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Anmari Viljamaa, Juha Tall, Elina Varamäki,
Slavica Singer and Susanne Durst (eds.)

**BUSINESS TRANSFER
ECOSYSTEMS AND
AWARENESS RAISING
ACTIVITIES**

**Situation Analysis of Five
European Countries**

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ABSTRACT

Anmari Viljamaa, Juha Tall, Elina Varamäki, Slavica Singer and Susanne Durst (eds.) 2015. Business Transfer Ecosystems and Awareness Raising Activities: Situation Analysis of Five European Countries. Publications of Seinäjoki University of Applied Sciences B. Reports 108, 119 p.

According to estimates, approximately 450 000 firms are being transferred annually across Europe affecting two million employees and around 150 000 companies are not being transferred due to system inefficiencies, causing a risk of losing 600 000 jobs. In order to promote economic stability and SME growth, system inefficiencies in business transfers should be targeted and business transfer ecosystems designed so as to promote successful transfers. Since early planning and preparation improves the business transfer success rate, one of the issues to be tackled is firms' and other stakeholders' preparedness for business transfers, the key antecedent of which is awareness of the issue.

This report is a part of an ongoing effort to bring SME business transfers and their ecosystems to the transnational level, allowing recommendations for national and European level frameworks to be drawn. The project Business Transfer Awareness Raising - Developing activities and tools to advance business transfer success is funded by European Commission, DG Enterprise and Industry (CIP), and co-funded by the partners (Seinäjoki University of Applied Sciences, Grenoble Ecole de Management, Universitat Jaume I, J.J. Strossmayer University of Osijek and University of Skövde). The main objective of the project is to develop an ideal model of awareness raising measures for SME business transfers in Europe. As a step towards this goal, this report presents and summarizes the current state of business transfer ecosystems and awareness raising activities related to business transfers in five European countries: Croatia, Finland, France, Spain and Sweden.

Analysis demonstrates the heterogeneity of business transfer ecosystems in Europe. Legislative environments differ widely, as do financing and business support structures. There are also considerable differences in the breadth and intensity of awareness raising activities. A lack of systematic and long-term approach regarding the implementation of business transfer awareness raising activities is noted. In conclusions it is recommended that the following should be considered 1) widening the scope of awareness raising activities, 2) using national advisory boards on business transfers to coordinate activities and support policy development, and 3) developing of impact measures for awareness raising activities.

Keywords: Business transfer, European Union, SMEs, growth, policy

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INTRODUCTION: BUSINESS TRANSFER ECOSYSTEMS AND AWARENESS RAISING

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1 BACKGROUND AND AIMS

SMEs, by numbers, dominate the world and European business environment. In the 27 countries of the European Union, SMEs account for 99,8 % of all enterprises, employ 67 % of all workers and contribute 58 % of gross value added (Wymenga et al. 2012; Edinburgh Group 2013). The ability of SMEs to survive and grow in the increasingly dynamic economic environment is hence crucial for overall economic climate.

National policies on entrepreneurship tend to focus on start-ups and growth. According to "Small Business Act" increased attention should be given to the contribution of business transfers to promoting business and growth. In this connection the support of SMEs is vital because 90 % of all business transfers occur with limited resources in the micro-firm segment (European Commission 2002; Van Teeffelen 2007, 2012). Taking in the volumes of SMEs, majority of businesses transferred or not-being transferred can be classified as SMEs. According to some recent surveys, approximately 20–25 % of SMEs will find a successor inside the family while almost 40 % of firms are looking for external buyers (Battisti & Okamuro 2010; Varamäki et al. 2012). Already established firms available for business transfer offer great potential for other entrepreneurs to develop their existing businesses by the means of an acquisitive strategy. Additionally, individuals can become entrepreneurs by buying such a firm.

Business transfers support business growth (e.g. Penrose 1959; Barkema & Schijven 2008; Uhlaner & West 2008). Transferred businesses outperform start-ups with respect to survival, turnover, profit, innovativeness and employment (e.g. Meijaard 2007; Van Teeffelen 2012). Survival for five years, depending on the economic climate, generally ranges somewhere between 35–50 % for start-ups, while the figure for transferred firms is 90–96 % (Geerts, Herrings & Peek 2004; KWF 2009). All in all one can conclude

that business transfers are essential to the vitality and performance of national economies (e.g. Dyck et al. 2002; Meijaard 2007; KWF 2009; Van Teeffelen 2012).

Each year approximately 450 000 firms are being transferred across Europe affecting two million employees. Around 150 000 companies are not being transferred due to system inefficiencies, causing a risk of losing 600 000 jobs in Europe (European Commission 2011). Empirical data shows a considerable variety in forms of business discontinuity among countries (Singer et al. 2014). Based on the Global Entrepreneurship Monitor survey, for example, in Croatia only 0,8 % of all exits are based on opportunities to sell vs. 5,3 % in Sweden; 15 % of exits in Finland are caused by the business non-profitability vs. 56 % in Spain; and the problem of getting finance is the reason for 24 % of exits in Croatia and for only 2,7 % in Sweden (GEM data set 2014).

Not surprisingly, the vast majority of buyers and sellers in SME business transfer markets have no previous business transfer experience. This is the case especially with aging entrepreneurs. For most of them business transfer is a once in a lifetime experience. Insufficient preparedness and planning is a major problem and reason for failure in business transfers. Accordingly, it is anticipated that a well-developed business transfer ecosystem will support making the ownership transfer markets more dynamic and hence support growth and survivability of SMEs.

This suggests that in order to promote economic stability and growth, system inefficiencies in business transfers should be targeted and business transfer ecosystems developed. Since early planning and preparation improves the business transfer success rate (Sharma, Chrisman & Chua 2003), one of the issues to be tackled is increasing preparedness for business transfers.

The execution of business transfers requires unique knowledge and process-specific skills not used in everyday business operations and often not learned. Hence, specialized advisors may be needed and, most importantly, both buyers and sellers should start their planning processes earlier. Sellers need to be aware of suitable selling strategies, while buyers need to develop acquisitive (non-organic) growth strategies when preparing themselves for business transfer. Sadly, buyers and sellers seem relatively uninformed of the need to plan for business transfers (Ip & Jacobs 2006).

The problem is not a new one. There have been a wide range of national and regional level awareness raising measures. Examples of such measures include awareness raising letters and events, promotion of business transfer media visibility, publications, regional business transfer information centers, on-line marketplaces, phone call campaigns, educational programs, special business transfer financing services and research activities. Systematic utilization and review of the results is however lacking.

This report forms a part of an ongoing attempt to bring SME business transfers and their ecosystems to the transnational level, allowing recommendations for national and European level frameworks to be drawn. Ultimately the aim is to help increase the number of successful business transfers. The project *Business Transfer Awareness Raising - Developing activities and tools to advance business transfer success* is funded by European Commission, DG Enterprise and Industry (CIP), and co-funded by the partners. The coordinator and lead partner of the project is Seinäjoki University of Applied Sciences, Finland. Other partners are Grenoble Ecole de Management in France, Universitat Jaume I in Spain, J.J. Strossmayer University of Osijek in Croatia, and University of Skövde in Sweden.

The main objective of the project is to develop an ideal model of awareness raising measures for SME business transfers in Europe. As a step towards this goal, this report presents and summarizes the current state of business transfer ecosystems and awareness raising activities related to business transfers in five European countries: Croatia, Finland, France, Spain and Sweden.

2 BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING

The purpose of this report is to present the key elements and content of the business transfer ecosystem (Figure 1) in the five partner countries. Ecosystem thinking in general combines various perspectives from e.g. management and economics to biological and evolutionary analogies. The fundamental hope behind ecosystems thinking is to expand the capabilities of individual actors beyond their own boundaries through collaboration (e.g. Adner 2006). Thus, ecosystems are not a matter of single actors, but of interacting populations of actors residing in an environment. Entrepreneurial ecosystems are conceptual frameworks intended to foster economic development via entrepreneurship, innovation and small business growth (Mazzarol 2014). Moreover, government policy settings and also the legal and regulatory frameworks, along with infrastructure, financial sector, education and research are components of entrepreneurial ecosystems (see World Economic Forum 2013; Mazzarol 2014).

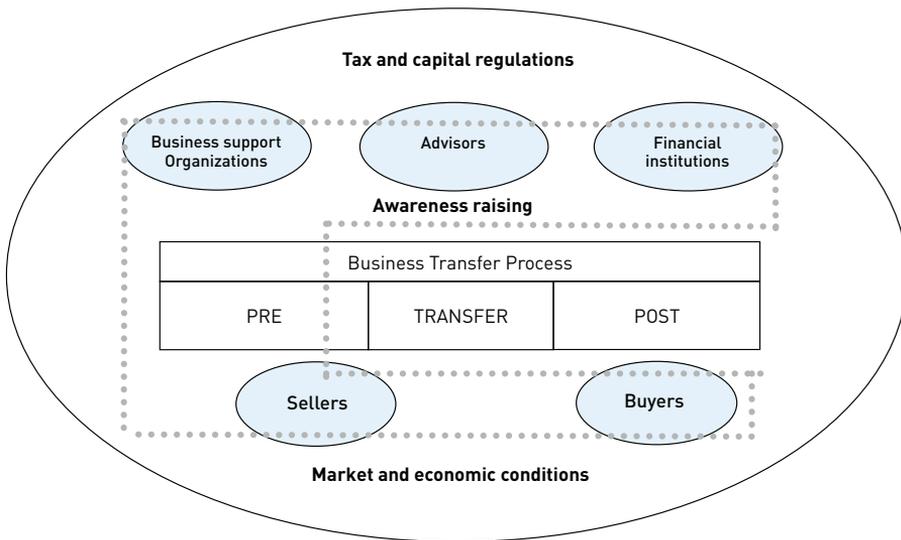


FIGURE 1. Business transfer ecosystem.

A business transfer is here understood as a change of ownership of any firm or business to another person or legal entity assuring the continuous existence and commercial activity of the enterprise when more than 50 % of the assets or shares are transferred (see e.g. Sten 2006; Van Teeffelen 2012). This definition includes all varieties of business transfers, i.e. both successions within the family and transfer to an external buyer; for the sake of brevity, the term “seller” is frequently used for both sellers in transfers to external parties and predecessors in family successions, and the term “buyer” for both successors and external buyers. In the context of business transfer ecosystems market and economic conditions together with tax and other legal frameworks make up the environment in which buyers and sellers, the key actors of business transfers, act. Also financing is one of the key issues in business transfers, since most buyers need external financing, and hence financial institutions are one of crucial elements in a business transfer ecosystems. Furthermore, external advisors are significant stakeholders in business transfers from both seller’s and buyer’s perspective (Van Teeffelen 2012; CSES 2013). Thereby, both general business support organizations and private advisors should be considered in analyzing a business transfer ecosystem.

Awareness raising can also be considered a key element in a business transfer ecosystem. Awareness raising usually refers mainly to activities related to sellers and buyers at the pre phase of a business transfer process. The aim of awareness raising is generally to promote earlier planning and thus increase preparedness for business transfer. The motivation for developing awareness raising has traditionally been related to the aging of entrepreneurs and the need to ensure the continuity of healthy firms. However, as researchers and policy makers increasingly view business

transfers as a vital part of safeguarding healthy dynamics in the economy, awareness raising activities also seek to promote business transfers as a normal strategic action of firms and to strengthen the business transfer culture.

3 METHODS

In each participating country data on the national business transfer ecosystem were collected by local research teams who are familiar with the business transfer phenomenon. A total of 16 researchers participated in the data collection.

The research followed a case study approach. Eisenhardt (1989) has defined the case study as a research strategy focusing on understanding the dynamics present within single settings. A case study is an excellent method to explore complex phenomenon and produce rich descriptions about systems (Patton 1990; Yin 2009). The case study approach also enables exploring a phenomenon in its context. Further, multiple case studies, in this case the ecosystems in different countries, give a wider view of the phenomenon, allowing comparison across cases. Case studies can be used for different purposes (descriptive, exploratory and explanatory) and should be based on a number of different sources of evidence (Yin 2009). In the present study the emphasis was on description, and as sources of evidence a combination of primary data (e.g. interviews, expert testimonials, field observations) and secondary data (reports, barometers, statistics, etc.) was used to produce each country case.

The data for the cases presented here were collected between December 2014 and March 2015. Each national team used a shared conceptual framework despite the variety of conditions in the different countries. The ecosystems were explored through seven focus areas: 1) key legislation and tax laws effecting business transfers, 2) business transfer markets, 3) sellers and buyers, 4) financial institutions involved in business transfers, 5) availability of expert advice, 6) business support organizations, and 7) awareness raising activities. The structure of the situation analysis is presented in more detail in Table 1.

TABLE 1. Structure of situations analysis.

Focus areas of business transfer ecosystems	Questions to be answered
Key legislation and tax laws effecting business transfers	What are the key elements in legislation and in tax laws effecting business transfers (promoting, preventing)?
Business transfer markets	<p>What do we know about business transfer markets (numbers, volumes, key players, platforms including on-line versions, development, future outlooks, etc.)?</p> <p>What are the sources of information on SME business transfers?</p> <p>What kind of SME business transfer research information available, who does BT-research, who finances BT-research?</p>
Sellers and buyers	<p>What do we know about them (typical sizes of firms in business transfers, number of successions, number of other business transfers)?</p> <p>What are biggest challenges to buy and to sell at this moment?</p> <p>What are the most needed issues by sellers and buyers in order to have more succeeded business transfers?</p> <p>What are the challenges in successions and the role of successions within business transfers?</p>
Financial institutions involved in business transfers	<p>Who are the key actors in financing business transfers?</p> <p>What financial sources and instruments are used in financing business transfers?</p>
Availability of expert advice	<p>What is the availability of business transfer expertise? What services are on offer and through which channels?</p> <p>Are there gaps in provision/availability of business transfer expertise?</p> <p>What are the major challenges for business transfer expertise?</p>
Business support organizations	<p>What are the key business support organizations (ministry/ ministries, chamber of commerce, foundations, associations, others) at national and at regional level?</p> <p>What role does each of them play in supporting business transfers?</p> <p>Is the cooperation of key organizations organized in some way? If yes, how?</p>
Awareness raising activities	<p>List of current business transfer awareness raising activities (main organization and partners, nature and focus of activities, personnel, target groups, costs and financing, results, experiences and conclusions)?</p> <p>Events promoting business transfers; national and regional?</p> <p>What has been done right and which areas need to be improved?</p> <p>What would be the most needed activities in business transfer awareness raising?</p>

Individual reports were written for each country and ecosystem. These country reports were then shared among all researchers and in a next step a joint meeting was organized. At this two day meeting an analysis and comparison were carried out in order to identify similarities and differences between the ecosystems.

This report presents both the original country level analyses and the key results of the joint summary analysis.

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SITUATION ANALYSIS: CROATIA

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Slavica Singer, Sunčica Oberman Peterka, Anamarija Delic and Petra Mezulic

J.J. Strossmayer University of Osijek in Croatia

1 BACKGROUND

The business transfer market in Croatia is not developed yet. Lack of information and statistical monitoring of the business transfer market is one of the key issues currently faced by policy makers, research organizations, advisors and entrepreneurs in Croatia.

The situation analysis of the business transfer ecosystem in Croatia presented in this report is based on the secondary and primary research results. Primary research includes conducting of in-depth interviews with 8 key institutional actors, which are supposed to play important role in business transfer ecosystem in Croatia, and a focus group of representatives of all relevant stakeholders implemented in a form of a national workshop held on April, 9th, 2015 in Zagreb.

2 BUSINESS TRANSFER ECOSYSTEM IN CROATIA

2.1 Key legislation and tax laws

Legal and tax regulations in Croatia do not represent a barrier for the business transfer process in Croatia. The legal framework consists of the following laws:

- Labour Law
- Crafts Act
- Law on Local and Regional Self-government
- Civil Obligations Act
- Companies Act
- Inheritance Act
- Accounting Act
- Family Law

Business transfer of crafts is regulated in 2013 with the “new” Crafts Law that represents favorable legal framework for business transfer in different occasions:

death of the owner of craft, retirement and transfer of the ownership of the craft to third parties.

In case of company inheritance, the Companies Act stipulates that business shares can be inherited. The Inheritance Act also recognizes legal and testamentary inheritance, where in the first inheritance order the company is inherited by children and spouse, in equal parts. This law is regulating the inheritance process in detail, especially in case of testamentary inheritance. According to the Law on Local and Regional Self-government, the tax on inheritance and gifts are not paid by spouse, blood relative in a straight line, adopted children and adoptive parents of the deceased or the person giving the company. The inheritance of business shares for others is subject to tax on inheritance at the rate of 5%. In this case, the tax base is the market value of financials and other assets, after deduction of debts and expenses relating to the property on which tax is paid.

In case of selling the company, the cost of services of notary public is the only compulsory expense. The competitive price of service depends on the agreed selling price of the company, and the minimum cost is 500 EUR. Additional provisional costs are the lawyer costs and the cost of changing the owner of the company which has to be published in the Official Gazette. The money that the seller gains by the selling of the company is considered as capital gain, and as such, it is not taxed in Croatia.

2.2 Business transfer markets

As noted, there is a lack of information on business transfers in Croatia. Based on the secondary research data, it is evident that the biggest shareholder in a company is aged 55 years or older in around 1/3 of all SMEs in Croatia, ranging from 34,9 % - 27,5 % in all the counties in Croatia (Figure 2).

