Business transfer “ecosystems” – key ingredients to develop action plans to support small business transfers
Vincent LECORNE
Président Directeur Général, Centre de Transfert d'Entreprise du Québec, Canada

Laura SALLENT CUCURELLA
Consultant, Centre de Reempresa de Catalunya, Spain

Nicolas PIROTTE
Manager SOWACCESS - Groupe SOWALFIN, Belgium

Alain TOURDJMAN
Directeur, Etudes, Veille & Prospective – Pôle Stratégie
Groupe BPCE, France

Sandy MORGEN
IHK Projektgesellschaft mbH/STOB Regions, Germany

Mirela ALPEZA
Director, CEPOR - SMEs & Entrepreneurship Policy Center, Croatia
Outline of the workshop

- Business transfer ecosystem / Croatian case
- Quebec business transfer ecosystem and CTEQ case
- Catalan business transfer ecosystem and Reempresa case
- Walloon business transfer ecosystem and Sowaccess case
- How statistics can help in developing tailored policies to support business transfers?
- STOB regions project

- Discussion and questions
Business Transfer Ecosystem
Case of Croatia

Mirela ALPEZA
CEPOR – SMEs & Entrepreneurship Policy Center Zagreb
J.J. Strossmayer University in Osijek, Faculty of Economics in Osijek, Croatia
Main parties and circumstances involved in SME business transfer

Source: Van Teeffelen et al. (2016) – EU4BT
Main parties and circumstances involved in SME business transfer

What makes business transfer an important issue in Croatia?

• Critical number of SMEs that will be facing business transfer challenges in the next five years

16,590 companies / 31% of all SMEs  
179,000 employees  
19% of total income owned by entrepreneurs aged 55+

• Awareness raising activities – only few
• Underestimated complexity of business transfer
• Some examples of good practice - not willing to share it
• Lack of support
• Financial institutions - not in favor of financing business transfers
• Channels for matching buyers and sellers - not developed
• Low interest in business takeover as a mode of entrepreneurial entry
Business Transfer Barometer Croatia (generation 55+)

Ownership profile

The future of the company after you withdraw?

Your role in a company will be changed in...

Aspects of business transfer where support will be needed?
Case of CEPOR

- NGO established in 2001
  - 10 institutional founders (BSOs, universities, research institutes, employers’ associations)
- Focused dominantly on SME policy issues
- Leading advocate for the development of business transfer ecosystem in Croatia
  - Advocacy activities with all stakeholders aimed on improving the business transfer ecosystem in Croatia
- Business Transfer Barometer Research
- Awareness raising workshops for aging entrepreneurs
- Publications, conferences, media presence
- Educational programme for takeover entrepreneurs – Coming in October 2018
Quebec Business Transfer Ecosystem and CTEQ Activities

Vincent LECORNE
Président Directeur Général
Centre de Transfert d'Entreprise du Québec, Canada
Canada and Québec situations

- 36 million people
- 1.3 million companies

VS

- 8 million people
- 250,000 companies

60% of business owners are over 50 years old
54% of business owners want to sell their company in the next 36 months
54% are planning to sell their business to an external buyer
22% of them will wind down the business and sell their assets

(BDC) studies: What do buyers look for when purchasing a business? – nov 2017
The Coming Wave of Business Transitions in Canada – sept 2017
Business transfers are particularly blooming in Quebec. Indeed, Quebec is the place in the world where companies pursue the most their activities after the departure of the founder. This suggests that recent efforts to support business transfers in Quebec are producing positive results.

Global entrepreneurship monitor study - 2016
# Key challenges of Quebec business transfer ecosystem

<table>
<thead>
<tr>
<th>TERRITORY</th>
<th>CULTURE</th>
<th>RISKS</th>
<th>TOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large territory</td>
<td>Absence of (family) business transfer culture</td>
<td>Long and complex process with external succession</td>
<td>Non-existing platforms to sell a company and share data</td>
</tr>
<tr>
<td>Distinct realities between cities and regions</td>
<td>Create awareness for business owners*</td>
<td>Financing an external business transfer is more risky than a family succession</td>
<td></td>
</tr>
</tbody>
</table>

*Desjardins study Transmission d'entreprise : la problématique ici et ailleurs dans le monde – May 2016*
Structure - Centre de transfert d’entreprises du Québec

- NON-PROFIT ORGANISATION
- GOVERNMENT-MANDATED
- REGIONAL SUPPORT
- FREE SERVICES
- SUSTAINABILITY
- NEUTRALITY – CONFIDENTIALITY – TRANSPARENCY
- INDEX – WEB PLATFORM SHOWCASING OPPORTUNITES
Services - Centre de transfert d’entreprise du Québec

**Awareness and Information**
- Territorial coordination
- Event organization and attendance

**Training**
- Succession challenge
- Best practices workshops

**Coordination**
- Define and organize business transfer plan
- Advice and guidance
- Expert recommendations

**Business Match Making**
- Profiling and qualification
- Connect and match buyers and sellers
- Organise business encounters

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**Transseo**

European SME Transfer Summit 5th Edition
17-18 May 2018 Chamber of Commerce Luxembourg
Corporate positioning – Centre de transfert d’entreprise du Québec

• CTEQ is governed by a **Board of directors** composed of business owners.

