents nine databases and marketplaces that are provided by public or quasi-public institutions in Belgium (Overnamemarkt in Flanders and Sowaccess in

[21] A 'good practice guide' of measures for supporting the transfer of businesses to new ownership, European Commission - 2003
[22] 'Business transfers and successions in Austria', Austrian Institute for Small Business Research - 2002
[23] These assessments have to be interpreted with some care since the effectiveness of different measures is not comparable.

the Wallonia Region), Germany (Nexxt-Change), France (Passer le relais), Italy (Borsa delle Imprese), Luxembourg (Bourse d'enterprises), the Netherlands (Ondernemingsbeurs), Austria (Nachfolgeboerse) and Finland (Yrittajat).

Most of these databases were only established around 2003. In 2006 they already contained more than 11,000 transferable companies – which correspond to roughly 7% of the businesses that are transferable each year (and, on average, to about 0.2% of a country's companies). It is estimated that, each year, one out of four businesses in the database finds a successor (i.e. the estimated success rate is 25%, although there is limited evidence to support this estimate as several database operators do not record what happens to businesses that leave the database). Most databases are national; in the case of Italy they are organised on a regional basis.[24]

The public databases can be consulted by anybody with a standard internet access. However, there are several different models and restrictions for placing an advertisement, ranging from complete freedom in the placement of advertisements, an ex-ante check of advertisements by the host organisation to a restriction which allows only intermediaries (banks, consultants etc.) to introduce an entry in the database.

From January 2007 until August 2009, a pilot action called "A Helping Hand for SMEs – Mentoring Business Transfer" was implemented. The project activities have been coordinated by EUROCHAMBRES in cooperation with the Rhône-Alpes Regional Chamber of Commerce and implemented by 33 Chambers of Commerce throughout 18 EU Member States. The overall objective of the pilot action was to supply ''a minimum of 10,000 full man-days of mentoring to a total of at least 1,000 mentees''. The pilot action ended with 9,067.3 full man-days of mentoring (91%) delivered, 937 mentees recruited (94%) and 890 cases completed (89%).

2.3 What needs to be done?

2.3.1 Support and creation of awareness

One key issue in transfer of businesses is that sellers do not consider selling their business at all or in time. In most European countries, entrepreneurs are ageing without considering the fact that their company will continue when they will retire. Main explanations to this are that retirement is a sensitive matter for an entrepreneur and that they think the transfer process will be quick and easy so they do not need to prepare in advance. The lack of potential buyers and the lack of awareness of business transfer among company owners represent a major challenge for the European economy and continuity of SMEs in the European countries, on which our economy as a whole is built, since it means losing many companies and jobs that are contributing to the economic growth.[25]

The European Commission is aware of the challenges and has undertaken several projects over the past decade to tackle them. The major aim of these initiatives was to raise awareness among policy-makers and other stakeholders in Member States of the pitfalls of being ill-prepared for the large number of retiring entrepreneurs, and to organise means by which good practices and expertise can be shared. Given that much of the regulatory framework (taxes, company law, etc.) which affects this issue falls under the responsibility of Member States, national action is essential. At present, insufficient effort is made to raise awareness. Only half of the Member States have taken relevant action. Like retiring business owners, potential new entrepreneurs should receive special attention because taking over an existing business often offers an interesting alternative to creating one.

The Commission therefore recommends more action to raise awareness among business owners, for example through chambers of commerce and other points of contact such as tax advisers, accountants or banks, of the need to plan transfers sufficiently in advance.

[24] Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006

[25] Mapping of stakeholders, issues, solutions, good practices and technical deal-breakers in SME transfers – TRANSEO 2011 Mapping Working Group

The Commission also calls on the Member States to encourage mentoring systems with a view to assisting business owners at the time of transfer. Lastly, the Member States should envisage direct approaches to raising awareness among business owners, such as sending letters to business owners over a given age.

2.3.2 Transfer-friendly regulation framework and systematic monitoring

The Member States should systematically promote the transfer of businesses as an alternative to business creation. They should, for instance, consider introducing support measures for transfers similar to those available for business creation.

When proposing new legislation affecting business transfers, the Member States should ensure that these measures do not deteriorate the conditions for business transfers.

Succession contracts, partnership agreements, the establishment of limited liability companies and restructuring are all legal tools which can be used to prevent business closure. For example, the succession contract, which is prohibited in many countries, the partnership agreement or the establishment of limited liability companies make it possible to ensure business continuity in the event of the owner's or an associate's death. When changing legal status, a business about to be transferred can undergo legal restructuring in order to avoid liquidation.