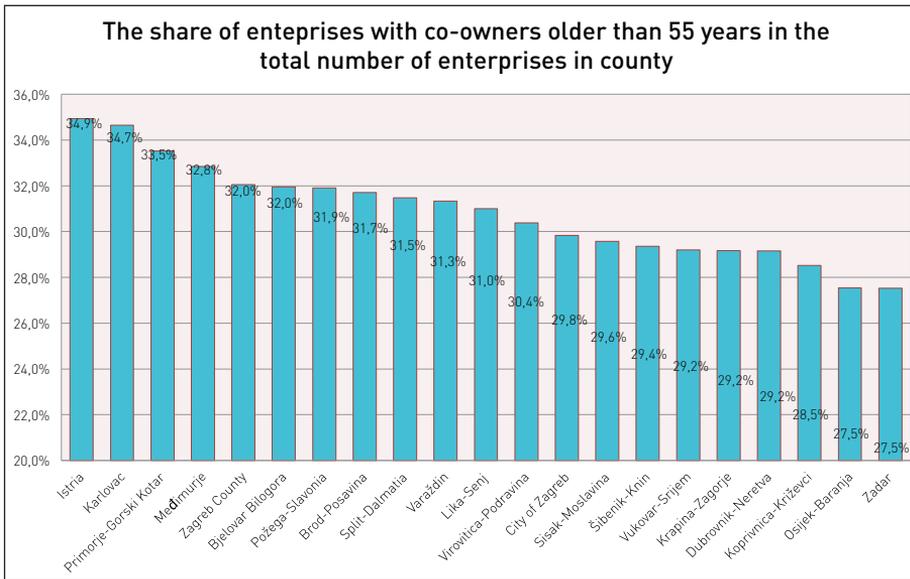


FIGURE 2. Proportion of the SMEs with the biggest shareholder aged 55 years or older, across counties in Croatia (CEPOR – SMEs and Entrepreneurship Policy Centre, based on data from Financial Agency, 2013)

SMEs, especially micro companies, usually go through the business transfers process by themselves, without using the services of consulting companies. The services offered by consulting companies are adjusted to the needs of medium and large companies, while micro and small companies are facing limited consulting services that are usually not tailored to their needs and size.

There are no on-line matching platforms for SMEs sellers and buyers in Croatia. CEPOR – SMEs and Entrepreneurship Policy Centre in Croatia, one of the key players in the SME business transfer ecosystem is in the process of developing a project proposal for creation and implementation of an on-line platform in Croatia. The already conducted phases in preparation of the project proposal include: identification of key national stakeholders, analysis of on-line platforms in the EU (*Working Group Matching Platforms*, Transeo report, 2012) and study visit to Sowaccess (Liege, Belgium) – potential benchmark for implementation of an on-line platform in Croatia. One of the biggest challenges for development of an on-line platform in Croatia is in identification of sources of funding (e.g. EU call, national funds, private investors), development of additional services, development of professional infrastructure for supporting the consultancy needs of sellers and buyers, and achieving the financial sustainability of the platform.

All data currently available on the state of business transfer ecosystem in Croatia is gained through secondary research conducted from December 2014 – February

2015, as well as through in-depth interviews conducted within the BTAR project by researchers from the J.J. Strossmayer University of Osijek, Faculty of Economics in Osijek and CEPOR. The interviews were conducted with 8 representatives from all major institutional stakeholders that should be involved in activities related to business transfer (Ministry of Entrepreneurship and Crafts, Ministry of Finance, HAMAG BICRO – Croatian Agency for SMEs, Innovation and Investments, Croatian Chamber of Trades and Crafts, Croatian Chamber of Economy, Croatian Employers' Association). The data gathered from these interviews represent an important source of data on this topic. No official databases on business transfers exist in Croatia.

The only research that partially provides data related to business transfer process in Croatia is GEM - Global Entrepreneurship Monitor survey. GEM data in 2014 in Croatia (Table 2) indicates that business transfer process was not (properly) prepared, and business transfer was not implemented in the following cases: 12.95% founders pursued another job or business opportunity, but without selling the company; in 2.51% retirement of business owner resulted with termination of the business activity of the company, which means that the opportunity for business transfer was not exploited. In case the business transfer was planned, the owner would pursue the opportunity to sell the business prior to his / her retirement, so the business would not be closed. In 25.13% personal reasons and incident influenced termination of the business which means that business transfer was also not properly planned. GEM research in Croatia is co-financed by the Ministry of Entrepreneurship and Crafts, J.J. Strossmayer University of Osijek, Faculty of Economics in Osijek, and CEPOR – SMEs and Entrepreneurship Policy Centre Zagreb.

TABLE 2. Reasons for discontinuation of business activity – comparison between EU, North America and Croatia, 2014 (Source: GEM data 2014, CEPOR – SMEs and Entrepreneurship Policy Centre)

Reasons for discontinuation of business (% of exits)	EU	North America	Croatia
Opportunity to sell	3.32	8.28	0.83
Business not profitable	33.24	18.59	33.60
Problems getting finance	11.50	7.50	23.55
Another job or business opportunity	11.62	17.48	12.95
Exit was planned in advance	5.18	2.20	1.44
Retirement	6.08	11.50	2.51
Personal reasons	23.83	26.54	17.87
An incident	5.22	6.93	7.26

From March – May 2015 CEPOR is conducting the first research on business transfer in Croatia – Business Transfer Barometer, with the support of the Ministry of Entrepreneurship and Crafts. The sample in this research consists of 200 SME owners aged 55 years and older (combination of CATI and CAWI methods). The methodological approach (questionnaire) in this research was developed based on the research Business Transfer Barometer conducted in Finland by Seinajoki University of Applied Sciences, so it is expected that the results of the research in Croatia will be partially comparable to the research results from Finland. This study will considerably increase the data available on business transfers. At this time there is no data available.

The biggest challenges for sellers and buyers of SMEs in Croatia at this moment are: (1) Long-term recession in Croatian economy without projections for more evident recovery in the next year; (2) Low level of entrepreneurial activity in Croatia in general, as indicated by GEM survey; (3) Government focuses almost exclusively on supporting start-up entrepreneurs, and neglecting other phases of a venture's life cycle (growing phase as well as the phase of business takeovers as a potential for increasing economic activity and employment; (4) Lack of trust among entrepreneurs; (5) Lack of awareness among potential entrepreneurs about advantages and opportunities of becoming an entrepreneur through business takeover; (6) Lack of established channels for finding a buyer for the company; (7) Lack of professional consultancy support in the process of business transfer; (8) Lack of knowledge for valuation of the company among entrepreneurs, banks and professional consultants; (9) Lack of financial instruments for buying the company.

The most important issues for sellers and buyers for increasing the success of business transfer are:

- *Government support for business transfer process* (equal to the support available for start-up entrepreneurs, such as guarantee schemes, loans for financing business takeovers, availability of co-financing of consultancy services, awareness raising activities, etc.);
- *Establishment of seller and buyer matching on-line platforms;*
- *Raising the competence and availability of professional consultancy infrastructure in business transfer process* (lawyers, M&A experts, tax advisors, accountants, brokers, etc.)
- Training services for SME owners to enable them for better understanding this phase of business venturing, and empower their negotiating skills

2.3 Financial institutions

There are currently no financial institutions supporting the process of SME business transfer in Croatia. The financing instruments of banks and other financing institutions

are primarily focused on financing start-ups or investment projects of already established companies. However, the key actors / financial institutions in Croatia that should finance business transfer are (1) HAMAG BICRO - Croatian Agency for SMEs, Innovation and Investments, (2) HBOR - Croatian Bank for Reconstruction and Development, and (3) other commercial banks offering their services to SMEs.

The key actors in financing business transfers in Croatia have not developed financial sources and instruments which can be used in financing business transfers. As indicated by the representatives of HBOR and HAMAG BICRO during the national stakeholder workshop organised within the BTAR project on April 9th, 2015, their institutions have no intention of creating financial instruments for supporting business transfer in the near future, while commercial banks are offering only restructuring loans to their clients, and also are not considering the development of financial sources and instruments for business transfer at the moment.

2.4 Advisors

The availability of expertise focused specifically on SME business transfer is very low in Croatia. As established through secondary research, only two institutions have been identified as institutions providing special advisory support to SMEs in the process of business transfer – (1) CEPOR through educational programs and workshops specially designed for SME owners dealing with any aspect of business transfer (subsidized by the Ministry of Entrepreneurship and Crafts) and (2) Adizes Institute providing commercial education – seminars with special focus on family businesses and their business transfer processes (the title of the seminar is “The owner, owner’s company, owner’s children”).

Commercial consulting companies are offering their consulting services to companies in the M&A process, with special focus on company valuation, preparation of the company for selling, and negotiation with potential sellers and buyers. However, most of the consulting companies that deal with these processes are members of The Big 4 consultancy companies, focused mainly on large and medium sized enterprises. Their experience, understanding of the customers, cost of the services and approach is mostly adjusted to the medium and large companies’ market segment. Therefore, micro and small enterprises are finding it very difficult to understand the “language” of consulting companies and to find resources to finance those services.

In general, SMEs in Croatia lack sufficient number of advisors with particular expertise and experience in dealing with SME business transfer issues. Consultants in Croatia usually have general knowledge about the business but don’t have specific expertise in the area of business transfer.

The major challenges for business transfer expertise are the lack of education on specific topics of business transfer, non-existence of information about the business transfer market in Croatia, low level of development, awareness and education of the demand side of the business transfer consultancy market, lack of statistical data and monitoring on business transfers, small number of business support organizations initiating awareness raising activities targeting entrepreneurs and providing education on this topic. In addition, the absence of experience and good practice examples are also some of the major challenges for advisors in providing high quality, knowledge-based advice on business transfer.

2.5 Business support organizations

The key business support organizations dealing with the issues of business transfer in Croatia are described below.

CEPOR – SMEs and Entrepreneurship Policy Centre. This is an independent policy centre focused on entrepreneurship and SMEs, emphasizing holistic approach in building an efficient entrepreneurship ecosystem in Croatia.

CEPOR has been dealing with the business transfer topic since 2009, when it became involved in organization of annual family business conference initiated and organized by the weekly business magazine *Lider*. Since 2013, CEPOR intensified its activities related to promotion of SME business transfer issue among all relevant stakeholders. In 2014 CEPOR established CEPRA - the Centre for Family Business and Business Transfer, whose main role is to support SMEs in the business transfer process, through organization of workshops, conferences, round table discussions and forums on various issues affecting SMEs when going through the process of business transfer. In 2015 CEPOR initiated the first business transfer research in Croatia among 200 SME owners aged 55 years or older; it has created the publication: Mini guide for entrepreneurs "Business transfer" in 2014; it is implementing several business transfer awareness raising projects; and it is developing the project proposal for creation of an on-line matching platform for SMEs, with a special focus on micro enterprises, which account for 90% of all enterprises in Croatia. Since 2014, CEPOR is a member of TRANSEO – European Association for SME Transfer.

Weekly business magazine Lider. *Lider* has for the last 5 years organized family business conferences, and has in 2015 created the Family Business Club, aiming to promote the importance of family businesses in Croatia.

Adizes Institute. The Institute organizes workshops on the commercial basis intended specifically for family businesses going through the process of business transfer. Adizes

Institute is also offering consultancy programs tailored to the needs of a particular company. Those programs, called "Organizational Therapy", last from six months to two years, depending on the size and complexity of the enterprise and they provide assistance to the enterprise in various aspects of the business transfer – releasing the company from founder traps, coping with the challenges of fast growing companies, rejuvenation of bureaucratized organizations and improving the profitability and productivity of the enterprise.

Croatian Chamber of Trades and Crafts. The Chamber provides information related to business transfer of crafts (topics such as managing craft after the death of the owner, closing the craft – how to close the craft, where to close it, how to make a partnership agreement – an option for transferring a craft, etc.);

Ministry of Entrepreneurship and Crafts. The Ministry is currently providing support to SME business transfer through the grant allocated to CEPOR for conducting the first survey on business transfer practice in Croatia (September 2014 – September 2015). The activities that will be implemented within this project are: conducting research on SME business transfer, preparation and delivery of 8 workshops (4 awareness raising workshops for entrepreneurs, and 4 workshops aimed at raising the capacity of business support institutions for providing support for local entrepreneurs in business transfer process), organization of the Family business forum, and updating of CEPOR's website with the information related to SMEs' business transfer.

J.J. Strossmayer University of Osijek. The Faculty on Economics in Osijek is involved through the implementation of the "BTAR – Business Transfer Awareness Raising" project activities in Croatia.

Law Office "Cikač". The Law Office is promoting the role of mediation in solving the conflicts among family members in the process of business transfer in family firms;

Consulting company "Mreža znanja". In 2010, the consulting company has prepared the "Guide to Selling Your Business". The guide provides the information on the methodology of due diligence process, development of the plan for selling the business, preparation of presentation materials of the company, selection of potential buyers, access to potential buyers, negotiation processes, as well as advising companies on structuring transactions with the selected partner, and on the preparation for the process of in-depth analysis of companies and the conclusion of transactions.

The cooperation of key organizations supporting business transfer in Croatia is not established and coordinated. CEPOR has initiated the process of identification of all relevant stakeholders, creation of networks and establishing partnerships in order to successfully promote business transfer and create supportive environment for SME business transfer in Croatia.

3 BUSINESS TRANSFER AWARENESS RAISING ACTIVITIES IN CROATIA

Current (since 2014) business transfer awareness raising activities in Croatia are listed in Table 3.

TABLE 3. Current awareness raising activities in Croatia.

BT awareness raising activity	Organisation implementing the activity	Partners	Focus of the activity	Target groups	Costs	Source of financing	Results	Experiences / conclusions
Educational program on the timely preparation for the business transfer process	CEPOR	Ministry of Entrepreneurship and Crafts, through the projects BizImpact II and Entrepreneurial Impulse; business magazine "Poslovni dnevnik"	To emphasize the importance of the timely initiation of business transfer process and to inform SMEs about the possible options of the business transfer	SME owners in Croatia, business support organisations	Organisational costs, transportation costs	European Union through the project BizImpact II and Ministry of Entrepreneurship and Crafts through the project Entrepreneurial Impulse	Organised 3 educational workshops in three cities in Croatia (Osijek, Pula, Koprivnica), educated 60 entrepreneurs on the importance of timely initiation of business transfer process	CEPOR raised awareness among entrepreneurs and representatives of business support institutions. The participants have confirmed the significance of the topic and usefulness of the mini guide "Business transfer".
Annual Family Business Forum	CEPOR	Business magazine Lider, Ministry of Entrepreneurship and Crafts, HAMAG BICRO, Croatian Employers' Association, TRANSEO association	Encouraging dialogue and public discussion on the importance of family business and business transfer in Croatia, providing useful information to owners of family business and other SMEs on the issue of transfer of ownership and management of family business, and connecting family business owners and representatives of the institutions providing support in the area of business transfer	Family business owners, successors, managers in family businesses, representatives of institutions providing support in the area of business transfer, researchers and policy makers in the SME sector.	Organisational costs, costs of the experts participating in the forum, transportation costs	CEPOR and partnering institutions	CEPOR has organised two family business forums in the last two years. The last Forum held in October 2014 gathered 60 participants, mainly entrepreneurs, consultants, business support institutions representatives and bankers. CEPOR is currently in the process of organising the next Forum, which will be held in November 2015.	Through the discussion on the Forum it was concluded that the business transfer is a neglected topic in Croatia – among entrepreneurs, institutions responsible for the creation of support, education or counselling of family businesses.

Promotion of mini guide "Business transfer"	CEPOR	Ministry of Entrepreneurship and Crafts through the project BizImpact II	The mini guide is providing information on the importance of business transfer process, possible solutions for this issues and relevant regulatory framework affecting this issue.	SME owners, business support institutions, research organisations, lawyers, bankers, tax advisors, consultants, and all other interested individuals.	Expert costs, cost of organising the promotion of mini guide, marketing costs	CEPOR and European Union through the project BizImpact II	Three presentation of mini guide were organised, approximately 1000 copies of mini guides were disseminated, and electronic version of mini guide has been sent to all relevant institutions, as well as has been published on websites of all relevant business support institutions.	This mini guide is the only publication providing information to entrepreneurs on business transfer issues in Croatia. The communication with entrepreneurs and all other stakeholders pointed out the importance of this mini guide, as well as the need for the continuous development of information materials on this topic.
Family Business Club	Business magazine Lider	CEPOR	Providing support to medium and large enterprises going through the process of BT, encouraging dialogue and public discussion on the importance of family business and BT	Medium and large family business owners	Information not available	Business magazine Lider, membership fees	Business Magazine Lider is currently in the process of identifying activities of the Club, and the Club will start with its operations in the second half of 2015.	Information not available
Seminars intended specially for family businesses going through the process of business transfer	Adizes Institute	Impact Hub	Providing seminars for family business owners and their successors on the topics related to business transfer, such as planning the process of selling the company, managing change, and the topics specially focused on family business owner, children and company	Family business owners and their children, potential successors, and other family business members involved in the business transfer process	The fee of Adizes consultants, training material costs and catering costs	The seminar is implemented on a commercial basis	Adizes is organising this one-day seminars. Additionally, Adizes Institute is also specialized in programs which are tailored to the special needs of single family business, called "Organizational therapy" (lasts for 6 months).	Information not available
Mediation in business transfer	Law office "Cikač"	Information not available	Promoting the role of mediation among family members going through the process of business transfer	Family business owners and their children	Organisational costs and fee for experts	Seminar is implemented on a commercial basis	Law office "Cikač" is organising this mediation seminars in two parts: 1) mediation from theoretical aspect, 2) mini sketch on mediation.	Information not available

The events promoting business transfers in Croatia are, in brief, annual conferences on family businesses organized by Lider (2009 – 2014), Family Business Club meetings (initiated in 2015, by Lider); Family business forum, round table discussions, workshops and educational programs organised by CEPOR; seminars on mediation organised by Law Office Cikač; and seminars targeting family businesses organised by the Adizes Institute.

All in all awareness raising activities reflect the fact that business transfer support in Croatia is still undeveloped, with only a couple of initiatives aimed at raising the awareness of entrepreneurs on the importance of timely initiation of the process. Areas that need to be improved are further development of educational programs specifically designed for entrepreneurs, consultants, lawyers and all other stakeholders having an impact on the business transfer process, or being impacted by that process. Those educational programs should be based on research, and should be tailored to special needs of participants. In addition, further development of specialized professional support and availability of professionals specialized in supporting micro and small enterprises in this process are of crucial importance.

One of the most needed activities in business transfer awareness raising is a *business transfer campaign*, which would promote business transfer in major Croatian cities, and would be organized in cooperation with local business support institutions. Other activities are continuous organization of the Family business forum, which gathers together entrepreneurs and representatives of business support institutions, workshops and seminars intended for SME owners.

4 SUMMARY OF BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING IN CROATIA

Business transfer ecosystem in Croatia is still undeveloped. The quality of business transfer ecosystem can be evaluated based on the recommendations provided by the European Commission in 2006 ("*Implementation of the 2006 Commission Communication on Business Transfers*", EC, 2006): awareness raising activities; business transfer – friendly legal framework; creation of financial instruments for financing business takeover; strengthening of professional support in the business transfer process and development of on-line matching platforms.