• **Neutrality**: no prioritization in between business owners, succession. The companies’ interests always come first.

• **Create awareness** among the entrepreneurial community with initiatives like International and regional business transfer Summits.

• **Share best practices** and knowledge about key challenges and **prepare** business owners and buyers by offering valuable training and tools.

• Shed light on Quebec’s business transfer reality to trigger business match making process.

• Team mobilisation to **activate** each region to **identify** business owners and potential buyers.
CTEQ results since 2015:

5500 ENTREPRENEURS HAVE USED CTEQ SERVICES

- 800 business owners are preparing their transfer
- 3200 potential buyers are looking for opportunities

$710,000 average selling price
18 employees
$1,3 M turnover
Key success factors – Centre de transfert d’entreprise du Québec

Quebec business transfer context:
- Unique one stop shop
- Ecosystem: lack of business family transfer culture
- Shortage of succession
- Urgent and accelerated situation with the baby-boomer generation
- A government initiative to support business transfer process and to promote a history of business transfers

• **Neutrality**: CTEQ does not take the business owners or the buyers side: our mission is to maintain jobs and empower regional economies

• CTEQ advisors are spread throughout Quebec

• **INDEX**: showcase opportunities to facilitate interregional business match-making
Catalan Business Transfer Ecosystem and Reempresas Activities

Laura Sallent Cucurella
Consultant, Centre de Reempresa de Catalunya, Spain
Reempresa is the business for sale marketplace in Catalonia.
Reempresa In Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Deals</td>
<td>&gt; 1,700</td>
</tr>
<tr>
<td>Inversion</td>
<td>&gt; 80,000,000 €</td>
</tr>
<tr>
<td>Sellers</td>
<td>&gt; 5,300</td>
</tr>
<tr>
<td>Buyers</td>
<td>&gt; 9,500</td>
</tr>
<tr>
<td>Saved Jobs</td>
<td>&gt; 5,100</td>
</tr>
</tbody>
</table>

![Deals Chart]

1. Deals
2. Inversion
3. Sellers
4. Buyers
5. Saved Jobs

**Deals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
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<tr>
<td>2011</td>
<td>13</td>
</tr>
<tr>
<td>2012</td>
<td>57</td>
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<td>2013</td>
<td>101</td>
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<td>2015</td>
<td>325</td>
</tr>
<tr>
<td>2016</td>
<td>407</td>
</tr>
<tr>
<td>2017</td>
<td>420</td>
</tr>
<tr>
<td>2018</td>
<td>143</td>
</tr>
</tbody>
</table>

**Note:** The figures above are in thousands.
Reempresa In Figures

Companies Sold

- Retail: 35.02%
- Services: 30.63%
- Hospitality: 27.74%
- Industry: 5.60%
- Construction: 0.18%
- Other: 0.84%

Average Price

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Price</th>
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<tbody>
<tr>
<td>Retail</td>
<td>€37,713.71</td>
</tr>
<tr>
<td>Services</td>
<td>€48,948.16</td>
</tr>
<tr>
<td>Hospitality</td>
<td>€36,699.74</td>
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<tr>
<td>Industry</td>
<td>€187,828.55</td>
</tr>
<tr>
<td>Construction</td>
<td>€61,200.08</td>
</tr>
</tbody>
</table>
Success factors & challenges

- Success factors:
  - Public-private partnership.
  - Business transfer = Entrepreneurship

- Future challenges:
  - Continue to avoid the loss of companies and jobs.
1 particular aspect/good practice/strength of Reempresa

- Awareness raising
- One Stop Shop:
  - Unique marketplace
  - Standard methodology
  - Support services
Reempresa as a good practice

Top 15 world Innovative Policies
NY University 2016

EEPA Winner
European Commission 2017
Walloon Business Transfer Ecosystem and Sowaccess Activities

Nicolas PIROTTE
Manager SOWACCESS - Groupe SOWALFIN, Belgium
The SOWALFIN subsidiary dedicated to the transfer of SMEs in Wallonia

**Missions:**
- Raising awareness and providing information about the issues involved in the sale/acquisition of a company
- Guiding sellers/buyers through to the success of their project
- Facilitating the matching between potential sellers and buyers in a totally neutral, confidential way, according to a personalised approach
- Raising awareness and professionalization of private stakeholders in Business Transfer
The key figures of SOWACCESS activities:

- Accompanied seller deals declared by SOWACCESS partners in 2017:
  - 310 deals facilitated: 191 seller deals and 113 buyer deals
  - 6,014 jobs secured
  - Average deal amount €2,522,499
  - EBITDA multiple: 5
  - Total turnover 959 Mio €

- 30% of deals facilitated directly by SOWACCESS
The key stages of a business transfer process:

- Awareness-raising
- Preparation
- Search & Matching
- Negotiation
- Deal & After
Raising awareness

For potential Sellers:

- On-line Diagnostic
- Meetings with SOWACCESS advisors
- Events and Networking
- Business Transfer Week
- ASTE

For potential Buyers:

- On-line Buyer Test
- Meetings with SOWACCESS advisors
- Events and seminars

EUROPEAN SME TRANSFER SUMMIT 5TH EDITION
17-18 MAY 2018 CHAMBER OF COMMERCE LUXEMBOURG
Preparation

Preparation for Sellers

- Diagnosing the business
- Assessing the value of the company
- Creating memorandum of info

SOWACCESS gives access to government subsidies to partly cover the cost of a consultancy service provided by one of its accredited partners
- 75% of mission costs
- Up to 18,500 EUR

Preparation for Buyers

- Continuous assessment of skills (Management, technical)
- Defining the project
- Setting the criteria for the “model” business

SOWACCESS organises Buyers’ Clubs all over Wallonia
- 5 cycles of 20 potential buyers each year
- 700 candidates in 6 years
The accredited partners of SOWACCESS:

- 150 professionals, expert in business transfer
  - Brokers/intermediaries
  - Lawyers
  - Auditors
  - Accountants
  - Bankers
  - Consultants

- Approved by an Ethics Committee:
  - Analysis of applications for accreditation
  - Watchdog mission

Advice, an essential key in the success of a sale or acquisition of a business
Looking for a match

- SOWACCESS CRM (Customer Relationship Management) system for active matching:
  - A relations-building tool, based on personalised contact and an active match-seeking search
  - 350 buyers and 120 companies for sale (average outstanding)
Looking for a match

- The website “Affaires à suivre”

- Classified advertisements site

- for small enterprises in the retail sector, hospitality and the catering trade, liberal professions

- or for any business with a turnover lower than 500 000 EUR
Negotiation

For Sellers:

- Meeting the selected buyer
- Letter of intent (LOI)
- Negotiation of price and conditions of sale

SOWACCESS gives access to government subsidies to partly cover the cost of a consultancy service provided by one of its accredited partners
- 75% of missions costs
- Up to 18,500 EUR

For Buyers:

- Meeting the selected seller
- Letter of intent (LOI)
- Due diligence / acquisition audit

SOWACCESS gives access to government subsidies to partly cover the cost of a consultancy service provided by one of its accredited partners
- 75% of missions costs
- Up to 18,500 EUR

Financing solutions provided by SOWALFIN & SOCAMUT
After the closing

For Sellers:
- Guidance of the buyer
- Start his/her new life!

For Buyers:
- Guidance by the seller
- Answering the questions of employees
- Drawing up and implementing a takeover plan
- Support from professionals is crucial

Coaching by “Réseau Entreprendre”
- Formers Business owners
- Free coaching and advice
2. Success factors & challenges

• Professionalism and ethics
• Neutrality
• Transparency
• Confidentiality
• Innovation and creativity: appropriate answer to entrepreneurs' needs
• Impact assessment
3. Good practice

- Public / Private partnership
- Ethical Committee (agreement and monitoring)
How Statistics Can Help in Developing Tailored Policies to Support Business Transfers?

Alain TOURDJMAN
Directeur
Etudes, Veille & Prospective – Pôle Stratégie
Groupe BPCE, France
1. From conventional beliefs to facts and realities based on statistics

**Without statistics : received ideas and misconceptions**

- An estimation of 40 000 to 60 000 transfers per year
  - Among them roughly 10% concern SMEs
- The executive’s age is the main indicator of a company’s transfer probability
  - Most of SME’s transfers occur after the age of 55
- A limited contribution of family transfers (10%)
- This national evaluation is translated into local measures based on the structure of SME’s ecosystems (age, size...)

**With Statistics : what can be measured**

- At least 76 000 transfers / year (including 15 000 SME’s transfers)
- The size of the company is more relevant than the age of the executive as the main criteria explaining a transfer
  - 67% of SME’s transfers occur before the age of 60
- Family transfers account for more than 17% of transfers with a special focus on mid-size industry business
- Stats bring to light that size, age or sector do not mainly explain regional discrepancies
2. An original method

- A method based on observing reality
  - Measuring rather than estimating
  - No ex-ante hypothesis (e.g. Age) ➞ no ex-post analysis bias

- A main principle: identifying and counting, through databases dedicated to enterprises, the different events related to a company’s transfer

- A complementary tool: 2 large surveys to observe the executives’ behavior
  - SMEs (2011)
  - VSBs (2017)
3. Lessons from statistics: understanding the human factor

• **The transferor’s issue:**
  - Finding a “trustworthy transferee”
  - The quest of an ideal transferee... “alter ego” or “spiritual son”?  