Especially, in smaller businesses the link between the business and the incumbent entrepreneur will often be close and thus a change of the structure has to precede the transfer. The transferee(s) might also feel a need to change the legal structure in order to adjust it to new decision making processes or a new number of owners/managers. A successful transfer is greatly hindered if a change in the legal structure requires winding up the business.

In a large majority of EU countries measures allowing for a change of the legal form, in particular the incorporation of a business, exist. These provisions for a legal change are either explicitly incorporated in the law or follow from general legal principles.[26]

Although transfers within families have been made easier in many countries, transfers to third parties must receive greater encouragement through exemptions from tax on income generated by the sale of a business, specific tax relief on income reinvested in another business or used to finance the retirement of the business owner, or tax exemptions for employees investing in their own business.

Not only the rates but also the taxation procedures and structures have an impact upon business transfers. It is important that the Member States frequently exchange experience on their national practices. They should also better coordinate their efforts with the different parties involved in business transfers.[27]

A transfer-friendly regulatory framework is under development in many countries in Europe, yet awareness of this is still low. 16 countries have implemented more than 50% of European Commission Recommendations regarding the legal and fiscal framework to facilitate business transfers.[28] More specifically:

- In 28 countries out of the 33 surveyed it is possible to alter the legal form of a company in order to facilitate the transfer process,
- 22 countries provide legislation to facilitate continuity of firms within the family,
- On the contrary, special taxation measures for transfers to employees were reported to exist in only 6 countries.

The European Commission's survey from 2011 "Business Dynamics: Start-ups, Business Transfers and Bankruptcy" revealed that statistics on transfers are not available in

[26] Communication from the Commission …implementing the Lisbon Community Programme for Growth and Jobs, Transfer of Businesses – Continuity through a new beginning - 2006

[27] Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002

[28] Business Dynamics: Start-ups, Business Transfers and Bankruptcy, European Commission - 2011

most of the countries and when available the definitions used vary significantly.

Germany may be referred to as a “good practice” in terms of available statistics. For example, the IFM Bonn presents the following estimates for the period 2010 – 2014:

Impact on firms and employment due to non-transfer of business by different causes (predictions)

Total	22.000 firms 287.000 employees	
Cause: Retirement 18.900 firms 247.000 employees	Cause: Death of the owner 2.200 firms 29.000 employees	Cause: Illness of the owners 900 firms 11.000 employees

Source: IFM Bonn

The lack of reliable descriptive (what has already happened) and predictive (what is anticipated to happen) data on business transfers results in a lack of support for governments to produce and implement specific policies to facilitate business transfers.

Within this context, it becomes clear that there is a lot of potential value in creating a common approach, methodological tools and indicators, leading to the development of a regular common monitoring mechanism for business transfers in Europe.

2.3.3 Finance for business transfers

Businesses which are taken over are generally larger at the time of takeover than new enterprises at the time of formation. Buying an existing business therefore often requires more capital than starting up a new business. Assisted loans (preferential rates of interest), guarantees, and forms of equity capital for a limited period could make it easier for a larger number of potential transferees to take over businesses. Financial assistance of this kind could also be linked with a review of the suitability of enterprises for transfer; this would mean extra security not only for the institution providing assistance but also for the transferee.[29]

A transfer generally requires more financial funds than a start-up since not only the material and financial assets have to be paid for but also the relations with clients, suppliers, trade reputation, expectations of future returns etc. Financial facilities designed for start-ups are not always sufficient to finance a transfer.

Where a small business is transferred to a private person or another small business there is often no major collateral and repayment of the transfer related debt solely depends on the cash flow of the business. A thorough assessment of the company’s situation is thus necessary which creates relatively high transaction costs. The costs and risks are, especially for smaller companies, often considered by banks as unfavourable in relation to the financing volume.

For medium sized businesses the appropriate financing solution will often be a mix of equity, mezzanine finance and debt, taking into account the interests of the concerned parties and the repayment limits of the business. Sometimes a tailor made solution is not found in time to maintain a viable enterprise.

The promotion of succession concerns in particular financing business transfers. Start-up facilities, loans and guarantees should be available not only for creating a new business but also for taking over existing ones. The size of the instruments should take into account that business transfers often require more financing than start-ups.