Considering these five areas which compose the business transfer ecosystem in Croatia, it can be concluded that the only business transfer supportive segment of the ecosystem is the legal framework, which enables tax-free business transfer process in case of inheriting the business from predecessors or selling / buying the company.

Areas that are lacking, but should represent important initiatives for raising the quality of the business transfer ecosystem in Croatia are: development of an on-line platform; development of data gathering and statistical monitoring of business transfers; development of financial instruments supporting business transfer; and development of support programs coming directly from governmental support organizations.

The evaluation of Croatian business transfer ecosystem has shown a lack of on-line matching platforms in Croatia. The only initiative in this segment is led by CEPOR, and it is in its initial phase of identification of the stakeholders, creation of business plan, identification of sources of funding and benchmarks and development of a sustainable business model for implementation of an on-line matching platform in Croatia.

The research has also identified a lack of financial instruments for financing business takeover in Croatia. Moreover, the representatives of commercial banks interviewed during the initial phase of the project did not indicate any interest of their banks to develop these kinds of the products in the near future, while the representatives of HAMAG BICRO – Croatian Agency for SMEs, Innovation and Investments indicated strong focus of the Agency on supporting exclusively start-up entrepreneurs.

Professional support in SME business transfer process is also lacking. The main focus of the supply side of the business transfer consultancy service market is on medium and large enterprises (“Big 4” consulting companies indicated interest in business transfer transactions above 700 000 EUR). The availability and quality of professionals specialized in supporting micro and small companies in the business transfer process is very low, in all types of related service providers: M&A experts, lawyers, tax advisors and accountants.

BTAR project is focused on raising awareness of business transfer issues among several target groups: sellers, buyers, business support organizations and consultancy service providers. In Croatia, there are several awareness raising activities focused on potential sellers, but at the same time, there are no awareness raising activities focused on buyers, business support organizations and consultancy service providers. Main actors in awareness raising activities targeting entrepreneurs (sellers) are Lider (business weekly magazine, organizer of annual conferences on family businesses), CEPOR (conducting research, organization of seminars on business transfer issues, and preparation of publication on business transfer for entrepreneurs), Adizes Institute (organizing seminars and consultancy for family businesses in business transfer process), and Cikač Law Office (organizing seminars and providing mediation services for solving conflicts among family members in family businesses).

Future awareness raising activities need to be more intensified, with wider geographical coverage, covering different stakeholder groups (sellers, but also buyers, consultancy services providers and representatives of business support institutions).

SITUATION ANALYSIS: FINLAND

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1 BACKGROUND

In Finland the phenomenon of business transfers has been in the focus of economic development policy mainly because of the aging entrepreneurs exiting from entrepreneurship during the last ten years. In Finland the average age of the entrepreneurs is a little bit higher compared to entrepreneurs in Europe. The share of 55–74 years old entrepreneurs among all entrepreneurs is growing, being 33 % in 2013. According to the national business transfer barometer, within the next ten years about 28 000 firms are about to be transferred to new ownership (Varamäki, Tall, Sorama and Katajavirta 2012c). Among the firms of aging entrepreneurs about 14 800 firms are planning succession and 20 000 firms are planning to close down, when the present entrepreneur exits the firm. The magnitude of these figures is significant.

Based on the facts mentioned above, the focus of business transfer related economic policy and development measures has been on the aging entrepreneurs and the business transfers of their firms. This has been justified because business transfers have greater impact to national economy compared to start-ups (e.g. Van Teeffelen 2010). According to previous research, 57 % of start-ups close down within the first five years after starting (Yrittäjyyskatsaus 2011). It is important for existing firms to find new owners within or outside the family and succeed in the business transfers. In order to function properly the business transfer market needs both sellers and buyers. During the last few years buyers have been more and more in the focus with different key actors. There are a few main reasons for this. First, an increasing number of firms need a buyer outside the family. The share of successions in business transfers is decreasing. Second, business transfer is an attractive option for becoming an entrepreneur. Third, a business transfer is an excellent opportunity to develop and grow an existing firm. Business transfers are connected to contexts of new and growth entrepreneurship.

2 BUSINESS TRANSFER ECOSYSTEM IN FINLAND

2.1 Key legislation and tax laws

The legislative environment in Finland is relatively stable regarding business transfers and does not really hinder business transfers except in some family businesses. Inheritance and gift tax is a major issue for many family firms. In acquisitions, the seller pays capital gains tax. In Finland the economic outlook is right now influenced by aging and recession. There are no particular laws promoting business transfers in Finland. The overall picture is that the changes in legislative environment are usually minor, although both small scale improvements and setbacks do occur. All this makes the legislative environment reasonably predictable, which can be considered a factor promoting business transfers in Finland.

During last few years the government in Finland has faced major challenges. First, there has been significant pressure to increase all kinds of taxes. Second, any kinds of decisions have been very difficult to make. In this recent climate setbacks in legislation related to business transfers have occurred more often than improvements. The key legislation hindering business transfers includes transfer tax and inheritance and gift tax. Transfer tax is 4 % for real estate and 2 % for the shares of apartments and real estate limited partnerships. Two major setbacks in 2013 were the increase of the latter from 1,6 % to 2,0 % and expansion of the tax base for the 4 % tax. Now tax is calculated from the real value, whereas prior to 2013 the buyer could deduct the amount of debt related to the real estate. Transfer tax is payable by the buyer.

Starting 2015 inheritance and gift tax is 8–20 % for the first category, which includes the spouse and the children and is the dominant category in successions. Previously the inheritance and gift tax was 7–19 %. The taxable value of the inheritance and gift is based on the fair market value of the property at the date of death/donation. Perhaps more importantly, an on-going political debate about the future of gift and inheritance tax has created an atmosphere of unpredictability, which has an impact on business transfers. Family firms in particular are uncertain on whether transfers should go ahead or wait.

In taxation of individual shareholders dividend from publicly listed companies are 85 % taxable capital income and 15 % tax-exempt. The flat rate for capital income is 30 % up to 30 000 €/year (2015) and 33 % after that.

2.2 Business transfer markets

There is no public database on business transfers in Finland. However, there is a private database of business transfers over 500 000 € (annual turnover of target business). This database collects information about 500–900 acquisitions annually and the information is for sale for about 3 000 € (www.talouselama.fi). The information for the database is collected from public sources such as stock exchange releases and media.

Based on the Seinäjoki University of Applied Sciences research stream, business transfers are becoming more popular also with small businesses. Estimates about the number of business transfers do vary, but about 2 000 acquisitions annually is one of the most-cited figures. Also, a business transfer is an excellent way to become an entrepreneur and to grow a firm (Varamäki, Viljamaa, Tall & Länsiluoto 2014c).

About a fifth of aging entrepreneurs are planning to implement successions (Figure 3). Of the 2 843 respondents to the Finnish Business Transfer Barometer (Varamäki et al. 2012c; Varamäki, Tall & Viljamaa 2014a), 38 % are planning to sell the firm to an outside buyer at the time they give up the main responsibility and 28 % are planning to close down the firm. Two in ten (20 %) believe they will find a successor within the family. Of those expecting succession within the family, 69 % know who the successor will be, although less than a third of the entrepreneur parents had discussed the future of the firm with their children. In one out of ten cases a co-owner or co-owners are willing to take over the business when the entrepreneur him/herself steps aside. The highest expected close down rate was among the entrepreneurs with an academic education and the lowest among the entrepreneurs with the lowest level of education. Aging increased pessimism concerning the business transfer, which is in line with the results of Allinson et al. (2007) in the United Kingdom. Close down of firms is an essential part of a dynamic business ecosystem, but the key question is whether one third is the right rate.

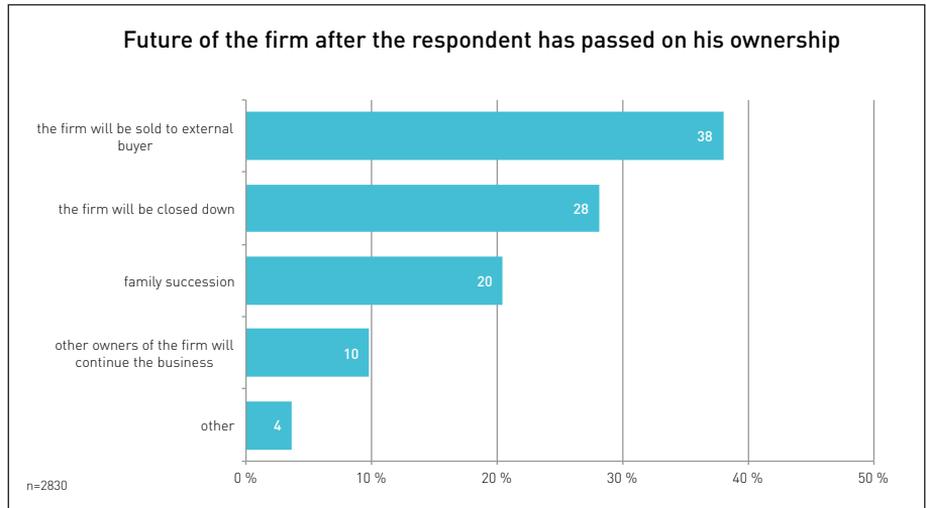


FIGURE 3. Future of the firm after the respondent has passed on his ownership (Varamäki et al. 2012c).

Looking at the successions, the background of the firm (i.e. the size of the firm, industry, family entrepreneurship and previous business transfers) has an effect on the outlook for succession. Succession is significantly more likely to occur in a firm with more than ten employees compared to smaller firms. More than half (55 %) of one-person-enterprises will close down. The close down expectation is more rare among firms with fewer than five employees (20 % among firms with 2–4 employees) and only 6 % among those with 5 or more employees.

Firms operating in manufacturing have a higher rate of expectation for business transfer than firms in construction, trade and services. Closing down is expected for 35 % of the firms in services, 31 % in construction, 21 % in trade and 15 % in manufacturing. It should be noted, however, that closure is not necessarily a negative phenomenon; healthy entrepreneurial dynamics naturally include closing down as well as starting up firms.

If the firm is owned and run by the family members, the future outlook of business transfer is more positive. Close to one third (30 %) of the family firms believed in succession while with non-family firms the share was only 6 %. Business closure is almost twice as likely to happen among non-family firms (42 %) than in family firms (22 %). Succession experience in the firm increases likelihood of another succession and decreases the likelihood of firm closure.

Business transfers of small firms are a very local phenomenon. Small firms also rely heavily on public business services. Together these two facts suggest that there is

a need to maintain and strengthen local availability of advice on transfer processes. Brokers are usually not interested in the very smallest firms and, at the same time, the smallest firms usually have the least financial resources to invest in private sector services. Yet micro firms are collectively extremely important in local economies, and a large proportion of business transfers occur in micro firms. Municipalities and regions should therefore show an active interest in addressing the issue. In small municipalities even a single small business transfer can be very important factor for the economic climate.

Online market platforms in Finland consists of one national platform with regional partners, www.yritysporssi.fi by Federation of Finnish Enterprises (FFE) with about 400 ads active, and dozens of independent regional/private online platforms (Viļjamaa, Tall & Oikarinen 2014). There are roughly about 1 000 ads altogether active in online market platforms. There is a tendency for private actors to focus on bigger firms. Hence, public online platforms are particularly relevant for micro size and small businesses. FFE has published a business transfer activity index. The index reflects development of business transfer activity in Finland. This national and regional index provides a 'wake-up' call for regions that are not doing well.

Business transfers have been studied from three perspectives in Finland: family business and succession research (University of Turku, University of Jyväskylä, Lappeenranta Technology University, Hanken School of Economics), SME research (Seinäjoki University of Applied Sciences) and M&A research (Hanken School of Economics). About 20 doctoral dissertations have been presented in the field of M&As and about the same number in the field of successions and family firms. Business transfer research hasn't had any special sources for research funding. Earlier there was one professorship of family business in University of Jyväskylä, but it no longer exists. The most active actor in the field of SME business transfers has been Seinäjoki University of Applied Sciences (SeAMK) which has studied business transfers from several different perspectives of the business transfer ecosystem (sellers, potential sellers, buyers, potential buyers, advisors). SeAMK has also implemented five national surveys or barometers in business transfer field: a national BT barometer 2012 from the point of view of potential sellers (Varamäki et al. 2012c), a national survey for BT advisors 2011 (Varamäki et. al. 2011), a national survey for buyers and successors 2013 (Varamäki et al. 2013), a national survey for unfinished business transfers 2014 (Varamäki et al. 2014b) and a national survey for predecessors 2015 (forthcoming). In an ideal model research should be an important and integrated part of the business transfer ecosystem, i.e. researchers should have close cooperation with buyers, sellers, advisors and business policy actors. This has at least partly succeeded in Finland.

2.2.1 Sellers and buyers

Sellers and buyers are the most prominent players in business transfers. The business transfer market, however, is a buyer's market at the moment. There are more businesses for sale than there are buyers on the market (Varamäki, Tall & Viljamaa 2014a; see also Stone et al., 2004). According to a previous national survey targeted to buyers, 65 % of the buyers and successors are men and 35 % women (Varamäki et al. 2013). Their age varies from 23 to 70 years, the average being 45 years. Half (49 %) of the buyers have a university level education and almost half (42 %) have a vocational level education. Buyers' business transfer experience is low. More than two thirds (68 %) of the buyers were first time buyers. Only a fourth (26 %) of the buyers have previous business sale experience. More than half of the buyers were private persons. One third (30 %) of the buyers were team buyers and one fifth (17 %) other firms.

The average size of the target business (seller firms) was 10,5 employees and the median size 4 employees (Varamäki et al. 2013). The majority (72 %) of the business transfers involve micro size firms; about half of the target businesses had five or less employees. The most typical (36 %) size group was firms with 2–4 employees.

Majority of business transfers are very local, with sellers and buyers coming from the very same community or from the neighboring communities. Also, when the buyer is a firm, the target business tends to be similar to the buyer. From the seller's perspective, this means that a buyer is often to be found among similar firms.

Business transfers of small businesses are generally successful. Afterwards about 80 % of the buyers consider the business transfer successful, and the buyers also develop the business after the transfer (Varamäki et al. 2014c). Half of the buyers thought the paid price was right. One fourth (23 %) of the buyers considered the price low and one fourth (25 %) considered the price high.

2.2.2 The challenges to buying, selling and succession at the moment

The most commonly mentioned reasons for transfer failure in business transfer research in general include lack of business transfer planning followed by the inability to find an appropriate buyer, delay or postponement of the transfer because of emotional attachment, failure to obtain financing from a bank, lack of trust between seller and buyer and lack of agreement about the sale price.

In the Finnish small business transfer research there are a number different approaches into challenges on business transfers. These approaches include potential sellers (aging entrepreneurs), buyers with experience of implementing

business transfer, successors, business transfer experts, business transfer services and unfinished business transfers. It is a bit surprising that potential sellers seem to see more challenges in business transfers than the buyers who actually have recently acquired a business. Business valuation is common challenge to all the approaches mentioned above.

In line with several previous studies (Stone, Allinson & Braidford 2004; Stokes & Blackburn 2002; Varamäki et al. 2011), the potential sellers in Finland considered finding the buyer/successor the biggest challenge of business transfer. Close to half of the Finnish entrepreneur respondents viewed finding the buyer/successor a significant problem followed by valuation and transfer of knowledge to the buyer (Varamäki, Tall & Viljamaa 2014a). Even though it is challenging to find a buyer, majority (63 %) of the entrepreneurs had not been active in finding a buyer and one in four (26 %) entrepreneurs had done nothing to find a buyer. This is alarming since finding a buyer and completing the actual business transfer may take couple of years and sometimes even longer. Even developing a buyer from within the business (e.g. Sambrook 2005) may similarly take years. Sellers look for buyers too late. From the sellers' point of view, business transfers are sensitive processes with an exceptionally high need for confidentiality.

According to family firms, the biggest challenges in successions are linked to taxes (inheritance and gift and other taxes), to finding a successor within the family (Varamäki et al. 2012c), and to financing the succession. The bigger the family firm, the more challenging they regard the inheritance and gift and other taxes.

More than half (56 %) of the entrepreneurial parents giving up their business estimate they adhere to the culture of freedom. This means their children may decide themselves whether they want to carry on their parents' business activities or not. There are, however, fewer parents that definitely wish their children to continue their firms than parents who do not wish it. One third (30 %) of the entrepreneurial parents represent weaning culture and only 14 % obligation culture (Varamäki et al. 2012c).

Buyers primarily meet difficulties in financing the transaction, the lack of management or professional experience, and legal and fiscal issues (Van Teeffelen 2012). Valuation and high asking prices of sellers have traditionally been the most common problems in the business transfer processes (cf. Ip & Jacobs 2006). This has been the case in Finland as well as shown in the following Figure 4.

To what extent were the following problematic in your business transfer?	1	2	3	4	5	Averages on scale 1 - 5 1=not at all a problem 5=a very big problem
	%	%	%	%	%	
Valuation	13	21	29	25	12	3,0
Too high an asking price	20	21	22	22	14	2,9
Financing	26	24	25	15	10	2,6
Planning and choosing different implementation options	33	30	25	10	2	2,2
Taxation	39	31	17	7	6	2,1
Agreeing on the final buying target	45	25	18	5	6	2,0
Transferring knowledge from seller to buyer	49	23	15	10	3	1,9
Taking over the the buying target	48	24	17	8	3	1,9
Formulation of the purchase contract	46	32	16	6	1	1,8
Familiarisation with the buying target	59	20	11	8	2	1,7
Finding a buying target	75	6	9	7	3	1,6
Integrating the buying target and the existing business of the buyer	71	16	9	3	1	1,5
n = 350						

FIGURE 4. Problems and challenges experienced by buyers in business transfers (Varamäki, Tall & Viljamaa 2014a).

According to business transfers experts, the two major challenges are finding a buyer and too high an asking price followed by the difficulties in exiting the firm (Varamäki et al. 2011). Buyers and sellers underestimate the need for expert services. There would be a need to use business transfer experts more and to contact them at an earlier phase of the business transfer process. Buyers and sellers should invest more in business transfer expert services.

Every single business transfer has its own challenges, which may appear in all phases of business transfer process. However, it seems there are more and bigger challenges in unfinished business transfers compared to the implemented business transfers. Negotiations don't bring solutions to these problems and particularly the buyers' motivation fades away. In unfinished business transfers too high asking prices are common. Also financing is one of the major problems. However, sometimes financing is a good excuse to withdraw from the business transfer negotiations. Surprisingly, unfinished business transfers turn out to be a good thing. Many (40 %) of potential buyers and 18 % of potential sellers are satisfied with the fact that negotiations didn't lead to an actual business transfer (Varamäki et al. 2014b). An unfinished business transfer process can be a useful experience and learning process for both the buyers and sellers.