• **A lack of concern and awareness**
  - Executives often uneasy with the process and reluctant to commit themselves
  - Causes of restrain: lack of time, confidentiality, process complexity, cost and ability to assess a consulting support ➔ a worrisome loss of time
  - A worrying lack of preparation: only 50% of executives over 55 did something to prepare a transfer
    - As a matter of fact, only 33% of SMEs executives and 17% VSBs executives over 60 are truly ready
4. Impact on employment and competitiveness, which priorities?

- The economic and social impacts of these transfers differ largely
  - A VSB transfer affects 2,3 jobs
  - A SME transfer affects 27,3 jobs
  - A VSB is twice as likely to disappear than a SME…
  - …and half as likely to be transferred

- 60 000 VSBs’ transfers account for less than 150 000 jobs

- 15 000 SMEs transfers account for 1,1 million jobs
5.1 Securing the renewal of generations, which priorities?

- Old age transfers are a minority but should be a priority because of their low rate of success.
  - The ratio “intentions to sell within 1 or 2 years” / “sales reported” is quite satisfactory till 55 but becomes more than worrying after 60.
  - The older is the executive, the lesser is the probability to sell his company.

Source: BPCE 2017
5.2 Securing the renewal of generations, a global impact?

• The growing imbalance between the needs to transfer and the actual number of transfers leads to
  • For VSBs, an upsurge of « natural deaths » at the end of the activity
  • For SMEs, the aging process means a slowdown of investment, growth, debt for more than 20% of SMEs : a global competitiveness issue for France!
• Some regions are specifically at risk!

LESSON:
• A high % of old age executives does not induce a higher transfer rate...
• But a high transfer rate induces a lower % of old age executives
Despite a quite high level of transfer, the manufacturing industry still suffers from a worrying aging process in France.

LESSON:

The transfer rate is a central criterion to maintain the dynamism of the SMEs network.
The main results of BPCE L’Observatoire were largely quoted in two public reports:

• "Favoriser la transmission d’entreprise en France : diagnostic et propositions », Fanny DOMBRE-COSTE, MP, 07/07/2015
  • This report was delivered to Emmanuel MACRON, as Minister of Economy

• "Moderniser la transmission d’entreprise en France : une urgence pour l’emploi de nos territoires », Claude NOUGEIN and Michel VASPART, senators, 02/23/2017
STOB regions – Succession and Transfer of Business in Regions

Sandy Morgen
IHK Projektgesellschaft mbH
STOB regions – Interreg Europe project
General information

- Interreg Europe
- “helps regional and local governments across Europe to develop and deliver better policy”
- Two phases
  - 1st phase:
    - exchange of experiences, knowledge, ideas between partner regions
    - thematic workshops and peer reviews
    - action plan
  - 2nd phase: implementation of the action plan
STOB regions – Succession and Transfer of Business in Regions

**Partners**

- IHK-Projektgesellschaft mbH (DE) – Lead Partner
- Vaeksthus Syddanmark (DK)
- Malopolska Region (PL)
- Kainuun Etu Ltd (FI)
- RDA BSC for SME Plovdiv (BG)
- Ilfov County Council (RO)
- Business Support Centre Kranj (SI)
- Glasgow City Council (UK)
- Official Chamber of Commerce, Industry and Shipping of Seville (ES)
- Berlin School of Economics and Law – Advisory Partner (DE)
Objectives

• To improve regional policies: to create attractive conditions and frameworks in our partner regions for the process of business transfer
• To check the transferability of different measures / instruments from one region to another
• Implementation of the action plan
STOB regions – Succession and Transfer of Business in Regions

Problems / Challenges

• Lack of potential successors → widen the target groups
• Family succession is preferred in less experienced regions
  ➢ Low success rate
  ➢ Solutions outside the family are required
• Independent person (e.g. advisor) or institution is necessary in many cases
  ➢ mistrust
  ➢ lack of experienced advisors in many regions (especially Eastern and South-Eastern Europe)
STOB regions – Succession and Transfer of Business in Regions

Needs / Discussion points

• Raising awareness
• Both parties have to be included into the process
• Framework consisting of
  ➢ suitable market conditions
  ➢ legal and tax regulations
  ➢ Infrastructure
• Coordinating body (regional or national level)
Discussion, Q&A
Thank you very much for your attention

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