Given the growing importance of transfers to third parties the guarantees for equity or quasi-equity fund investments in SMEs should include investments by local or regional funds which provide seed capital and/or capital in the start-up phase, as well as mezzanine finance, in order

[29] A ‘good practice guide’ of measures for supporting the transfer of businesses to new ownership, European Commission - 2003

to reduce the difficulties which SMEs face due to their financial structure, and those arising from business transfers.[30]

Countries like France, Finland and Germany have established public financial institutions (OSEO, Finnvera and KFW) focused on supporting SMEs in general and business transfers in particular. Similar institutions have also been developed in Portugal and Poland. In Portugal, IAPMEI has FACCE, an Autonomous Fund for the Support to the Concentration and Consolidation of Companies which has private partners in the financial sector.

Special financial products to support business transfers have been developed by the private sector in France, Latvia, the Netherlands, Norway and the United Kingdom. Financing comes from banks and venture capital firms.

2.3.4 Business Advisory Services

Many failures could have been avoided if transfers were planned well ahead and specialised advice was sought. Member States should organise or support activities (e.g. organised by chambers of commerce) to make business owners aware of the need for a timely preparation. Member States should especially consider direct approaches such as personal mails to business owners above a certain age. Moreover, important interlocutors of small businesses (as tax advisers, accountants, banks etc.) should be included in awareness raising campaigns.[31]

Especially for founders it is psychologically difficult to hand over their business and witness changes introduced by the new owner. Mentoring the transfer process by neutral and informed third parties can help to overcome such difficulties.

The transfer of a business within the family or its sale to a third party is generally a once-in-a-lifetime event, of which the proprietor has little or no previous experience. It is a complicated matter involving many interests and parties, which calls for expertise in a wide variety of fields. Various forms of support are available in different areas from numerous bodies: banks, accountants, Chambers of Commerce, tax experts, lawyers, notaries, mergers & acquisitions specialists and consultants. Transferors and successors are, nevertheless, not always sufficiently informed, trained and accompanied in the process of a transfer of business.[32]

Entrepreneurs are very often unwilling to think about business transfers. They have a short vision of the future, lack planning and equity finance and they are not interested in discussing the issues openly. Until the problems of business transfers are covered by the mass media, entrepreneurs will not feel it is an emergency that needs to be tackled.

Once the entrepreneur has been made aware, he should be given initial information designed to increase the importance attached to a thorough preparation of the transfer/take-over procedure. This information should give the entrepreneur an overview of what type of more specific advice is available and where to get it. Larger banks and various accountancy firms normally organise this type of information meetings that are aimed at achieving better business transfers/take-overs.

Despite the many initiatives provided by various organisations that aim to raise awareness about business transfers, there is a lack of structure in the approach to providing support. More co-ordination between the organisations providing support could reach more entrepreneurs in time. Possible solutions to this problem could be:[33]

- Promotion of experiments (including the use of new media) in the field of entrepreneurial information and advice, with a view to the timely and efficient preparation of the transfer process;

[30] Communication from the Commission …implementing the Lisbon Community Programme for Growth and Jobs, Transfer of Businesses – Continuity through a new beginning - 2006
[31] Communication from the Commission …implementing the Lisbon Community Programme for Growth and Jobs, Transfer of Businesses – Continuity through a new beginning - 2006
[32] Final Report of the Expert Group on the Transfer of Small and Medium-Sized Enterprises, European Commission – May 2002
[33] Idem

- Strengthening the link between information and advice, focusing more on transparent support than on individual measures;

- Encouragement of co-operation between different (participating and uninvolved) organisations to prevent fragmentation of effort and provide greater assistance for the target group at an earlier stage.

Training is important for increasing entrepreneurs' knowledge of business transfers and their readiness to carry one out. Specific training courses on business transfers for both transferors and successors will provide the entrepreneurs with the knowledge and tools to plan and carry out the transfer process. The great majority of SMEs are owner-managed. The traditional managerial standards taught at universities and other educational establishments cover medium-sized and larger enterprises, as does most management literature. There is a need for alternatives and/ or additional requirements for the owner-managers of SMEs compared with employed managers.

Inclusion of business transfers as part of the ordinary curriculum of entrepreneurship education would raise awareness and give basic information on this particular phase in the life cycle of an enterprise. This would also allow potential young entrepreneurs to learn about starting their own enterprise by buying an existing one whose owner wants to pass it on. The business skills of the successor are not always sufficient to secure the continuity of the business. This means that the training of the successor in business issues should also be one of the main aspects of business transfer training programmes.