In conclusion, valuation is common challenge within the different approaches to business transfers including buyers, successors, sellers, predecessors, advisors and

unfinished business transfers. Challenges with high asking prices are common in the buyers' perspective.

2.2.3 Issues to be tackled to improve the number and quality of successful business transfers

In Finland the buyers are, in general, satisfied with their business transfers. Over 80 % considered their transfer a successful one. Despite of the high rate of success, attention needs to be paid to the following issues:

- advance and improve the planning of business transfers. An aging entrepreneur should start preparing for the business transfer early enough. Finding the buyer is the most significant problem in business transfer. However, more than half of the entrepreneurs, who did not know who would take over their business, had not even been looking for a buyer. An aging entrepreneur should be prepared for a time-consuming process as well as for the time after the ownership transfer i.e. the exit strategy from the business and the changed role after the business transfer.
- promote the view that selling the business is a better option than closing it down.
- use external advisors and experts for planning and undertaking the business transfer process including the post transfer phase.
- highlight the option of business transfers in education, training and consulting activities aimed at those interested in entrepreneurship and growth entrepreneurship.
- promote proactive discussion about the succession in the firms with forthcoming succession.
- ensure a supportive legal and regulatory framework for business transfers.

2.3 Financial institutions

In Finnish business transfers the three major financiers are buyers, bank and Finnvera. Finnvera is a state-owned financing institution providing both loans and guarantees (www.finnvera.fi). Finnvera is involved in about 1 000 business transfers annually and has developed an instrument making the same advantages available for both buyers and start-ups. Because of these measures, becoming an entrepreneur via business transfer is more realistic now. Unofficially, the rate of application approvals by Finnvera is around 80 % and only 20 % turned down. In the application analysis, Finnvera assess the target business, industry and the management systems including entrepreneurs themselves. It is crucially important to make first contact with a financing organization at an early phase of business transfer process. The key question is: how capable is the acquirer in taking care of economic responsibilities?

Private equity financing is not very well developed and rarely available for business transfers. This is in line with overall business financing in Finland. Bank figures are not available. Finnvera allocate annually about 100 M€ particularly for business transfer financing. Neither of these are private equity. The Finnish Business Angel Network invests annually about 30 M€, but their focus is on start-ups. One way to improve the business transfer financing situation would be to create an equity fund focusing on financing small business development, growth and business transfers. Such a fund would help to fill the growing gap between small business entrepreneurs and banks, and would be positive signal to entrepreneurship as well as to entrepreneurs themselves.

Banking sector developments in Finland have led to increasing difficulties in financing small business transfers. Regulations related to guarantees are becoming tighter and decision making is more and more centralized. This means that the banks want to see big numbers on the table. The entrepreneurs' experience, expertise and reputation have less and less importance in financing decisions.

According to the buyers there are some shortcomings and challenges in organizing financing of business transfers (Varamäki et al. 2013). There seem to be problems with availability and quality in guarantee services, credits and interest subsidies, equity financing, accounts with credit, finance services and financiers' valuation expertise. The buyers would like to have financing services that are consultative and flexible, simple in administration and consider a long-term view.

For the financing people, it can be difficult to be proactive in business transfers. Financing experts find fewer challenges in financing business transfers than in finding good cases to finance.

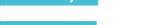
Not all business transfer negotiations lead to a deal. Within these unfinished business transfers, funding is a real problem but sometimes it is also an easy explanation for the withdrawing buyer (Varamäki et al. 2014b).

2.4 Advisors

Based on the previous research (Varamäki et al. 2013), business transfer services in Finland can be categorized as follows: 1) business transfer services provided by private entrepreneurs and entrepreneur associations (lawyers, regional enterprise agencies and associations, business transfer experts and advisors, business transfer platform), 2) services of financial experts and funding agencies (Finnvera, banks, financial auditors accounting firms), and 3) public business services (Employment and Economic Development Offices, counties' business service offices, taxation authorities).

Business transfer or a succession is once-in-a-lifetime issue for most entrepreneurs (Van Teeffelen 2012; European Commission 2002; Van Teeffelen 2010), and this means that entrepreneurs tend to lack knowledge and experience of the transfer process. In Finland business transfers are largely a local phenomenon, involving small or medium-sized firms (Varamäki et al. 2013). While the availability of advisory services is generally good, and business broker services are well available in metropolitan areas, there is considerable regional variation in public advisory services for business transfers (Viljamaa et al. 2014). This is the clearest gap in advisory services, as business brokers in general target medium sized firms and are too expensive for small firms (Van Teeffelen 2012). Small firms favour accountants, banks and auditors as external experts in connection with business transfers (Varamäki et al. 2012a, b).

A recent survey showed that the buyers and successors consider most important the advisory services of financing institutions and their own accountants (Figure 5). However, as the survey data was collected using client lists of Finnvera, and was targeted at buyers and successors in concluded business transfers, the role of Finnvera as advisor may have been somewhat overemphasized. Other service providers mentioned by the buyers and successors included other entrepreneurs operating in the same sector, Women's Entrepreneurship Centre, venture capitalists, experienced relatives, Finnish Employment and Economic Development Office, and entrepreneurship training organizations.

How important were the following service when doing business transfer?	1 %	2 %	3 %	4 %	5 %	Can't say/no experience %	Averages on scale 1 - 5 1=not at all important 5=very important
Finnvera services	5	6	13	21	47	8	 4,1
Bank services	5	5	17	26	39	9	 4,0
Accounting firm services	8	8	14	21	34	14	 3,7
Audiator services	13	8	15	15	15	33	 3,2
Lawyer services	17	7	11	17	14	35	 3,1
ELY Centre services	16	9	13	12	14	36	 3,0
Business transfer expert and consultancy services	19	8	9	8	12	43	 2,8
Finnish Enterprise Agency services	21	8	8	8	14	42	 2,7
Taxing authority services	18	12	14	10	6	40	 2,6
Municipality or regional business services	24	8	7	5	8	48	 2,3
Entrepreneur Association services	23	11	7	3	7	49	 2,2
Business broker services	25	6	4	5	6	54	 2,2

n = 350, averages include ratings 1 - 5.

FIGURE 5. Importance of business transfer services (Varamäki et al. 2013).

In the same study the buyers and successors were also asked about their satisfaction with the advisory services they had used in their business transfer. The respondents were the least satisfied with advice regarding valuation and taxation, which are also among the services most frequently needed. In their open replies the respondents indicated that there were mainly gaps in advisory services relating to:

- valuation of the target
- the field of target's business operations
- due diligence
- arranging funding for the business transfer

Also the quality of advice was highlighted in open replies; advice should be knowledgeable, independent, practiced and reliable. For small firms the cost is also an issue. This is reflected in the fact that very little money is, on average, spent on business transfer advice. Almost a third of the buyers and successors report spending less than 500 euros on advisory services, and half of the buyers use less than 1 000 euros (Varamäki et al. 2013).

In light of this, it is unsurprising that according to Finnish business transfer experts (Varamäki et al. 2011) firms underutilize experts, and especially competent experts, in planning and implementing business transfers. Business transfer experts are particularly dissatisfied with the timing of consultations: firms do not seek external expertise early enough. According to the experts, firms utilize external advice mainly in valuation, tax related questions and in finding a buyer /successor. The biggest obstacles for the use of business transfer experts are, in the experts' opinion, that the firms on one hand underestimate the need for business transfer advice, and on the other, view the services as too expensive, or are not aware of the availability of business transfer expertise. This view is reinforced by the National Business Transfer Barometer (Varamäki et al. 2012c), which shows that a fifth (21 %) of aging entrepreneurs have no information about business transfer experts/advisors and approximately the same number (17 %) have contacts with the advisors. Lack of information was apparent among entrepreneurs with lowest education levels and those who had the weakest succession scenarios. There were, again, regional differences within Finland.

Taken together, the results suggest that the major challenges for business transfer expertise relate to

- developing more efficient marketing for business transfer advisors to increase knowledge of their services and the willingness to pay for them
 - reducing the regional differences in availability of low-threshold public advisory services
 - improving the ability of general advisors to direct business transfer cases to more specialized experts as needed
-

In business transfer expertise competence, approach and procedures should be in line with the diversity of the business transfer phenomenon and of the needs in individual business transfer cases. Business transfer expertise should not be in silos. Accountants play important role in everyday life of the firms and they have pivotal position in opening the discussion about a possible business transfer. These openings happen far too rarely. One interesting finding is that the entrepreneurs with business transfer experience use external expertise more.

2.5 Business support organizations

The Ministry of Employment and the Economy (MEE) is a key ministry involved in developing and implementing economic policy issues in Finland. MEE is responsible for the operating environment underpinning entrepreneurship and innovation activities, securing the functioning of the labor market and workers' employability, as well as for regional development. The sphere of authority of the Ministry of Employment and the Economy includes: 1) industrial policy, 2) energy policy and integration of the national preparation and implementation of climate policy, 3) innovation and technology policy, internationalization of enterprises and technical safety, 4) employment, unemployment and public employment service, working environment issues, collective agreements and arbitration of labor disputes, 5) development of regions, 6) functionality of markets, promotion of competition and consumer policy and 7) integration of immigrants. Active business transfer promotion, however, has not recently been on the Ministry agenda due to shortage of resources.

The Federation of Finnish Enterprises (FFE) with its regional associations is the largest lobbying organization for the entrepreneurs. FFE has the largest membership of all business-related federations in Finland. Membership consists of more than 116 000 enterprises of all sizes, from all corners of the country, and encompasses the entire business spectrum. The membership structure reflects well the structure of Finnish businesses as a whole. FFE aims at improving the position of entrepreneurs and the regulatory framework and ecosystem of entrepreneurship. FFE role in business transfers includes implementing a national business transfer project, being the lead partner in organizing a national business transfer conference and operating the leading on-line platform.

The Finnish Family Firms Association is a lobbying organization for Finnish family businesses with over 400 members. Activities promoting successions are one of the focus areas of the Association. It has been systematically and proactively working on the issues of inheritance and gift tax and transfer tax, using e.g. policy briefs.

Municipalities and municipal development organizations are usually the closest to entrepreneurs dealing with business transfers. Services, also those related to business transfers, vary a lot between different organizations. The Association of Regional Development Agencies in Finland (SEKES) is a partnership organization for regional development agencies in Finland (www.sekes.fi/en/). Partnerships strengthen expertise and specialization. The main functions of regional development agencies are business consultation services for start-ups, financing, business locations and development of established enterprises. These agencies are also in charge of regional development, e.g. marketing and tourism.

Finnvera is a key business transfer financing organization in Finland and owned by the State of Finland. Its purpose is to improve and diversify the financing options available to enterprises. Finnvera operates on the financial markets, supplementing the financial services offered by banks and other providers of financing. Finnvera is Finland's official Export Credit Agency (ECA). Finnvera supports the success of Finnish enterprises and boosts their competitiveness by offering loans, domestic guarantees, export credit guarantees and export credit financing as well as interest equalization and venture capital investments. Finnvera enables financing for the start-up, growth and internationalization of enterprises and for exports. The objective is to work for the revitalization and development of Finnish enterprises and to help them improve their competitive standing. Finnvera wants to ensure that new business is generated more rapidly than old business disappears. By granting financing, Finnvera can participate in projects seen as having the potential for success. Finnvera does not issue grants or direct business subsidies. Finnvera provides financing for a consideration, and the fees paid by clients correspond to the risks involved.

The Finnish Enterprise Agencies network provides advice to support starting a business. However, business transfers are increasingly included into their service package as a means to become an entrepreneur. The Enterprise Agencies in Finland aim not only at helping to start businesses but also at facilitating the first steps of profitable enterprises.

The Finnish Business Transfer Society (FBTS) is an association of business transfer experts, which promotes exchange of ideas and cooperation among actors in the business transfer ecosystem. FBTS is active in organizing an annual conference on business transfers together with the FFE and the Finnish Family Firms Association. FBTS support peer learning, is a partner in organizing the business transfer conference and selects annually the business transfer expert of the year.

Chambers of commerce are not active in business transfers. However, they are active in a measure called "Approved Member of the Board". This measure is aimed at improving the quality of board participation. Active boards seem to be positively associated with implementing business transfers.

The Finnish Business Angel Network (FiBAN) is a private investor network that aims to be known and recognized throughout Finland. The objective of FiBAN is to grow and develop the profession of private equity investors, i.e. so-called business angels. To cater to new high growth companies, FiBAN offers training and events, developing business angel networks and improving co-operation with private equity investors. The association represents private investors and the European Business Angels Network (EBAN), and is a non-profit organization. FiBAN does not focus on business transfer financing.

The key business support organisations and their roles in business transfers are summarized in Table 4.

TABLE 4. Business support organizations related to business transfers in Finland.

Organization	Primary purpose	Role in business transfers
The Ministry of Employment and the Economy (MEE) www.tem.fi/en	The key ministry involved in developing and implementing economic policy issues in Finland. MEE is responsible for the operating environment underpinning entrepreneurship and innovation activities, securing the functioning of the labour market and workers' employability, as well as for regional development.	MEE is the main organization in developing and implementing business policies in Finland and this applies to BTs.
The Federation of Finnish Enterprises and its regional associations www.yrittajat.fi/en-GB/	The largest lobbying organization for entrepreneurs with more than 116 000 enterprises. The key task is to improve the position of entrepreneurs and the requirements for entrepreneurship, and to make Finland an entrepreneurial society.	Including year 2015 implementing national business transfer project, lead partner in organizing national business transfer conference, operates leading on-line platform. BTs do have good visibility FFE-media.
The Finnish Family Firms Association	The lobbying organization for Finnish family businesses with over 400 members.	Focus on promoting successions and involved in lobbying legislation and tax issues.
Municipalities and municipal development organizations www.sekes.fi/en/	Regional development agencies main function is business consultation services for example start-ups, financing, guidance in locating and developing established enterprises.	A lot of variation in BT services.
Finnvera Ltd. www.finnvera.fi/eng	Finnvera is a key BT financing organization in Finland and owned by the State of Finland. Finnvera operates on the financial markets, supplementing the financial services offered by banks and other providers of financing.	Involved in financing about 50 % of business transfers (annually about 1000 BTs) and uses about 100 M€ in funding BTs.
Finnish Enterprise Agencies	The leading organization in Finland in advising start-ups.	Are increasingly involved in advising buyers.
Finnish Business Transfer Society	Society for business transfer experts. Has been around since 2005.	Supports peer learning, partner in organizing business transfer conference, selects annually the business transfer expert of the year.

3 BUSINESS TRANSFER AWARENESS RAISING ACTIVITIES IN FINLAND

Business transfer awareness raising activities in Finland consists of a variety of measures including activation letters, events, calls and visits (Table 5). These activities are implemented mainly by FFE with its regional associations, MEE, and municipalities. Most of the activities listed are regional, but also national and local activities are represented. Aging entrepreneurs are the dominant but not the only target group. Among the key weaknesses noted are the needs for specified funding, knowledge, interest and effort. There are also challenges with measuring the results, shortage of time and lack of further development measures for the firms. The listed activities do also have number of strengths including being cost-effective, local significance and visibility in local media. Some activities have firm level and some personal level focus.

Overall, awareness raising activities are mainly carried out as one-time regional actions, typically within projects. Viewed at national level, the approach is unsystematic, with the exception of The Finnish Family Firms Association, whose awareness raising is systematic albeit focused on a specific target group. Furthermore, the overall focus in awareness raising has been on aging entrepreneurs and preservation of existing firms. Awareness raising based on the perspective of business growth and renewal on one hand, and the perspective of the buyer on the other, has been scarce so far. This may change in the future. For example, the Finnish Enterprise Agencies network, which provides advisory services aimed at start-ups, now requires in their guidelines for advisors that the possibility of buying an existing business is raised with would-be entrepreneurs. In short term this may stimulate business transfers – in the longer term it should certainly help spread the view that business transfers are a normal part of the business life cycle. The culture of silence, i.e. the elderly entrepreneurs' unwillingness to discuss, even among family members, the issue of business continuity, is a hindrance for smooth business transfers. Hence, any measure that helps promote the image of business transfers as normal and common processes is helpful.

TABLE 5. Business transfer awareness raising activities in Finland.

Activity	Core content	Implementing organization	Level/Country			Target group	Types of costs	Results	
			Nat	Reg	Loc			Strengths	Weaknesses
Business transfer barometer	On-line survey to potential sellers	Seinäjoki University of Applied Sciences (survey) & Federation of Finnish Enterprises (emails)	X			Entrepreneurs 55 years and older (n=14 500)	Research costs (methods, analysis, results, conclusions), printing costs	Cost-effective, clarifies the phenomenon	Needs specific knowledge and financial resources
Family Business barometer	On-line survey to family business owners	Finnish Family Firms Association and Confederation of Finnish Industries	X			Family businesses (n=336)		Cost-effective	
Letter and info	Activation letter and information package to potential sellers	Ministry of Employment and The Economy	X			55 years old entrepreneurs (n=11 000)	Printing, mailing	Cost-effective	Needs specific political desire
Letter and info	Activation letter and information package to potential buyers	Regional Organization of Enterprises in South Ostrobothnia		X		Entrepreneurs 50 years old and younger (n=2 500)	Printing, mailing	Cost-effective	Needs specific development policy and regional cooperation
Letter and info	Activation letter and information package to potential sellers	Regional Organization of Enterprises in South Ostrobothnia		X		55 years old and older entrepreneurs (n=2 000)	Printing, mailing	Cost-effective	Needs specific development policy and regional cooperation

Business transfer conference	Key note speakers, latest info in small business transfer research and workshops	Federation of Finnish Enterprises	X			Business transfer experts and key stakeholders (n=200)	Marketing, conference facilities, catering, key note speakers	Brings BT-people together annually	Needs efforts and financial resources
Succession conference	Annual event, key note speakers and workshops	Finnish Family Firms Association	X			Incumbents and successors	Key note speakers, facilities, catering		
Business transfer markets	Annual event only for the sellers and buyers to meet each other, local event with regional and national attention	Local Associations for Enterprises and municipalities		X	X	Sellers and buyers (n=100)	Marketing, facilities	Generates actual business transfers	Needs local specific desire
Business transfer events	Local events with key note speakers and stories of peers	Regional Organization of Enterprises in South Ostrobothnia		X	X	Sellers, buyers, transferors and successors (n="dozens")	Marketing, facilities, catering	Significant locally, visibility in local media	Needs specific funding, knowledge and desire
	Local events with voucher to promote the use of business transfer expert services	& The Regional Organization of Enterprises in North Karelia		X	X	All entrepreneurs interested in business transfers (200 participants & 150 vouchers	Vouchers (à 500€), marketing, facilities, catering	Significant locally, visibility in local media	Needs specific funding, lack of further development measures

Business transfer counseling service	Regional service for sellers, buyers, transferors and successors, employ one person, free for customers	Regional Organization of Enterprises in South Ostrobothnia		X		Sellers, buyers, transferors and successors (n="hundreds/year")	Salary, office, travelling and marketing	Gets good feedback from customers	Needs specific funding
Personal visits to firms	Visits to firms to activate aging entrepreneurs (55 and older) to start business transfer measures	The Regional Organization of Enterprises in North Karelia		X		55 years old and older entrepreneurs (n=600)	Salary, travel, printed material, office	Firm-level action, base for other development measures,	Short implementing period, lack of continuity, costly
Calls to firms	Business advisor called aging entrepreneurs (55 and older) and mapped needs for advice and forwarded cases to business transfer experts	The Regional Organization of Enterprises in Satakunta with partners		X		55 years old and older entrepreneurs (n=550 members)	Salary	Personal level contact, early awareness raising activity (80 % did think first time about BT)	Bad reputation of phone marketing, needs human resources, challenges with confidence, lack of follow-up information
	City business development agency calls and visits firms systematically	Rauma			X	Entrepreneurs in the city (n=500, 90 % visited)	Salary, travel	Personal level contact (75 % of the visits led to further development measures)	Needs human resources (2 persons)

Business transfer brochures	Brochurs to promote acquisition as a way to entrepreneurship in cooperation with Finnish Enterprise Agencies & Local TE Services (employment and enterprise services)	Federation of Finnish Enterprises	X		Potential entrepreneurs (47 offices, 20 000 brochures)	Office, printing, mailing	Good coverage of potential entrepreneurs	Needs specific funding
Email letter	Information about business transfers to experts and people interested in business transfers	Federation of Finnish Enterprises	X		Business transfer experts, business advisors, financiers	Office	Good coverage of business transfer experts	Needs specific desire
Business transfer theme supplement in the newspaper	How to become an entrepreneur by buying existing firm	Federation of Finnish Enterprises/SyPoint Oy	X		Members and student being potential entrepreneurs (n=180 000)	Office, printing	Wide audience	Challenges in measuring results
Family Business Magazine	Family business cases and other articles	Finnish Family Firms Association	X		Family businesses, political decision makers, civil servants, media	Printing, mailing		

Business transfer visibility in various media is one way to promote business transfers. This makes it possible to reach a good amount of potential sellers and buyers. Looking at possible future actions, three specific possibilities have been raised. First, a national forum on business transfers for exchange of information and informal coordination among key actors could lead to a more systematic approach to awareness raising and enable better use of scarce funds. Second, direct awareness raising activities targeting accounting firms should also be considered. Accountants are better positioned than any other party to raise the possibility of a business transfer at the right time and, as the closest and most convenient advisors to small firms, are well placed to assist in getting the process started. Small scale efforts in increasing the accountants' awareness of their key role in business transfers have been attempted previously, e.g. training opportunities, but further and more wide-spread actions should be considered. Third, impact measures for awareness raising activities should be developed and agreed upon to allow systematic follow-up and prioritization. So far measuring impacts of awareness raising activities has been challenging.

4 SUMMARY OF BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING IN FINLAND

Within the Finnish business transfer ecosystem the focus of awareness raising activities has been on aging entrepreneurs and their businesses. At the moment buyers do get increasing amount of attention. Another development focus area is the shift from aging entrepreneurs to new and growth entrepreneurship. The newest field of interest in business transfer research is selling and buying business units in small business context. Selling and buying business units seems to be an advanced strategic tool in firm development.

The legislative environment in Finland is relatively stable regarding business transfers. There is no public database on business transfers in Finland. Among aging entrepreneurs about 40 % of are aiming for a business transfer and 20 % are planning succession. Close down is expected in one third of these firms. Online market platforms in Finland consist of one national and dozens of independent regional/private platforms.

In Finland business transfers are a local phenomenon with micro size firms. Private persons are the most common type of buyers. The average size of target firm is 2–4 employees. The major challenges in individual business transfers are high asking prices and valuation. However, the huge majority of buyers are satisfied with the business transfers and with the prices paid in the transfers. Business transfers have been studied in Finland. Business transfer research hasn't had any special sources

for funding. The most active actor in the field of SME business transfers has been Seinäjoki University of Applied Sciences.

Financing is one of the key issues in business transfers. In Finnish business transfers the three major financiers are buyers, bank and Finnvera. Finnvera is a state-owned financing institution providing both loans and guarantees. Finnvera is involved in financing about 1 000 business transfers annually. In business transfer expertise competence, approach and procedures should be in line with diversity of the business transfer phenomenon and the diversity of needs in individual business transfer cases. Business transfer expertise should not be in silos.

There are a number of support organizations in Finland working on business transfers. These organizations are e.g. the Ministry of Employment and the Economy, the Federation of Finnish Enterprises, the Finnish Family Firms Association and Finnish Business Transfer Society.

Over the years there has been fairly wide selection of business transfer awareness raising activities in Finland. A few of these might be interesting options to implement in other EU members states as well. First, Finland has good experience in implementing business transfer barometers both at national and regional level. Barometers are cost-effective and they clarify the state of the phenomenon. Second, information letters reach specific target groups cost-effectively with the ability to provide business transfer information. Third, regional business transfer counselling services get good feedback from the customers. However, specific funding is needed. Fourth, the national business transfer conference brings the business transfer orientated together annually and widely promotes business transfers and the results of business transfer research.

The less developed areas in the Finnish business transfer ecosystem include systematic coordination on the national level, new and growth entrepreneurship and the dissemination of regional level awareness raising activities. A lively, rich and diverse dialogue among the key players in the business transfer phenomenon is needed in developing the Finnish business transfer ecosystem.

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SITUATION ANALYSIS: FRANCE

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1 BACKGROUND

This article reports the situational analysis of business transfer ecosystem in France as it stands in early 2015.

In France there are no dedicated public datasets about ownership transfers. Ownership transfers can be deduced from different sources (e.g. Insee, Infogreffe, Diane, etc.), which result slightly different numbers about realized business transfers. Depending on the source, there are around 50 000 potential firms to be transferred each year in France (including all sizes, types, and industries). The French statistic organism (INSEE) does not count the creation of holding to the purpose of buying a target as transfers but as creations from scratch.

Some of the key actors of the SME ownership transfer market carry out surveys about the ecosystem. For example, CNCFA and Epsilon Research survey the ownership transfer market each year since 2010. DG Tresor (governmental organization), Groupe BPCE (private bank), CRA (National association for SME transfers), and BPI France (a public investment bank) also publish reports and studies about ownerships transfers in France.

The material for this report comes from these above secondary sources and interviews with some of the key actors in the SME ownership transfer market. The interviewed actors were AFIC (Association Français des Investisseurs pour la Croissance), CCI (Chamber of Commerce and Industry), CNCFA (Syndicat des Professionnels des Fusions et Acquisitions), CRA (Cédants et Repreneurs d'Affaires), CGPME (Confédération

générale des petites et moyennes entreprises), and Réseau Entreprendre Isère. The interviews were carried out by the authors of this report. Each interview produced a mini-case about an actor in the SME markets. The mini-cases were used in producing this report but are not here.

To put the business transfers in proper context, there were around 3.14 million firms (non-agricultural) in France in 2011, of which 243 were big, 5 000 mid-size, 138 000 SMEs, and 3 million micro-firms. On average there are 500–550 000 new entries (of which around 5 % employ more than one person) and 50-60 000 exists each year in France.

In general, the SME ownership transfer market has been in crisis in France since the past six years (CNCFA & Epsilon 2014). Three different factors have contributed to this situation.

First, the financial crisis of 2008/2009 decreased the valuations of SMEs. Second, the Euro zone crisis 2011/2012 postponed many potential mergers and acquisitions. Third, legislation and fiscal chocks in 2012/2013 created regulatory instability. As a result, French SMEs have lost around 14 % of their valuation in 2014 at the same time when firms in Euro zone have increased their valuation by 23 %. Also, by 2014 the mergers and acquisitions among SMEs have declined for sixth consecutive year. LBO small cap transactions decreased 10 % in 2014. (CNCFA & Epsilon 2014.)

The latest legislation change, which obligates firms to inform all employees about the coming business transfer, is very likely to impact the ownership transfer markets in 2015: many sellers are likely to postpone potential transfers and therefore further stagnate the French SME ownership transfer market.

2 BUSINESS TRANSFER ECOSYSTEM IN FRANCE

2.1 Key legislation and tax laws

Sellers have the interest in planning a transfer carefully from fiscal point of view, because of the complexity of the transfer situation. Here is couple of examples of potential situations. First, if a seller sells his/her firm with profit, he/she generally has to pay taxes for the profit. The amount of profit taxes depends on the regime of taxation (personal income tax vs. enterprise tax). In the personal income tax, an entrepreneur is exempted from paying this profit tax if the transaction is below 300 000 €, and pay only part of the profit taxes if the transaction is between 300 000–500 000 €. If the seller retires, he/she does not have to pay the profit tax, only some social charges. Second, a seller might have to pay also solidarity tax on wealth (impot de solidarite

sur la fortune, ISF), if his/her personal assets increase and pass a certain limit after selling the business.

The latest legislation evolution (loi N° 2014-856 relative à l'Economie Sociale et Solidaire), was adopted 31st of July, 2014. The new law intends to help sellers to find buyers by facilitating the transfer of the firm to its employees. To do this, the new law obligates a SME (with less than 250 employees) to inform all its employees about ownership transfer minimum 2 months before the transfer should take place. If a SME does not respect this law, the ownership transfer can be cancelled.

In addition to the previous new law, some other recent legislations hamper the smooth functioning of the LBO market: 3 million euros cap of the tax deductibility in interest; uncertainty regarding the taxation of the management package in LBOs (stock options or other financial incentive granted to management teams maybe requalified as salaries, which increase taxation); increased cost of managing LBO funds due to the recent European AIFM and MIIF directives.

Around 47 % of the professionals & experts of the business transfers cited legislation as one of the main concerns for their own activities. In addition, the experts are very pessimist about the near future of the markets: 60 % of the experts see transfer markets as stagnating or getting worse in 2015. (CNCFA & Epsilon 2014).

To confirm this tendency, several of the interviewed people took up the current fiscal and social political situation in France that should be improved before the efficiency of the SME ownership transfer markets could potentially improve.

2.2 Business transfer markets

Volumes. Depending on the source, there are around 50 000 potential firms to be transferred each year in France (including all sizes, types, and industries). The number of realized transfers varies according to the source of information.

For example, CNCFA and Epsilon Research publish a report about ownership transfers in France among SMEs between 20-249 employees each year. The report, called "Baromètre de la transmission de PME en France", is available for the years 2010, 2011, 2012, 2013, and 2014. According to the report concerning the year 2014, there were around 4100 ownership transfers and 1200 family successions in France among these kinds of SMEs.

The report from Groupe BPCE (private bank), called "Les Carnets de BPCE L'Observatoire" published in March 2014, focuses on firms between 10-5000 employees.

The report estimates that there were around 15 000 transfers among these kinds of firms in France in 2012. Firms with 10–19 employees represent 50 % of the transferred businesses in 2012. The study also found out that the share of transferred firms was smaller among SMEs of 10–19 employees than SMEs of 50–249 employees. The report also estimates that about 300 companies in good health were closed in 2012.

The report from CRA (national association for transfers), called “Observatoire CRA de la Transmision des TPE-PME” and published in 2015, focuses on transfer markets among SMEs between 1–249 employees, and valuation between 300 000 € and 10 M€. The report estimates that there are around 20 000 SMEs that are put on sales each year. Around 5 7% of the offers in 2014 concerned manufacturing and construction. An earlier report from CRA (CRA 2014), focused on transfer markets among SMEs between 5–100 employees. The report estimates that there were around 6–7 000 transfers each year. Of these, 63 % were older than 20 years, and 10 % less than 10 years old firms. Average sales of transferred firms was around 1,5 million euros, and average size 11 employees. Around 34 % of the transfers were internal transfers (family member or employee), 44 % were sold to external party, and 22 % disappeared (bankruptcy, absorption, fusion).

Online platforms. There are several online market places for SME transfers. Perhaps the biggest (in terms of volume) platform is offered by BPI France (www.reprise-entreprise.bpifrance.fr). BPI France is a public investment bank (previously known as OSEO), which provides different kinds of financial supports to French enterprises. Its online marketplace for SME transfers includes around 60 000 offers.

Chambre de commerce et d’industrie (CCI) and Chambre de metiers et de l’artisanat (CMA) has together an online platform for SME transfers (www.transentreprise.com). This platform focuses on commerce, artisanat and SMEs, and includes around 10 000 offers and 2 000 buyers. The platform generates around 50 000 visits each month. Around 95 % of the offers are about micro firms (less than 10 employees), while only around 5 % are SMEs. Around 37 % of the offers come from retiring entrepreneurs.

The national association for business transfers, CRA has its own online platform (www.cra.asso.fr). Recently the platform had around 550 offers and almost 1 300 potential buyers. Since the start of the operations, the platform has had more than 12 000 offers.

In addition, many private actors offer online platforms to connect potential sellers and buyers. For example:

- Intercessio (<http://www.intercessio.fr/>) is a private consulting firm (established in 1984), which provides an online market place for buyers and sellers (<http://www.cession-entreprise.com/>). Currently there are 113 offers. The focus is on SMEs with a turnover between 1–10M€. During the past 10 years, Intercessio has participated in 220 SME transfers;
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- Octea Ingenierie is a private engineering firm (established in 1985), which offers the platform CessionPme (<http://www.cessionpme.com/>) to connect buyers and sellers (SMEs, shops & commerce, business licenses, real estates, etc.). The platform has around 130 000 offers of which around 78 000 enterprises & commerce.
- FUSACQ (www.fusacq.com) is a private consulting firm (established in 2001), which provides an online market for fusions & acquisitions and SME transfers in all sectors. It includes around 1 900 offers;
- LIBBRE (<http://www.libbre.fr/>) is an editor of 46 different information websites and portals (established in 2005), which provides an online market place "Transmission-Entreprise" to connect buyers and sellers (<http://www.transmission-entreprise.fr>). It includes around 3 700 offers.

The portal Reprisedentreprise.com (<http://www.reprisedentreprise.com/>) classifies all the websites dedicated to SME transmissions. Currently it classifies 46 different transmission websites, which include a total of 320 000 offers/adds.

Because sellers have tendency to avoid publicity, off-line networks are still important in France. As a consequence, word-of-mouth and local associations (Reseau Entrepreneurs, seller-buyer clubs, etc.) are popular in France among potential buyers and sellers.

Research. The report from DG Tresor (governmental agency), called "Cahier de la DG Tresor sur la transmission 2013", focuses on the survival and growth rates in transferred firms. The survival rates after 5 years from transfer are the following: 75 % in the case of employee take-over; 63 % in the case of family succession; and 60 % in the case of external buyer. The employee growth rate after 5 years from transfer are the following: 25% in firms taken over by employees; 23 % in family succession firms; and 26.5 % in externally bought firms.

An analysis on the academic research done in SME transfers in France was written out in French in the course of producing this report. Here, only the key points are summarized. The first French doctoral thesis on SME transfers was defended in 2000 by B. Deschamps, followed by several other doctoral theses (e.g. Bousaguet 2005; Bah 2009; De Freyman 2009; Saoudi 2010). During the past 15 years, the academic research on transfers has evolved a lot. For example, the studies of Bah (2006) and Pailot (2000) focused on the perspective of sellers, whereas Barbot & Richomme-Huet (2007), Bousaguet (2007), and Picard & Thevenard-Puthod (2004) investigated buyers. Some researchers have looked at the transfer of ownership (Sembel & St-Cyr 2007); others have studied distinguishing transmission types (Haddadj & D' Andria 1998; Cadieux & Brouard 2009; De Freyman & Richomme-Huet 2010).

In terms of research in small cap LBOs in France, the focus in this research has been on the post-transfer performance. Earlier studies in this thematic demonstrate relatively

mediocre post-investment performance in small cap LBO firms (e.g. Desbrières & Schatt 2002a; 2002b), whereas more recent studies indicate better post-investment performance in small cap LBO firms (e.g. Gaspar 2012).

Besides academic publications, a multitude of books have been written about transmission of SMEs in France and how sellers or buyers should approach the process. Here are examples of books that have several re-prints: Catabelle et al. 2015; Deschamps & Paturel 2009; Duplat 2007; Honigman & Tubiana 1999; Lecointre 2012; Masquelier et al. 2008; La Villeguérin 2014; Tariant 2014.

So far as we have identified, there are no dedicated research units/centers in SME ownership transfers in France. EM Strasbourg Business School does have a research oriented Chair dedicated to the management of enterprise transmissions – with the focus on financial issues – since 2012 (<http://www.em-strasbourg.eu/entreprises/nos-chaire-d-entreprises/>). It seems, however, that a big majority of the published academic research on SME ownership transfer is carried out principally by individual researchers, who are members of more generic French research laboratories.

2.2.1 Sellers and buyers

France seems to have an “advance” compared to other European countries: ownership transfers for externals are more common than family successions in French SMEs (CNCFA & Epsilon 2014). According to the same report, two explanations might explain this tendency. First, the successor must master more skills to manage the business in a more difficult environment, which does not necessarily place children to a privileged position. Second, for potential successors (who start to be better and better educated) there are more career opportunities outside the family business. The Barometer of CNCFA & Epsilon (2014) also points out that SME owners over 50 years old, who anticipate transferring their business within 10 years, seem to prefer external buyers (competitor, non-family member, or another company) over internal successors (family member or current employee). In addition, the employees as buyers of SMEs are relatively rare in France.