Potential successors should also be encouraged to work in other firms for several years (and not only in their "own" family business). This should be seen as part of a trainee-programme to broaden their knowledge (to avoid "operational blindness"). Coaching and counselling covers advice which involves special assistance with generally complex problems such as succession legislation, taxation, preparing your company for sale, price evaluation, etc.. It can also cover services involving assistance to the family in the succession process. Business consultants, tax auditors, lawyers, accountants, banks and notaries generally give this type of advice.

The respondents of a Business Transfers survey[34] indicated that mentoring and training to prospective SME buyers and owners is provided mainly by business/ professional associations, Chambers of Commerce and Industry, public administration and private organisations. According to the replies received, the table below presents the countries where training and mentoring on business transfers is provided to prospective buyers and SME owners.

[34] Business Dynamics: Start-ups, Business Transfers and Bankruptcy, European Commission - 2011

Type of bodies offering training and mentoring on business transfers

Type of organisation				
Countries	Business / Professional Associations	Chambers of Commerce and Industrie	Public Organisations	Private Organisations
Austria		Training, Mentoring	Training, Mentoring	
Belgium	Training, Mentoring	Training, Mentoring		Training, Mentoring
Bulgaria		Training		Training
Croatia	n/a (according to respondents)			
Czech Republic			Training	
Denmark	Training		Training	
Estonia		n/a (according to respondents)		
Finland			Training	Training
France	Training	Training	Training Mentoring	Training
Germany	Training Mentoring	Training Mentoring	Mentoring	Mentoring
Greece		Training		Mentoring
Hungary		n/a (according to respondents)		
Iceland				Mentoring
Ireland				Mentoring
Italy	Training	Training Mentoring		Mentoring
Latvia		n/a (according to respondents)		
Lithuania		n/a (according to respondents)		
Luxembourg		Training Mentoring		Mentoring
Malta				Training Mentoring
Netherlands		Training Mentoring		Training Mentoring
Norway				Training Mentoring
Poland	Training Mentoring	Training Mentoring		
Portugal	Training		Training	Training Mentoring
Romania				Training Mentoring
Serbia		n/a (according to respondents)		
Slovakia	Training	Training	Training Mentoring	
Slovenia				
Spain		Training Mentoring		Training Mentoring
Sweden		Training	Training	Mentoring
Turkey		Training		Training Mentoring
United Kingdom			Training Mentoring	Training Mentoring

Source: Business Dynamics Survey 2010
Note: Data is based solely on the views and perceptions of the survey's respondents
n/a = not available (according to the views of respondents)
* Offered by banks to prospective buyers in an unofficial form
Caption: Green underlying colour for rows when in a country a lot of training and mentoring is offered. Light green colour for rows when in a country medium training and mentoring is offered. Light red colour is used when little training and mentoring is offered. Finally, red colour for rows when in a country is offered no training and mentoring.

2.3.5 Organise transparent markets for business transfers

While the transfer of a business within the family is still the most frequent case, the number of transfers to third parties is increasing. It is therefore becoming more and more important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe.

Not all of the existing tools appear to be equally successful in bringing together potential buyers and sellers, especially for smaller companies. Therefore, the question arises which aspects are most important for an efficient marketplace for business transfers.

Most businesses are unique in one way or another. Even if one looks only at the most obvious features of a business, i.e. sector and size, it might still be difficult to match a potential buyer and a potential seller in the same geographical area and at the same time, especially since the majority of those interested in an entrepreneurial career prefer their own start-up to taking over a business. There is often a numerical difference between the supply and demand sides in transfer databases (2/3 of the advertisements are offers, only 1/3 buyers).[35]

The owner knows much more about the strong and weak sides of his/her business than the potential transferee. In negotiating the conditions for the business transfer it will be in his interest to exaggerate the strong aspects and downplay the problems. Knowing this, the transferee might distrust the information provided by the owner. Building trust between potential buyers and sellers is therefore an important element for the success of marketplaces for business transfers. For this, trustworthy intermediaries and database host organisations are essential.

Business transfers involve many complicated technical and legal issues for which buyers and sellers, especially of small businesses, will also need advice and help. Finally, handing over a business is ideally a process during which responsibility, power and information is transferred. This can be supported by tutoring programmes. To achieve all this, marketplaces and their providers will be most successful if they are not restricted to a pure search and find service.