When we look at the intentions of entrepreneurs (BPI France 2014), we see that 49 % of entrepreneurs above 60 years would like to sell their business inside the coming two years. Among entrepreneurs aged 50–54 years, only 18 % aspire to sell their business during the coming two years. When we look at the realized transmissions (BPCE 2014), in 52 % of the transmissions the sellers were less than 55 years old in 2012. In only 20 % of the realized transmissions entrepreneurs were older than 60 years. As a consequence, it seems that there is a big untapped potential among entrepreneurs older than 60 years to transform their intentions into real transmissions (i.e. to initiate the process and find buyers). In addition, the current reality regarding transferred

businesses and especially the age of the sellers seems to indicate that the main reason for selling one's business is not retirement in France. We see more and more serial sellers who buy a firm, development it for few years, and then sell it.

In another observatory (CRA 2014), the average age of buyers was 45 years among SMEs between 5–50 employees. Around 95 % of the buyers had higher education (30 % engineers). Almost half of the buyers had a personal capital between 100 000–300 000 €. Buyers spend on average 13 months in the transfer process: 6–8 months to find an acquisition target, and 6–8 months to negotiate. According to more recent report (CRA 2015), in 2014 a potential buyer was an average 46 years old and had between 150 000 €–1M € resources. Around 7 % of the potential buyers were women. Around 70 % of the sellers informed that the reason to sell was retirement.

According to recent reports (CNCFA & Epsilon; 2014; BPI France 2014), sellers seem to know the transfer process badly and are badly prepared. Several of the interviewed people also pointed to this direction. There seem to be two general challenges among the sellers. First, the sellers seem to have great difficulties to imagine selling their own firm, which is usually a big emotional barrier. Second, the valuation of the firm made by the seller is consistently too high. Human problems at the side of the sellers seem to be much more important the technical ones. Moreover, entrepreneurs postpone the decision to sell their firm due to many perceived hurdles: confidentiality issues, lack of time, cost of expertise, difficulty to find the right expert, changing personal status, and estimated time spent in finding a suitable candidate.

According to experts (GL, CRA), one of the key problems are linked to the non-transparency of the SME transfer market: sellers don't tell buyers the whole truth on everything for several reasons: they fear that the process won't succeed, that the price will be lower, or to have a big asset warranty to be imposed. As a result, the deal is not fully backed up for buyers, who has not the appropriate information to set up the fair price, to forecast the "right" business plan and to find the support of the banking industry. For these reasons, it would be very important to implement fair warranty tools on both parts as an incentive to be transparent.

2.3 Financial institutions

In general, the financial opportunities offered for buyers are relatively well developed in France. As a sign of this, the professionals & experts of transfer markets seem to grade access to financing very positively (CNCFA & Epsilon 2014).

BPI France. BPI France is a public investment bank, whose shareholders are the French State and the Deposits and Consignment Fund (Caisse des Dépôts). It acts in support of public policy established by the State and the Regions by financing businesses from

the seed phase to transfer to stock exchange listing, through loans, guarantees and equity. Around 10 billion euros was allocated to firms (loans, subsidies), and another 8 billion as guarantees of bank loans in 2013. BPI France has the biggest resources to support ownership transfers in France in the form of loans, guarantees and other supports for development of activities (around 1,2 billion euros in 2013). BPI France can participate in financing an acquisition and/or giving guarantees for bank loans (up to 50 %). If regional actors participate, the guarantee of bank loans can go up to 70 %.

As an example, under “Le contrat de développement transmission” -program a buyer can benefit a loan between 40–400 000 € without any personal guarantees or cautions during max 7 years. The loan can represent max 40 % of the total amount of loans used in the transaction. (<http://www.bpifrance.fr/Toutes-nos-solutions/Contrat-de-developpement-transmission>)

LBO Small Cap. The French private capital industry is the most developed among the euro zone countries. The small cap LBOs represent around 78 % of the all LBOs in France. In Europe, on average, small cap LBOs represent 64 % of all LBOs. AFIC - the trade association of French private equity firms –financed a total of 272 LBOs in 2014, of which 53 % were estimated to be SMEs (Activité des acteurs 2014). The amount invested in these 272 deals totalled 5,5 billion euros. LBO firms do not invest their own money but raise funds from investors.

Others. Different French regions provide variety of helps for transmission, often in the form of guarantees. As a specific example, under “Idéclic Transmission” –program a buyer in Rhone-Alps region can get a guarantee for his/her personal loan (max 70 %) from a bank to finance an acquisition (guarantee up to 400 000 € loan). This help is coordinated/administrated by BPI France. (http://www.rhonealpes.fr/TPL_CODE/TPL_AIDE/PAR_TPL_IDENTIFIANT/134/18-les-aides-de-la-region-rhone-alpes.htm)

Other organizations that provide guarantees for loans for buyers include FGIF (Fonds de Garantie à l’Initiative des Femmes) for women buyers, France Active, SIAGI for shops, merchants & artisans sectors, and so forth.

For individuals, who either start a new business or take over an existing firm, interest-free loans (prêt d’honneur) are available. Individuals can access these interest-free loans without personal or other guarantees. Today, two major networks of associations provide interest-free loans. First, Initiative France distributed 176 M€ worth of interest-free loans for 16 600 firms (including 5 586 transmissions) in 2013. An average size of interest-free loan was around 8 500 euros. Second, Réseau Entreprendre offers interest-free loans between 3 000–15 000 € for 2–5 years. Besides these two larger networks of associations, there are other smaller associations, who provide interest-free loans for individuals (e.g. ADIE, France Active, and Boutique de Gestion). The

financing of the interest-free loans comes largely from Caisse de depots (a public financial institution).

The state also encourages individuals to buy firms through different public programs (<http://vosdroits.service-public.fr/professionnels-entreprises/N16153.xhtml>):

- L'aide au chômeur créant ou reprenant une entreprise (Accre);
- Nouvel accompagnement à la création ou la reprise d'entreprise (Nacre);
- L'aide à la reprise ou à la création d'entreprise (Arce);
- Le contrat d'appui au projet d'entreprise (Cape).

These public programs are generally oriented towards unemployed people, who have a project to buy a business. The benefits include exemptions from social charges, prolongation of unemployment benefits, help to prepare the acquisition, helps to employ new people, etc.

2.4 Private sector advisors

In France private sector advisors can be divided into two main categories based on the size of businesses: big firms and SMEs. All big national banks have their own departments to offer services for big firms and their M&A operations. We do not focus on this segment of the transfer market.

In terms of SMEs, many independent consulting companies, their national unions & associations, and voluntary based associations provide services for sellers and buyers, generally at local levels.

Public support organizations (e.g. CCI) lean on a network of local experts in various issues (e.g. legislation, accounting, taxes, etc.). The collaboration between public organizations and private actors seems to function well (i.e. public organizations refer to the services of private actors when buyers and sellers have specific needs that are not covered by own organization). Also, the cooperation between different private sector actors seems to function well. For example, Réseau Entreprendre usually receives potential new members from CRA and banks. The candidates for CRA are recommended by accountants, lawyers, and professional unions.

From the point of view of private actors, the transfer markets present many challenges. First, SME ownership transfer market is very fragmented in nature: Because the SME business transfer market is not yet structured in France, and there are no barriers to enter the industry, numerous unskilled actors provide services to sellers and buyers. The transfer experts are mainly paid by their customers on a variable compensation basis (roughly 5 % of the sales value) and the deals are very uncertain and last long

(between 1 and 2 years), which make the profitability of the private businesses quite volatile. Because the global volume of transfer transactions is rather limited (only some thousands per year), there is not enough transfer cases to ensure adequate revenues for every private expert, which is why they generally need to diversify their activities.

The existence of multiple actors could perhaps be explained by the simple fact that SME ownership transfer is very complicated process in France (fiscally, socially, etc.). And the situation will most probably continue unless the fiscal and social political issues of SME ownership transfers are improved in France.

2.5 Business support organizations

There are many support organizations for business transfers in France both at local and national levels. We present below the biggest organizations.

AFIC (Association Française des Investisseurs pour la Croissance) (<http://www.afic.asso.fr/>) is the trade association of French private equity firms. AFIC has currently around 278 active private equity firms as members. Its main mission is to represent and promote private equity with investors, entrepreneurs, opinion leaders and government bodies. AFIC members financed a total of 272 LBOs in 2014, of which 53 % were estimated to be SMEs. The amount invested in these 272 deals totaled 5,5 billion euros.

Chambers of Commerce and Industry (CCI) (<http://www.cci.fr/>) are public institutions and represent the interests of industry, commerce and service firms. CCI Grenoble focuses on the transfer of micro firms (less than 10 employees). Most of the transferred firms are local shops and merchants. CCI are focusing on finding successors for retiring entrepreneurs. Each year they have a phone campaign to reach all regional entrepreneurs, who might be concerned about retirement (i.e. older than 55 years). For example, CCI Grenoble surveyed 1596 local entrepreneurs in 2014. CCI Grenoble evaluates around 300 companies each year in the purpose of business transfer, and follows 15–20 of them during the whole transfer process. CCI provides general knowledge about business transfers and refer clients to local experts when needed.

CNCFA (Compagnie Nationale des Conseils en Fusions et Acquisitions) (<http://www.cncfa.fr/>) is a national union regrouping independent consultants (around 70 in 2014), whose activity is mainly focused on sales, merger, and acquisition operations. Its main objective is to represent the profession nationally in front of public authorities, and promote appropriate rules for the good completion of transfer operations.

Reseau Entreprendre (RE) (<http://www.reseau-entreprendre.org/>) is a national union for entrepreneurs. It is made of 72 local associations in France (and 14 in nearby countries). Each local association is independent from the national body, and free to

engage in activities relevant for their own region to help local entrepreneurs (interest-free-loans, coaching, etc.). Each year RE accepts new members based on application. RE Isere accepted 18 new members in 2014 (from 250 contacts). While, on average, 25 % of the new members are transfer-entrepreneurs, there is a lot of variation in each year. For example, there were as many new entrepreneurs as transfer-entrepreneurs in 2012, but only one new transfer-entrepreneur in 2014. The new members, whether entrepreneurs or transfer-entrepreneurs, are selected to RE based on potential in employment creation. The RE receives new transfer-entrepreneur candidates through partner organizations (e.g. CRA, CCI, banks, etc.). As such, RE does not make specific efforts to attract transfer-entrepreneurs: applications are considered if they arrive.

CRA (<http://www.cra.asso.fr/>) is a national association regrouping 200 delegates, who are (retired) business transfer experts (lawyers, notaries, accountants, etc.). CRA focuses on business transfers of firms between 5–50 employees (shops & merchants, independent workers, and artisan transfers are excluded). On average CRA envelops some 600 offers (sellers) and 1 400 buyers. The sellers arrive to CRE through recommendations (lawyers, professional syndicates, CCIs, etc.). Sellers pay between 1 100–1 400 € to be referenced in their platform and be coached during 15 months. About 85 % of the sellers find buyers through CRA. The buyers find CRA through the website and are attracted by the offers. The buyers pay 520 € for one year membership and get access to different services & data. Around 60 % of the registered buyers find an offer, and spend around 15–18 months before signing a contract (20 % create their own business, and 20 % go back to employment). With additional cost of 2 400 €, buyers can participate in three week program (105h of teaching). CRA organizes regular meeting between buyers to share experiences. No meetings are organized between sellers because they do not want to share. CRA also has a “positive problem”: for each offer there are two buyers. CRA would like to improve their supply side (i.e. get more offers).

CGPME is an employer union of small and medium sized firms in France, which was created in 1944. It consists of 220 interprofessional groups and promotes and defends the interest of around 1,5 million SMEs (industry, commerce & trade, services, and craft sectors). In Rhone-Alps region (Lyon, Grenoble, Annecy) CGPME has created a service for SME ownership transfers. The service, TransmetRA, bring together other local actors, such as CCI, CMA, and three local professional guilds (accountants, lawyers, notaries). The service is oriented towards SME owners to help them in the different phases of the ownership transfer process. TransmetRA offers services such as information meetings, a self-diagnostic tool (available in the website <http://www.transmetra.fr/>), orientation advices from collegial commission, and a link to the online marketplace run by the CCI (www.transentreprise.com). Between 2009–2014, 15 000 SME owners has been sensitized to the transmission issue through emailing campaigns. Moreover, 1 200 self-diagnostics have been realized, 130 SME owners have been accompanied in transmission processes, and 1 000 jobs preserved in the region.

3 BUSINESS TRANSFER AWARENESS RAISING ACTIVITIES IN FRANCE

A multitude of thematic days about SME transfers are organized in France each year by a variety of actors. For example:

- Caisse d'Épargne, CCI nord de France, Aparte, CRA, and Réseau Entreprendre organized the 5th "journée de la transmission", and afternoon event for transmissions, 16th of October 2014 in north of France (<http://www.cra.asso.fr/5eme-Journee-de-la-Transmission-d>);
- JTE (an association made of accountants, notaries, and auditors) organized an information event about transmissions "Journées de la transmission d'Entreprises" in Paris region early June 2014 for the fourth time, and also keep a website dedicated to this event (<http://www.lesjte.com/>).
- CRA organizes several times a year a specific day for potential sellers in Paris region "Journées de sensibilisation à la transmission en Ile-de-France" (<http://www.cra.asso.fr/Journees-de-sensibilisation-a-la>);
- CCI Paris organized the 8th edition of "La Journée Régionale de la Cession Reprise" –a one day event about transmission -17th of November, 2014 (<http://www.entreprises.cci-paris-idf.fr/web/transmission/jrcr2014-bilan>);
- Val'Hor (association for horticulture, floristry and landscape specialists) organized a one day event "Je transmets mon entreprise" for 21st of March, 2014 in Paris <http://www.valhor.fr/promotion-evenements/colloques/journee-je-transmets-mon-entreprise/>);
- The Club Galaxie, GIPI, and La Mélee organize an evening meeting for artisan entrepreneurs about how to anticipate ownership transfer "comment anticiper la cession de votre entreprise? Les clés de la transmission" 19th of May, 2015 in south of France (<http://www.linscription.com/activite.php?P1=1000>)

It could be claimed that each association, which include SME transfer in their activity portfolio, organizes some thematic meetings/events in transmissions for potential buyers and sellers each year, and that these events sometimes have a history of several years behind them. We will not focus on these "information session" types of awareness raising activities in this section of the report.

Moreover, some awareness raising activities, while systematic and sustainable, concern SME transfers only indirectly. For example, the awareness raising activities of AFIC, the trade association of French private equity firms (LBOs), mainly targets the government to improve the fund raising environment in France. They do also (i) organize events such as conferences, forums and roadshows with various subjects and targets, (ii) publish various statistics and reports on private equity activity, and (iii) offer education for their members through AFIC Académie. These activities, however, do not focus solely on business transfers as such: they focus on private equity market.

As another example of indirect activities, CNCFA (a national union regrouping independent business transfer experts/consultants) promotes itself and its members to the owners of SME through direct marketing operations. As such, while trying to “sell” the services of its members, CNCFA indirectly promotes business transfer awareness among SME owners. This service is very much needed from the point of view of their members. As one expert explained, there is no direct mean to track down potential sellers among all SME owners. Instead, one has to use emailing, telephoning, and faxing in random fashion. This generally means, for example, a return rate of 1 per 1 000, or spending 3h in telephone to find one new potential transfer contact. So marketing costs are high. As a result, many of the independent experts/consultants work on a few deals per year coming directly through their personal network. CNCFA tries to help their members in this regard.

Furthermore, there are several activities around business transfers, which are available for general public. First, there is a national magazine (<http://www.reprendre-transmettre.com/mag-anciens.php>) about business transfers. This magazine has been around since 1995 and is currently published every four months. Second, there is a Youtube channel related to business transfers (<https://www.youtube.com/user/CessionEntreprise/videos>). This channel includes many short video-clips about issues related to business transfers. Third, some national newspapers publish regularly news related to business transmissions. As an example, Les Echos published an article about how the fiscal instability impacts negatively business transfers (<http://business.lesechos.fr/entrepreneurs/transmission-entreprise/10029670-la-crise-aggrave-la-problematique-de-la-transmission-des-pme-29920.php#>). Finally, there are number of Internet blogs focusing on business transfers (or on SMEs in general that also include blogs related to business transfers):

- Le blog de la transmission d’entreprise: <http://blog-transmission-entreprise.com/>
- Transmission-Entreprise-Magazine.fr: <http://www.transmission-entreprise-magazine.fr/actualites.html>
- La transmission-reprise d’Entreprise: <http://blog.horizonentrepreneurs.fr/21620-la-transmission-reprise-entreprise-cle-en-main-revue-du-web-79/>
- Transmission PME: <http://news-actoria.com/tag/transmission-pme>

It is not clear what kind of impact these activities have on general population. The video clips in the Youtube channel, for example, are viewed only by handful of people.

Several French higher education institutions offer educational programs related to ownership transfers. These programs target to form transfer specialists and/or prepare buyers and sellers, and seem to generally put emphasis on financial and valuation issues in ownership transfers. Below five such examples of the current offering:

- Université Lyon 2: Évaluation et Transmission d’Entreprises (Master 2);

- Université de Montpellier: Management Entrepreneuriat et Stratégie, spécialité Transmission et Développement des PME (Master 2);
- Université Avignon: Reprise et Transmission d'Entreprise (Diplôme d'Université);
- IAE Rennes: Création Acquisition Reprise Transmission d'Entreprise (Diplôme d'Université);
- Université Toulouse-Capitole: Transmission d'Entreprise Optimisée (Diplôme d'Université).

In the following, we try to present some interesting activities directly related to SME transfers, which could be used elsewhere. We offer here 4 such activities.

First, the biggest national event in transmissions is organized as part of the "Salon des Entrepreneurs", which is a two day event organized by Groupe Les Echos (a national economy newspaper) since 1993. There are several salons in France each year. For example, in 2015 the salons are organized in Paris (February 4-5), Lyon (June 2-3), Marseille (October 14-15), and Nantes (November 25-26). The event attracts some 60 000 visitors. The salon attracts all the key experts, advisors, and support organizations in France. These experts give presentations and talks to inform potential buyers and sellers (and to promote their own services). As a result, a salon generally includes 20-25 sessions related to SME transmissions and its problems & challenges. These kinds of events are good for those potential buyers and sellers who are already looking for solutions. That is, they are already taking actions towards transmission. What about "sleeping" or passive buyers and sellers: how could they be awakened?