Considering the special characteristics of business transfers and the features of existing databases, experts[36] have formulated a series of desirable features for transfer marketplaces:

- It is important that national **databases should not be fragmented**. If a comprehensive national database cannot be established, the minimum that should be considered is a national portal for all such databases. National databases and portals should also provide links to well-established databases in other countries.

- A **neutral and trustworthy host organisation is a key success factor** for a transfer database. Natural candidates for this function are chambers of industry and commerce and chambers of crafts and business support organisations, particularly in countries where membership of these organisations is mandatory.

- Marketplaces have to be made known among their potential users. **Awareness** of their existence can be raised by choosing a suitable domain name, by linking with other types of government business support, by advertising, by awareness raising campaigns and by the distribution of information in related contexts (e.g. chamber of commerce and trade seminars on other topics).

- As a minimum, potential buyers of enterprises should have the possibility of searching the database by economic sector and trades, geographical situation (region or even city) and size (indicated by size classes of employees and/or turnover).

[35] Fostering Transparent Marketplaces for the Transfer of Businesses in Europe – Report of the Expert Group, European Commission - 2006
[36] Idem

Other useful search criteria are price (range) and the planned date of the transfer.

- **Anonymity** is of central importance for most potential transferors (and also for some potential buyers). Contact details or descriptions that would reveal the identity of a company may only be published with the authorisation of the person placing the advertisement. Contact queries could be directed to an anonymous mail box. More security is provided if contacts are organised by the database host organisation or by intermediaries.

- It is advisable for the host organisation to **ensure a certain level of quality of database entries**. This should include at least a regular check to see if advertisements are still valid. Assistance in drafting advertisements is also often useful. Moreover, an ex-ante check of companies before inserting an entry into the database could be considered.

- A transfer marketplace will be more successful if it is not restricted to a database with a discovery service only. Useful **additional services** that could be provided include information on transfer issues, mediation services during negotiations and tutoring.

- In order to adjust and improve marketplaces and to account for public funds that might be used to support them, a **systematic follow-up of its success** (e.g. in the form of a “success rate”) and the factors that determine the success is advisable.

3 Good practices for concrete action

3.1 Awareness raising measures

Information to young entrepreneurs

Country: Italy

Organisation: FORMAPER

Further information: www.formaper.it

Description of the measure:
FORMAPER, the training organisation of the Milan Chamber of Commerce, systematically informs junior entrepreneurs and new entrepreneurs about the opportunity of continuing an enterprise, and not only of starting up a new one. This information activity also includes special training activities, where junior entrepreneurs can meet senior ones. In the last four years, more than 1.000 participants have been reached by this information activity and a specially designed course called 'The succession in family enterprise: between reasoning and wishing factors' has been organised.

Awareness campaign in the Netherlands

Country: The Netherlands

Organisation: Minister of Economic Affairs

Further information: www.kvk.nl/ondernemen/bedrijf-starten/kies-uw-start/een-bestaand-bedrijf-kopen/kopen-van-een-bedrijf-in-de-praktijk/

[14] ftp://ftp.cencenelec.eu/EN/SMEs/News/Publications/IncludingSMEsStandardisation.pdf

Description of the measure:
An awareness campaign was launched in 2004 by the Minister of Economic Affairs and three business associations. A letter was sent to entrepreneurs older than 55 to allow them to request their toolkit business transfer made of three information brochures. Videos and seminars are also organized by the Kamer van Koophandel (Netherlands Chamber of Commerce).

Transfbiz - On-line transfer of business newsletter

Country: Italy

Organisation: Italian Centro Produttività Veneto

Further information: www.cpv.org

Description of the measure:
Transfbiz - On-line Exchange Letter on Business Transfer - is a newsletter, which is sent every two months to institutions, managers, consultants, intermediaries, entrepreneurs about what's on concerning business transfers in Europe and in the world. It provides information about Business Centres, experts, institutions, surveys, research, articles, and institutional initiatives on business transfers. It is produced by the Italian Centro Produttività Veneto (Fondazione Rumor) of Vicenza Chamber of Commerce, in cooperation with the Venitian Atelier StudioCentroVeneto on Business Transfer.

3.2 Advice and mentoring

Succession Facilitators (Nachfolgemoderatoren)

Country: Germany – Baden-Württemberg

Organisation: 5 Chambers in Baden-Württemberg, lead : IHK Heilbronn-Franken

Further information: http://www.heilbronn.ihk.de/moderatorenkonzeptpraxisberichte20062003/infothek.aspx?idIT=887

Description of the measure:
The objective of the facilitator concept is to contact business owners personally and sensitize them for an early planning of business succession and to provide professional advice for the succession process so that the number of successful transfers is increased.

The support is given exclusively by experienced experts - sometimes old hand entrepreneurs - or specialists of financing who are therefore accepted by the entrepreneurs. The neutrality of succession facilitators is accepted by both sides (transferor and transferee) because the facilitators are located within the Chambers of Industry and Commerce and the Chambers of Craft. The facilitators' confidentiality can be relied on which is of utmost importance for the enterprise. An unintended precocious publication that a transfer is planned could give rise to uncertainty among the employees.

The project facilitates some 1.000 transfers per year and is financed from the ESF.

Plan de continuidad empresarial (PCE business continuity plan)

Country: Spain

Organisation: Dirección General de Política de la PYME, Ministerio de Industria, Turismo y Comercio

Further information: www.plancontinuidadempresarial.es

Description of the measure:
The objective is to create a framework conducive to business transfer, making contact between parties potentially interested in purchasing and selling businesses and advising them throughout the process. The Business Continuity Plan consists of the following: a transparent and reliable national transfer platform with the potential to be implemented elsewhere in Europe. This platform consists of, among other elements, a website, a database of businesses available and wanted, and other elements intended to facilitate contact between experts from the Red Nacional de Centros de Transmisión de Empresas (National Network of Business Transfer Centres).

The said national network carries out the awareness-raising, advisory and supervisory activities necessary to guarantee the success of business transfers. The centres facilitate contact between potential sellers and buyers, advising them throughout the process until the consolidation of the business transfer. A shared working methodology has been developed for these business transfer centres.

The services offered to purchasers include assistance in creating a profile, tracking down the business best suited to their profile, analysing the business on sale, providing legal and tax advice, etc.

The services offered to sellers consist of the creation of a profile and addition of their offer to the database, valuation of the business, search for purchasers and assistance with closing the deal.

2010 saw the start of a pilot phase involving 11 centres based in the Chambers of Commerce. A dedicated line of credit of up to €20 million from the Empresa Nacional de Innovación (National Innovation Company) in the form of participation loans for the purchase of the businesses to be successfully transferred in the framework of the Plan.

Business succession checks (Nachfolgecheck)

Country: Austria

Organisation: Wirtschaftskammer Österreich Gründer-Service

Further information: www.nachfolgeboerse.at ; www.gruenderservice.at

Description of the measure:
Its objectives are making it easier for owners to sell their businesses, and thus helping existing SMEs to survive, and promoting the idea of taking over a business as an alternative to starting one from scratch.

"Succession checks" shall help business owners intending to sell their business to show potential buyers that their business is sound. An independent advisor analyses the business's strengths and weaknesses, covering all areas from the business model to the accounting system used and the balance sheet. His report reveals the shape the business is in and possible room for improvement. The report gives potential buyers an idea of the challenges and opportunities awaiting them. Businesses that have been through a succession check are displayed separately in the businesses-for-sale advertisements.

Kit.Brunello.System (KBS)

Country: Italy

Organisation: StudioCentroVeneto sas

Further information: www.studiocentroveneto.com

Description of the measure:
Its objectives are to make businesses aware of the need for timely planning of the transfer and to assist them throughout the process.

KBS is a set of tools for managing business transfers, including: 1. awareness raising by newsletter and seminars; 2. training and a manual on transfers; 3. analysis tools - quick self-check and questionnaires with personalised profiles; 4. monitoring - viability checks and mentoring; 5. territorial monitoring of the status of SMEs, including statistics.

This measure has the right combination of ICT tools and face-to-face approach. By participating in numerous transnational projects, we have learned that there is a need to assist SMEs in the transfer phase and offer effective tools. We also participate in the national group of experts on family-run businesses/business transfer coordinated by the Ministry for Economic Development to facilitate the exchange of experience.

3.3 Match-making

Facilitating the transfer of SMEs by creating systems for matching and assisting potential sellers and buyers

Country: Belgium

Organisation: SOWACCESS

Further information: www.sowaccess.be

Description of the measure:
SOWACCESS has two main activities:

- Raising awareness and informing entrepreneurs of what is at stake in the transfer/takeover of a business and thus of the importance of preparation and professional support during transfer for both the seller and the buyer, in order to ensure continuity and the development of local economic fabric.