Second, the Chamber of Commerce and Industry (CCI) in Grenoble systematically surveys all regional entrepreneurs older than 55 years to sensitize entrepreneurs about SME transmission and detect potential local transmission cases. CCIs in general are in good position to do such screening because all commercial, industrial and service firms must be members of their regional CCI, which collects some fiscal taxes. As such, through CCIs it is possible to reach a representative sample of aging entrepreneurs. The challenge with this approach is that most of the realized SME transfers are done by younger entrepreneurs (45-55 years old), which this approach does not reach at all. Furthermore, many older entrepreneurs (above 60 years) would like to sell their business (BPI France 2014) but somehow do not engage in the transfer process but keep postponing it. How could the CCI approach help "convince" more older entrepreneurs to start taking steps towards business transfers? Moreover, the CCI (Grenoble) targets usually micro firms (less than 10 employees) among which the transfer percentages are relatively low. That is, there are a lot of offers among micro firms (shops, merchants, services, etc.), but much less buyers willing to get involved in them. The transfer percentages seem to be higher among bigger SMEs than smaller SMEs (BPI France 2014). That is, the bigger the SME, the more likely it is going to be transferred. These facts beg the question: how could CCIs reach bigger SMEs with

their survey? Because of their representative databases about local enterprises, the CCIs could take the lead in surveying the enterprises and entrepreneurs and then feeding the other actors of the ecosystem with potential references, if an identified seller does not fit the profile of CCI transfer operations.

Third, as reported earlier, several associations and organizations (CNCFA & Epsilon, BPCE, BPI France, etc.) publish regularly observatories about SME transmissions (see “Volumes” in Section 2.2). These observatories diffuse information about SME transmissions, their volumes, challenges, and trends. Besides inferring different national statistical databases, they also conduct surveys among professionals and potential sellers. What the reports illustrate is that there is no deficit in the supply side (offers): what is more difficult is to increase the demand (i.e. number of potential buyers). Indeed, none of the identified organizations and associations surveyed potential buyers. The challenge in this regard is to increase the demand side and start surveying different populations of potential buyers (young generation just out of universities vs. middle-career managers/experts vs. experienced employees).

Fourth, CRA (a national association of (retired) business transfer experts) offers potential buyers a three-week training program. Participants pay 2 400 € for this 105h program, which has a total of 28 different modules. The program covers all issues related to the business transfer process: from initiation, through negotiation, avoiding errors, and concluding transfer deals. The participating buyers may have already identified a target acquisition. In that case participants then collectively exchange about the targets, make audits together, etc. According to CRA, this program is one of the key success factors of SME transfers among their members. Obviously, there is a big difference between the buyers who went through this program and those who did not.

Table 6 gives a summary of some core awareness raising activities in France.

TABLE 6. Business transfer awareness raising activities in France.

Activity	Core content	Implementing organization	Level			Target group	Types of costs	Results	
			Nat	Reg	Loc			Strengths	Weaknesses
Business transfer info sessions	Organize (one or ½ day) information session about transmissions to locals (together with other local business transfer actors)	Every organization even remotely connected to SME transmission: CCl's, banks, Associations, etc.etc.		X	X	Interested buyers and sellers	Marketing, facilities, catering	Significant among members of associations and locally	Too many vs. too few? Organize only one regional event but with bigger means?
Lobbying government	Influence government about private equity environment in France to improve the fund raising environment in LBOs	AFIC (trade association of French private equity firms)	X			Government	Preparation of white papers, publishing reports & statistics	Directly aimed to improve the specific environment	Only indirect effects on SME transfers
Business transfer expertise promotion	Direct marketing operation to promote independent business transfer experts	CNCFE (national union regrouping independent consultants in business transfers)	X			SME owners	Marketing	Promotion of members' services in transmissions	Only indirect effects to raise awareness (more about promoting cons. services)
Salon des entrepreneurs	Two-day event, which includes 20-25 sessions for SME transmissions. 22nd edition in 2015. Around 60 000 visitors during two days.	Groupe Les Echos (a national economy newspaper)	X			Entrepreneurs, buyers, sellers, curious	Marketing, conference facilities, catering, key note speakers	Known brand & presence, main event in France	Attracts "only" self-identified individuals (does not reach "sleeping" buyers or sellers)

Business transfer sensitization and detection	Phone survey to potential sellers to sensitize them to transfer issues and identify potential local cases	CCI-Grenoble (Chamber of Commerce and Industry in Grenoble)		X		Local entrepreneurs 55 years and older	2 employed person take care of the phoning	Reach the whole population of local firms	More promotional than rigorous screening; Touches only micro firms
Barometers	Regular surveys & statistical analysis of transmissions in France	Several: BPCE, CNCFA & Epsilon, BPI France, CRA, etc.	X			Inform decision makers & own organization	Research costs, printing costs	Provide accurate information	Methodologies are different; No surveys among demand side
Tailored training for buyers	A three week (105h), 28 module program for registered buyers about the whole SME transfer process (cost 2400€)	CRA (a national association of (retired) business transfer experts)	X			Registered buyers (around 1400): 300 participate in the program	Teaching costs (place, lecturers, trips, etc.)	Improves the approach of buyers considerably	Not generalized among all buyers (costly)

4 SUMMARY OF BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING IN FRANCE

The SME ownership transfer market has been in crisis in France since the past six years because of financial and Euro zone crises, and national legislation and fiscal chocks. The latest legislation change (which obligates sellers of SMEs to disclose the transfer to all employees two months before transfer) is feared to further stagnate the SME transfer markets. In fact, 60 % of the business transfer experts see transfer markets as stagnating or getting worse in 2015. Several of the interviewed people also took up the current fiscal and social political situation in France that should be improved before the efficiency of the SME ownership transfer markets could potentially improve.

Depending on the source, there are around 50 000 potential firms to be transferred each year in France (including all sizes, types, and industries). Among SMEs (20–249 employees), there were around 4100 ownership transfers and 1200 family business successions in France in 2014 (CNCFA & Epsilon 2014). According to another observatory (BPCE 2014), there were around 15 000 transmissions among SMEs (10–5000 employees) in 2012 of which 50 % were firms between 10–19 employees. A third observatory (CRA 2014) estimates that there are around 20 000 SMEs (1–249 employees) that are put on sales each year.

There are multiple online platforms to connect buyers and sellers in France, both private and public. The portal Reprisedentreprise.com (<http://www.reprisedentreprise.com/>) classifies all the websites dedicated to SME transmissions. Currently it classifies 46 different transmission websites, which include a total of 320 000 offers/adds. Because sellers have tendency to avoid publicity, however, off-line networks are still important in France. As a consequence, word-of-mouth and local associations (Reseau Entrepreneurs, seller-buyer clubs, etc.) are popular in France among potential buyers and sellers.

Since the past 15 years, there have been many doctoral dissertations and academic publications about SME ownership transfers. Also, many professionally oriented books have been published about the phenomenon. Research is mainly done by individual scholars inside larger research laboratories: no dedicated research centers/units exist in ownership transfer research.

Ownership transfers towards externals are much more common than family successions. Sellers also express more preference towards external buyers in France (CNCFA & Epsilon 2014). Employee take-overs are relatively rare. While many older entrepreneurs (above 60 years old) would like to sell their firm inside two years, the number of realized transfer is much lower (BPI France 2014; BPCE 2014). As a consequence, there is a big untapped potential among entrepreneurs older than 60

years to transform their intentions into real transmissions (i.e. to initiate the process and find buyers). In addition, the current reality regarding transferred businesses and especially the age of the sellers seems to indicate that the main reason for selling one's business is not retirement in France. We see more and more serial sellers who buy a firm, development it for few years, and then sell it.

According to recent reports (CNCFA & Epsilon 2014; BPI France 2014), sellers seem to know the transfer process badly and are badly prepared. Several of the interviewed people also pointed to this direction. Human problems at the side of the sellers seem to be much more important the technical ones. Moreover, entrepreneurs postpone the decision to sell their firm due to many perceived hurdles: confidentiality issues, lack of time, cost of expertise, difficulty to find the right expert, changing personal status, and estimated time spent in finding a suitable candidate.

According to interviewed experts one of the key problems are linked to the lack of transparency between sellers and buyers in France. It would be very important to implement fair warranty tools on both parts as an incentive to be transparent.

In general, the financial opportunities offered for buyers are relatively well developed in France. As a sign of this, the professionals & experts of transfer markets seem to grade access to financing very positively (CNCFA & Epsilon 2014). BPI France (a public investment bank) has the biggest resources to support ownership transfers in France in the form of loans, guarantees and other supports for development of activities (around 1,2 billion euros in 2013). The French private capital industry is the most developed among the euro zone countries. The small cap LBOs represent around 78 % of the all LBOs in France. AFIC - the trade association of French private equity firms –financed a total of 272 LBOs in France in 2014, of which 53 % were estimated to be SMEs. Also, different French regions provide variety of helps for transmission, often in the form of guarantees. For individuals, who either start a new business or take over an existing firm, interest-free loans (prêt d'honneur) are available. Individuals can access these interest-free loans without personal or other guarantees. The state also encourages individuals to buy firms through different public programs. The benefits include exemptions from social charges, prolongation of unemployment benefits, help to prepare the acquisition, helps to employ new people, etc.

In terms of SMEs, many independent consulting companies, their national unions & associations, and voluntary based associations provide services for sellers and buyers, generally at local levels. The collaboration between public organizations and private actors seems to function well. The existence of multiple actors could perhaps be explained by the simple fact that SME ownership transfer is very complicated process in France (fiscally, socially, etc.). Because there are no barriers to enter the industry, numerous unskilled actors provide services to sellers and buyers, which is one of

the challenges faced by the ecosystem. Also, because the global volume of transfer transactions is rather limited (only some thousands per year), there is not enough transfer cases to ensure adequate revenues for every private expert, which is why they generally need to diversify their activities.

There are many support organizations for business transfers in France both at local and national levels. AFIC (Association Française des Investisseurs pour la Croissance) (<http://www.afic.asso.fr/>) is the trade association of French private equity firms. Chambers of Commerce and Industry (CCI) (<http://www.cci.fr/>) are public institutions and represent the interests of industry, commerce and service firms. CCI Grenoble focuses on the transfer of micro firms (less than 10 employees). CNCFA (Compagnie Nationale des Conseils en Fusions et Acquisitions) (<http://www.cnca.fr/>) is a national union regrouping independent consultants (around 70 in 2014), whose activity is mainly focused on sales, merger, and acquisition operations. Réseau Entreprendre (RE) (<http://www.reseau-entreprendre.org/>) is a national union for entrepreneurs. CRA (<http://www.cra.asso.fr/>) is a national association regrouping 200 delegates, who are (retired) business transfer experts (lawyers, notaries, accountants, etc.). CRA focuses on business transfers of firms between 5-50 employees (shops & merchants, independent workers, and artisan transfers are excluded). CGPME, the union for SME owners, in Rhone-Alps has created a service package for local SME owners (<http://www.transmetra.fr/>) to sensitize them to transmission issues, and to offer self-diagnostic tool and collegial advises to accompany sellers during the transmission process.

A multitude of thematic days about SME transfers are organized in France each year by a variety of actors. It could be claimed that each association, which include SME transfer in their activity portfolio, organizes some thematic meetings/events in transmissions for potential buyers and sellers each year, and that these events sometimes have a history of several years behind them. Moreover, some awareness raising activities, while systematic and sustainable, concern SME transfers only indirectly. For example, the awareness raising activities of AFIC, the trade association of French private equity firms (LBOs), mainly targets the government to improve the fund raising environment in France. As another example, CNCFA (a national union regrouping independent business transfer experts/consultants) promotes itself and its members to the owners of SME through direct marketing operations. As such, while trying to “sell” the services of its members, CNCFA indirectly promotes business transfer awareness among SME owners.

There are also several activities related to business transfers that are open to general public in France (national magazine, Youtube channel, Internet blogs, etc.). Also, several higher education institutes organize educational programs in ownership transfers to form future experts and/or buyers & sellers. These programs, however,

seem to focus more on technical issues (financial aspects, valuation, etc.), rather than human aspects of ownership transfers.

Four key (exemplary, sustainable, transferable) awareness-raising activities are the following ones:

- *Salon des Entrepreneurs*. It is a two-day event and includes around 20–25 sessions related to SME transmissions and its problems & challenges. Some 60 000 individuals visit the salon. These kinds of events are good for those potential buyers and sellers who are already looking for solutions. That is, they are already taking actions towards transmission.
- *Screening of potential buyers*. The Chamber of Commerce and Industry (CCI) in Grenoble systematically surveys all regional entrepreneurs older than 55 years to sensitize entrepreneurs about SME transmission and detect potential local transmission cases. CCIs in general are in good position to do such screening because all commercial, industrial and service firms must be members of their regional CCI, which collects some fiscal taxes.
- *Observatories*. Several associations and organizations (CNCFA & Epsilon, BPCE, BPI France, etc.) publish regularly observatories about SME transmissions (see Volumes in Section 2.2). These observatories diffuse information about SME transmissions, their volumes, challenges, and trends. Besides inferring different national statistical databases, they also conduct surveys among professionals and potential sellers. What the reports illustrate is that there is no deficit in the supply side (offers): what is more difficult is to increase the demand (i.e. number of potential buyers).
- *Training for potential buyers*. CRA (a national association of (retired) business transfer experts) offers potential buyers a three-week training program. Participants pay 2 400 € for this 105h program, which has a total of 28 different modules. The program covers all issues related to the business transfer process. The buyers participate in the program once they have identified a target acquisition. The participants then collectively exchange about the targets, make audits together, etc. According to CRA, this program is one of the key success factors of SME transfers among their members.

In order to improve the existing business transfer ecosystem in France, the following key issues emerge from our analysis:

- How to identify more potential transfer cases in France, i.e. improve screening of potential sellers, and not only those one above 55 years old?
 - How to improve the level of preparation among potential sellers?
 - How to “encourage” entrepreneurs older than 60 years to engage in transfer processes?
 - How to promote employee driven take-overs?
 - How to “certify” private sector advisors?
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- How to improve the use of online platforms (c.f. confidentiality, trustworthiness, etc.)?
- How to identify potential buyers, i.e. increase the pool of buyers?
- How to give more places to the human or soft issues of ownership transfers in educational programs?

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SITUATION ANALYSIS: SPAIN

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1 BACKGROUND

In Spain, more than a third of currently active professionals who own a business will reach retirement age in the next ten years and very often there is no-one in their family environment to whom they can transfer their business. In fact, six transfers out of every ten are due to the business owner retiring (Centro de Reempresa de Cataluña 2011a).

In view of the size of the Spanish economy, there is a risk of losing 50 000 Spanish firms per year due to inefficient transfer. A certain mortality rate of old businesses is inevitable and logically they are replaced by new ones. However, many firms fail because their owners have not looked at transfer as a strategy that helps to business continuity, although it involves to renounce to manage the firm. Other fail because the transfer has not been prepared correctly. It has been shown that a correctly transferred business can survive its founder and even provide interesting revenue for the owner.

Business transfer should be seen as a process that begins a long time before and usually ends a long time after the act of transfer itself. During this process there is a series of critical stages that may endanger the success of the operation and because of their complexity external help is required. The success rate improves when the transfer has been well organized, but only 20 % of potential sellers seek professional advice. The remaining 80 % do not take into account external support measures that make it easier to progress through the chronological phases of the transfer (Centro de Reempresa de Cataluña 2011a).

A possible explanation for this situation is undoubtedly the lack of a well-defined ecosystem for business transfer that publicizes business transfer opportunities with participation of all the agents involved. Spain's Ministry of Industry, Trade and Tourism is working on these lines and has designed the Business Transfer Programme as well as a business continuity plan which contemplates various issues that affect business transfer regardless of individual circumstances. Thus the Ministry offers practical information for designing the transfer project and plan thereby helping to ensure its success. There is still, however, much to do in the Spanish context

2 BUSINESS TRANSFER ECOSYSTEM IN SPAIN

2.1 Key legislation and tax laws

In the following, key obligations concerning business transfers are listed.

Sale. There are no particular requirements governing the sale of businesses.

Transfer of responsibilities:

- Provide the buyer with the necessary knowledge and information on technical procedures and production (know-how) and the entire commercial organization of the business (strategies, distribution networks, studies...) so the buyer can operate the business appropriately.
- Notify third parties through public announcements or workers' legal representatives through direct notification.
- Abstain from joining the competition.
- Pay Company Tax
- Tax on inheritance and donations is transferred to the self-governing regions. Each region has a specific rate and application with applicable reductions between 95% and 100%.

Buyer's responsibilities:

- Take over employment and Social Security rights and obligations
- Work contracts in force continue with the same terms and conditions
- Must recognize the category and seniority of employees.

The employment relations of workers affected by the transfer continue to be governed by the collective agreement applicable to the business at the time of the transfer. The transferor and buyer must provide information to the legal representatives of their respective employees. Both are obliged to begin a consultation period with workers' legal representatives on the anticipated measures and their consequences (Ley del Estatuto de los Trabajadores 1995). It is hardly compatible with the freedom of enterprise and of contract that business owners cannot independently decide on core aspects of their activity such as their choice of staff. Consequently, these principles hinder the efficient redeployment of the assets of transferred businesses and reduce competition in the markets where they apply.

Donation:

- Applicable reduction (95 %) in the case of mortis causa transfer. It affects acquisition by spouses, descendants or adoptees of the deceased person (Ley del Impuesto sobre Sucesiones y Donaciones 1987). The obvious purpose of the rule is to reduce business transfer costs and increase the costs of fraudulent behavior.
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- 100% rebate on the full amount of capital gains tax.
- Exemption of the assets and rights of physical persons necessary to carry out an economic activity.
- Modifications in Spanish regions:
 - *Castilla y León and Asturias*. The rebate is 99 % if the firm remains in the region for 10 years.
 - *Galicia, Murcia and La Rioja*. 99 % rebate and ownership must be maintained for 5 years in the region.
 - *Catalonia* five year period for keeping the purchase.
 - *Aragon* For Capital Gains Tax purposes relatives in the fourth degree of kinship (first cousins)
- Exemptions from paying capital gains tax on assets linked to the business activity.
- Exemptions from paying tax on shares in the company capital.

2.2 Business transfer markets

10 % of business owners and 33 % of companies with members over the age of 55 claim they want to transfer. 40 % of SMEs and the self-employed may be interested in selling or transferring their activity.