- Establishing contact between potential buyers who have gone through an initial filter (based on their skills, experience and available assets) and sellers accompanied by recognised advisers, contributing to greater market transparency.

Its objective is to ensure continuity in the local economic fabric by providing professional assistance (for both buyer and seller) and thereby improve market transparency, and to allow local businesses to grow through external acquisition (the platform covering the Belgium-France-Netherlands area).

SOWACCESS has managed to create a network of transfer professionals to support its platform. In four years, the networking platform has helped to: establish 1.005 contacts between buyers and sellers, conclude 28 deals, present offers from 102 partners and meet 880 buyers. In order to ensure its development and allow local SMEs to develop internationally, SOWACCESS concluded an exclusive partnership in 2006 with MKBase in the Netherlands and with the CRA (business sellers and buyers) in France in 2008.

BNOA - bourse nationale des opportunités artisanales

Country: France

Organisation: French Chambers of Trade

Further information: www.bnoa.net

Description of the measure:
With the support of the European Social Fund, the French Chambers of Trade have created a national virtual market place for buyers and sellers of enterprises in the craft industry. First, the advisers of the Chambers of Trade network make an evaluation (check-up) of the companies with the sellers. The offers are then disseminated on the national enterprise exchange for craft enterprises BNOA - bourse nationale des opportunités artisanales. On the BNOA website, the sellers can easily locate potential buyers in France or in the European area. They can also analyse the main features of the companies that are for sale. The advisers of the network organise the first meeting between buyers and sellers, provide support, accompany the transition phase and follow-up through the transfer process. BNOA is also an Intranet tool for the French Chambers of Trade network: It is a management tool for business transfers and a tool containing information on potential buyers.

Internet-based marketplace

Country: Denmark

Organisation: Foreningen match-online.dk

Further information: www.match-online.dk

Description of the measure:
www.match-online.dk is an Internet-based marketplace for buying and selling small and medium-sized enterprises. These enterprises can also seek (equity) finance and investors might offer (equity) capital through it. The initiative has been established through cooperation

between all the different parties involved in business transfers, represented by the most important banks, accountants, lawyers, consultants, organisations, etc. The marketplace is open to everyone with Internet access.

All the companies are described anonymously but with reference to the intermediary that made the registration. Only approved intermediaries can register companies into the marketplace and all initial contacts go through the intermediaries. Matching of buyers and sellers is done automatically and the intermediaries are informed of any new entries to the marketplace by e-mail. The criteria for searching prospective buyers and sellers are trade (NACE codes), location, sales, number of employees and amount of capital.

www.match-online.dk was launched in September 1999. Since April 2001 it has been extended to cover southern Sweden and northern Germany.

Nexxt-Change

Country: Germany

Organisation: Federal Ministry of Economics and Technology, KfW bank

Further information: www.nexxtchange.org

Description of the measure:
The biggest platform in Germany, (which is also one of the oldest) is the site of the Change initiative www.change-online.de. It was organised by the two national chamber associations in Germany and the KfW bank, which is owned by the government. In Germany, membership of a local chamber is compulsory for most companies, so one could regard the Change site as being publicly run. The other big publicly run national platform for transfer of businesses, the "nexxt" site www.nexxt.org, was set up by the Federal Ministry of Economics and Technology. The KfW also took part in this initiative. These two marketplaces were quite successful; more than 1,800 of the advertisements published in the two databases in 2005 led to completed transfers.

In January 2006 a new nationwide transfer database was established as a result of the merger of Change and "nexxt". The internet site www.nexxtchange.org is also hosted by the KfW and the Federal Ministry of Economics and Technology. Every former intermediary of Change or "nexxt" has access to the new database.

Ads are placed in the databases by the network partners, i.e. the chambers, banks, consultants and business promotion agencies taking part in nexxtchange. There is no fee for this service because the costs are covered by the membership fee (the banks offer entry free of charge as a service for their business customers). However, some of the institutions offer additional services (e.g. setting up a financing concept for the takeover) for which they might charge a fee.

3.4 Financing

Entrepreneur loan in Finland

Country: Finland

Organisation: Finnvera plc

Further information: www.finnvera.fi

Description of the measure:
Finnvera plc is a specialised financing company offering financing services to promote the domestic operations of Finnish businesses and to further exports and the internationalisation of enterprises. For business transfers, it is able to provide direct financing or different types of collateral for instance to increase the equity of the company, or for mezzanine financing, for paying the price of the company or for the investment and working capital needs. Finnvera does not provide venture capital.

The financial instrument offered especially for business transfers is called “Entrepreneur loan” (in use from 1 September 2001). The Entrepreneur loan is intended for situations where the share capital of a public limited company, the investment in a partnership or in a limited partnership is paid for or raised or for situations where shares or holdings are purchased. In these cases, the entrepreneur loan can be used when a company is founded or when its share capital is raised, when a change of generation is implemented, or when enterprises are acquired.

The applicant for an entrepreneur loan must be a shareholder who holds at least 20% of the share capital and voting rights of a public limited company, or a partner in a partnership or an active partner in a limited partnership. Applicants must work full-time for the enterprise and must gain their livelihood through the enterprise. The loan is a personal loan to the entrepreneur. It can also be granted to several founders of the same company. The maximum amount for the loan is €85.000.

Prêt au démarrage

Country: Luxembourg

Organisation: Société Nationale de Crédit et d’Investissement

Further information: www.snci.lu

Description of the measure:
The prêt au démarrage was launched in March 2002 by Luxembourg’s Société Nationale de Crédit et d’investissement (SNCI). This guarantee-free loan was created in order to help young entrepreneurs who lack their own capital when starting or taking over a business. To get access to this credit scheme, several conditions must be fulfilled by the entrepreneur: it must be his first business set-up, all legal authorisations must be obtained, at least 15 % of the eligible investment must be financed by the entrepreneur’s own capital and the viability of the project must be proven through a business plan. The loan has a lifetime of 10 years (with a possible extension for another four years) and its amount ranges from EUR 5.000

to EUR 250.000. Its interest rate is a net rate varying according to the general evolution of market rates without any additional commissions or fees. No guarantee is required.

VækstKaution

Country: Denmark

Organisation: VækstFonden

Further information: www.vf.dk

Description of the measure:
VækstFonden (the Danish Investment Fund) launched a loan guarantee scheme VækstKaution in 2000. The objective of the scheme is to help SMEs by financing their growth potential. The scheme supports business transfers by issuing guarantees covering the payment of goodwill financed by the bank, thereby enhancing the buyers' options and possibilities for putting together a suitable finance package. Guarantees are granted covering two thirds of bank loans up to DKK 2.5 million (~ EUR 336.000) and 50 % of the loans exceeding DKK 2.5 million up to a maximum total loan of DKK 5 million (~ EUR 672.000). The banks, complying with specific conditions handle all loan requirements.

Fonds de participation/Participatiefonds

Country: Belgium

Organisation: Fonds de participation/Participatiefonds

Further information: www.fonds.org

Description of the measure:
The Fonds de participation/Participatiefonds is a public institution that offers a transfer loan (prêt 'transmission'/' overdracht' lening) that is intended to finance a part of a business transfer or a purchase of a majority of shares in an SME. The loan also facilitates obtaining a bank loan which it complements. It is aimed at self-employed people, business managers or managers of a company who have been working as a self-employed person for less than one year. In the case of a legal person, this criterion is applied to the persons running the business. The loan is a subordinated loan with an attractive rate of interest. The maximum amount of the loan is EUR 125.000. Applications are made through the private bank that grants the complimentary loan and that has an agreement with the Fonds de participation/ Participatiefonds.

Guarantee of Transfers for SMES

Country: France

Organisation: OSEO

Further information: www.oseo.fr

Description of the measure:
In France, there is a National Fund for the Guarantee of Transfers for SMEs and a Contract Development Transfer ("Contrat Développement Transmission" which is a loan with no guarantee). NACRE is another public help designed to help setting up the financial scheme, to provide long term support of the transfer project and to co-finance the project.

3.5 Further good practice examples

These good practices have been selected from the EU SME Policy good practices catalogue, which can be found at : http://ec.europa.eu/enterprise/policies/sme/best-practices/database/SBA.

Good practices identification is a continuous effort and particular focus will be given to those practices which have been funded from structural funds. As part of this series there will also be a guidebook on how to write applications for projects financed from the Structural Funds.

Updated information on this initiative will be available from the Commission Website. For further information visit : http://ec.europa.eu/enterprise/policies/sme/regional-sme-policies.

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