The central administration, regional government and some chambers of commerce and confederations of business owners have attempted to develop business transfer markets in Spain. The cooperation of these bodies has given rise to plans intended to facilitate business transfer. Below is a description of the most relevant.

Transmisión de empresas (Business transfer) (Ministerio de Industria Energía y Turismo). Offers integral advice service with web portal showing supply and demand. Free supply search engine. Provides comprehensive information on the transferred business. Opportunity to request contact with seller. Business transfer advertisements can be included. Offers informative guides. The portal is supplemented with specialized offices in each region (confederations of business owners, regional government offices) which offer expert advice.

Seller services

1. General information on the transfer plan
2. Analysis of the suitability of the offer for inclusion in the programme
3. Creating a profile
4. Guideline evaluation of the business.
5. Production of the business dossier and communication plan, including the search for buyers.
6. Advice for closing the sale

Buyer services

1. Help with producing the search profile and introduction in the database.
2. Location of the most appropriate business offer.
3. Analysis of the business on sale.
4. Legal and tax advice.

Reempresa. Online platform and technical advice. Provides information and a printed guide. Technical experts assess the situation of the business and the reasons for wanting to sell. In a purchase they provide guidance on the documentation to be presented and the steps the entrepreneur must take.

In this way, many web platforms are carried out on business transfer market. The organizations are implementing this activity are public institutions as Ministry of industry or regional governments as Extremadura and Murcia. With regard to private businesses, there are several businesses as Reempresa, Legorburo Consultants, Inverpoint Consultants, Distrito Negocio Consultants, Bizalia and numerous chambers of commerce.

The number of transactions is expected to increase in the future as the trend changes due to returning confidence in the Spanish economy, especially from foreign investors interested in the European market (China, India, USA and Latin America). This trend will affect large, small and medium-sized enterprises.

There are no specific business transfer databases. Generalizations are made from the European Union. The closest thing is the company survey by the Spanish Statistical Office which offers monthly information on the companies created, wound up and capital restructuring but the data are aggregated and it is impossible to ascertain which operations correspond to business transfer.

In the case of family business succession, KPMG in Spain and territorial associations linked to the Instituto de la Empresa Familiar produce the Family Firm Barometer which measures confidence levels in family firm owners and/or managers every month as well as their main challenges and concerns for the future.

2.2.1 Sellers and buyers

The duration and complexity of the process is the main obstacle to successful business transfer. This problem is particularly evident in the case of entrepreneurs and small businesses as large firms normally do not find it very difficult to find the appropriate legal and tax advice. It is important to prepare for business transfer in order to prevent all the effort and enthusiasm invested in its creation from vanishing. Just like the detailed process required to create a business, very strict planning should be

followed to ensure its continuity. Regardless of the size, type or nature of the business, a transfer involves an act of management that cannot be improvised but should be organized conscientiously. The business transfer process deserves time for reflection and rigorous preparation by all the agents involved. Two important aspects that must be taken into account before any step is taken: optimizing the consequences of the transfer for the transferor and optimizing the environment to make it easier to find someone to take charge of the business. This approach means keeping customers and suppliers as well as the workers. To that end, help should be obtained from specialized advisers; time will be needed to find the person to take charge of the company and once found, raise awareness and train him or her to ensure the business continues, there must be sufficient time to make the most of all the most advantageous legal and tax provisions; do it as soon as possible; if possible at the age of 50 or when there are still five years ahead: and find the right period to negotiate better.

Preliminary preparation is important before buying a business. First of all the objectives and motivations for becoming a business owner by purchasing a business need to be clarified (Consejería de Economía, Competitividad e Innovación 2014). What personal objectives are involved: earning more than in a previous job, self-employment or perhaps developing professionally in the area of studies, trade or hobby? What are the main motivations: the pleasure of learning, being more independent, experiencing a challenge or an opportunity due to change of residence or getting out of unemployment? Secondly, there must be a separation between personal life and professional career as a business owner. The things that cannot be changed, anything where small changes are possible depending on how the business project evolves and anything else which is totally flexible must be listed and differentiated.

In addition, account must be taken of the fact that buying a business in a new sector increases the risk between 27 % and 50 % depending on the industry. Obviously that will make providers of capital for financing this type of sale more reticent. In any event, prospective buyers need to work with their own skills, and if necessary get training in business management or in other areas that can help them become successful business owners.

As entry strategy for a new business, buyers should ensure the strategic and financial viability of the firm they are going to buy. It is therefore advisable to produce a business plan that shows the firm's future viability taking into account the opportunities of the environment in which it is operating, the strengths and weaknesses of the business and the route the business will take to optimize its strengths and minimize the impact of its weaknesses. Buyers must also determine the financial structure of the purchase and define the process of finding the capital necessary for the operation. The completion of these steps will prepare the ground for negotiation and bring the transfer to fruition. Finally, before considering business transfer with an unknown third party, there should be consideration of the possibility of buying a company in the more direct environment

(management buy-out or even buy-in). This mode of transfer decreases risk, in relation to the sector of activity by 31 % to 73 %.

In business transfer, one of the most important aspects is the creation of a confidence atmosphere, assuming that the seller has more information than the buyer, being aware of the strengths and weaknesses of the organization. Normally the buyer is suspicious of the information and mistrusts can be traced back through an external consultant.

2.2.2 The challenges to succession

Succession is one of the most important topics in the family firm life cycle because only 30 % of family firms in Spain pass to the second generation and only 10–15 % of them survive to the third generation (Camisón 2014). Or in other words, only 3 of every 20 firms survive down to the grandchildren. The key question in this case is to determine what problems lie behind the difficulty of survival. Various situations are possible in the transfer between generations of family firms (Claver, Rienda & Pertusa 2004):

1. The founder refuses to step down and therefore to transfer his/her powers to the successor. In this case there is no plan for carrying out the succession in a studied, considered way, nor is the successor prepared for his/her future role as business owner. Succession is delayed because the founder and the rest of the firm do not know how to frame the problem so it is easier to refuse to retire than take active steps to resolve the problem. Excessive persistence, if the predecessor refuses to step down when the succession occurs, can lead to stagnation, manager demotivation and may prevent the firm from adapting to changes over time, so that it may eventually disappear. This problem is considered one of the most important as regards family business continuity. It is significant that, for example, in 12,6 % of cases the new generation did not even know how the transfer was going to take place, with the consequent uncertainty over a possible incorporation. Most SMEs do not formally plan succession, and fewer than 5 percent draw up a plan according to a 2010 study by the Instituto de la Empresa Familiar. However, in recent years, a positive change has been observed according to the first edition of the Barometro de la Empresa Familiar published in January 2014. Planning implies patience, because carrying out the complete process, from choosing the successor to carrying out the transfer takes time. In the event of illness or death, the incorporation of the successor will be less abrupt if a succession plan is being made. In a way, a succession plan prevents chaotic situations when unexpected things happen.

Despite the benefits, depending on the circumstances and particular features there are drawbacks to business transfer in the following areas:

- Consumption of time, money and energy, the investment made in the strategic analysis of the firm, legal procedures, training, consultation, intervention from professionals, etc., might be wasted by unforeseen events or unsuitable practices that spoil all or part of the progress made.
- Anticipating problems may create them: planning is imagining and anticipating problems in an attempt to neutralize them or prevent them in the future. Delicate issues which are often considered confidential have to be dealt with requiring a great capacity for communication and professionalism and care when divulging sensitive information.
- Uncertain change and evolution: good ideas are not always infallible and so planning may fail in part or more rarely, in general. The future is undoubtedly uncertain but that possible waste of resources hardly encourages leaving the future to chance.

2. Tensions between the founder and members of the next generation over who will lead the firm, with the consequent deterioration in relations with those who are not designated successor. Tensions between the founder and the successor over company management criteria, power vacuums or fights for power, disruption of the balances between partners, fragmentation of the social capital that makes the firm ungovernable, etc. In this regard, the presence of external professionals is needed if family values create business conflicts affecting the profitability and efficiency of the family firm.

3. Tensions between heirs due to appointment of the successor. Conflicts must be avoided between siblings when establishing hierarchies. One of the things lacking in Spain is experience sharing in the family office.

4. Lack of preparation of new generations to assume management: are they trained? Do they have internal and external experience? Do they have a vocation? With time, as the family firm grows, especially in view of the complexity of the environment, skills must be acquired in finance, accounting, marketing, etc., and it is unlikely that those skills are present in all the members of the family. Preparation of the successor takes time. Preparation is required in relation to the requirements of the new post, over a period of several years, including previous experience, academic and any other type of training required for a management position. Professionalization begins in the early years with family education which will be determined by the business, intense university training and incorporation in the firm. That preparation requires business experience, which implies a strategic incorporation. The delegation of responsibilities and authority will guide the most advisable activity in this transition process. It does not have to be synonymous with starting in the firm at the bottom or attending meetings

with customers but rather achieving deep knowledge of the firm. Planned delegation of responsibilities can help to acquire the necessary experience and confidence with the business structure and workers while also allowing the manager to get used to the new situation. It will also be easier to correct any errors, although the assumption of responsibilities should not be revoked.

5. *Fiscal problems* related to the lifetime transfer of shares (donations) or following death (testate succession). Fortunately the authorities are increasingly aware of the need to favor this transit to conserve the social business fabric.

6. *Possible disconnections between the firm's new social structure and the firm's financial guarantees* (e.g. guarantees of the partner who is retiring).

Experts value the option of hiring managers unrelated to the family. One of the issues experts highlight when valuing the incorporation of an external manager is the need to involve him or her in the objectives of the family firm. This is where the issue of remuneration becomes important. Thus it seems a priority to seek formulas that give the manager incentives to invest in the long term. Variable remuneration systems are advisable linked to the long term.

There are three reasons why the family firm professionalizes its business. The first may be that there is no talent for business management among family members. The business also becomes professionalized when professional management can change the norms and values of business operations. The third reason why the firm considers professionalization is to choose the leader who will direct the company when the transfer between generations has successfully take place. In this case there are two reasons for introducing a non-family professional: firstly, to help with the transition to the future leader who will occupy the founder's position and secondly to occupy the founder's position if the founder thinks there is no family member in the business who can carry out his or her functions. The identification and training of non-family managers should take into account that to gain their loyalty and permanence, there must be the possibility of professional growth, with access to managerial positions, and they must share the family's values. If the above is not fulfilled the operation of the firm with said managers may not be optimum and the managers may not even stay long in the firm (Alfonso & Flores 2008).

2.3 Financial institutions

To deal with expansion activities there are financial instruments characteristic of risk capital or special loans for SMEs but not an exclusive financial line in order to close business transfer operations. It would be good to have similar financing line as start-

ups programs or entrepreneur programs have. Below is a description of the most relevant financial instruments.

Special credit instruments for SMEs

- Participation loans, highly useful for family firms, because they are subscribed with entities with solid public support and permit a grace period and an amortisation formula through periodic quotas like any ordinary loan.
- The SME line from the Instituto de Crédito Oficial (ICO) for firms with fewer than 250 workers and sales below 20 million Euros which do not have assets of more than 10 million Euros or major company stakeholders with holdings of over 25 %.
- The ICO's ERDF line associated to entities who make investments in European Union "Objective one" regions.
- ICO microcredits for microenterprises in sectors without access to the financial system's usual channels.

Other financial sources. In addition to traditional bank products there are risk capital funds and crowdfunding platforms, like, for example BIZUP (www.bizup.es). This crowdfunding platform has been created for the sale of startups or projects, firms and business transfers. This platform can be used to advertise a business or project. Access to the portfolio of Bizup services is completely free of charge. Services are paid for with a sales commission which is only effective when the sale or transfer is successful. Bizup users are business owners who want to sell or transfer their business, entrepreneurs who are seeking to start an already established business, entrepreneurs who want to sell their project or start up, investors who are seeking business opportunities, investors-entrepreneurs who, in addition to investing money, want to get involved in the business or foreign investors who can access Spanish businesses through the platform.

Access to financing is worse in family firms at the critical moment of succession. There are financial problems for the transfer, with a twofold problem of liquidity and guarantees. Shares in a family firm obtained through inheritance cannot be sold on without endangering family control over their property (FAE Burgos, 2011). That is why participation and continuity must be harmonized with the professional consideration of paid management activities, distribution of dividends and information for all those participating in the firm. The sale of shares between family partners in the firm can cause tensions if the interests of those who dedicate their work to the business and those who merely participate in the capital are not harmonized through inheritance. For these purposes it may be useful for the shares in the company to be acquired by the company itself, as by law they can be kept for a period of three years as treasury stock. This enables the subsequent placement of shares without damaging the company's share capital.

Instruments for capturing capital

- Ordinary shares that mean participation in shares acquired by transfer between shareholders or capital increase and can include a repurchase agreement at updated prices.
- Shares without voting rights which facilitate the provision of capital without damaging control of the company, as well as the participation of family members who have no interest in management of the company and permit the payment of dividends.
- Convertible debentures issued as loans underwritten by risk capital entities, company shareholders, financial institutions or other investors.
- On the subject of finance, a main challenge in order to make possible the business transfer when the Spanish state is about to make easier the access to credit for companies. This restriction limits the chance of financing such operation. Once this improvement is achieved, it would provide more potential transferees in order to acquire a company.

2.4 Advisors

Specific consultancy services for business transfer are scarce. Most are included in general business consultancy services. Below are some examples of specialized services provided by public authorities, professional associations and private firms.

SPRI (www.spri.eus/es), the Basque Business Development Agency, attached to the Basque Government aims to support and promote, through its grants and services, the economic growth of Basque companies to create wealth and well-being in the Basque Country. It supports processes of reflection with the aim of helping them to plan succession in management and/or ownership so that it takes place in an orderly fashion, attempting to ensure business continuity and consequently maintain jobs. The activity object of this support must be developed and tutored by an external consultant during the process of executing the various phases of the project.

Legorburo Consultores (LC) is a company that specializes in advice and intermediation in the sale of SMEs. LC offers structuring services and management of business sale operations in the area of business mergers and acquisitions, leveraged acquisitions, strategic alliances and joint ventures, the search for potential investors, spinning off divisions or business lines, or the generational succession of shareholders.

Despite the grants provided by the authorities in the form of platforms to facilitate business transfer there are still areas that require greater emphasis in the form of advice and guidance. In particular, there is a lack of advice on the structuring of the problem of family succession with the aim of reducing costs in time, money and

energy. The experience and knowledge of specialized advisers could help to anticipate problems that may arise in the process and reduce uncertainty. There should also be more emphasis on managing tensions during the process. The advice of business owners who have successfully managed succession could be enormously helpful in this regard.

This analysis shows that Spain lacks public bodies and private businesses able to provide advice to family firms who initiate the process of succession. However, there appears to be an emerging structure of public consultancy for the sale of businesses.

2.5 Business support organizations

Spanish business support organizations can be divided into two major blocks: organizations attached to public bodies and foundations and associations. The central government, regional governments, provincial councils and town and city councils participate in the organizations attached to public bodies. In combination with these bodies or in parallel there are numerous foundations and associations, some of them national and others focused on a specific region. Among the most active are Reempresa and the Asociaciones Territoriales de Empresa Familiar.

An example of cooperation of these entities is the Business Transfer Support Plan. It emerged from collaboration between the Ministry of Industry Energy and Tourism through the departments of Industry and the Small and Medium-sized enterprises and Fundación Cecot Innovación, sharing the experience of both institutions in the development of business transfer programmes. The main objective of the plan is to ensure the continuity of viable firms in danger of disappearing due to problems other than economic ones. Another of the plan's objectives is to provide entrepreneurs with an alternative to set up a business other than by creation "from scratch". The Business Transfer Support Plan also has the support of other bodies that offer assistance and advisory services during the transfer process like confederations of business owners.

An example of regional cooperation is that of the Basque Government that heads BERRIZ-Enpresa (www.berrizenpresa.com) with Eusko Ganberak to achieve tutored support at all times, involving the necessary agents, provincial councils, town and city councils, business organizations, universities, banks, businesses, Development Agencies, Lanbide and entrepreneurs. This program starts up business transfer plans for the Trade and Tourism industry which are not limited to grants but fully tutor the process, seeking to guarantee successful business continuity and maintain jobs.

The territorial associations of family businesses are formed by leading family firms in different industries in their region. These organizations have arisen out of the initiative

of family firms in the different regions. There are currently 17 territorial associations of family firms covering practically all Spanish self-governing regions. In total they involve 1 100 firms from all sectors of activity, and together represent the equivalent of 11 % of Spain's GDP.

3 BUSINESS TRANSFER AWARENESS RAISING ACTIVITIES IN SPAIN

The Spanish Ministry of Industry, Energy and Tourism and Fundación Cecot Innovación have signed an agreement to facilitate business transfer which tries to combine the strengths of the various business transfer programmes already in operation in Spain, eliminating their weak points and incorporating new actions in this area (www.transmisionempresas.es). The actions will focus on raising awareness of potential buyers and sellers, training for intermediaries and support throughout the business transfer process. The budget for these actions is 156 950 €, financed jointly by both entities. The Ministry of Industry, Energy and Tourism contributes 121 150 € and Fundación Cecot Innovación 35 800 €.

The government of Extremadura through the Directorate General for Enterprise and Entrepreneurship of the Ministry of Economy, Competitiveness and Innovation, is making possible new entrepreneurs through set of activities aimed at raising awareness of the importance of business transfers in agreement with the Ministry of Industry, Energy and Tourism (activacionempresarial.gobex.es). The budget of this program is 700 000 €. The majority of this budget is spent in training activities and counselling service. These are the activities carried out:

- Training workshop: Take the relay: Business Continuity Plan. Aimed at facilitating new entrepreneurs to acquire an operating business as a way to launch your business idea.
 - Training workshop: Move beyond Success: Planning generational process. The conference deals with generational plans and to whom, the following steps: types of transmission when transmitting and who do, the next steps in the process of relief, the importance of planning, diagnosis and business valuation, negotiation and contract. The legal aspects of the transmission: fiscal or labor issues. It includes specific training activities which will be discussed in depth crucial aspects, legal, fiscal, economic, and other utility business processes transmission. 17 days in modality, which have specialized training in thematic supplemented with individualized tutoring for projects that need it are organized.
 - Web platform for business transmission. A tool that offers information on businesses for sale and contact with entrepreneurs, increasing the dissemination and potential for successful transmission processes.
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- Training Day: Grants and tax benefits coming from the entrepreneur transmission in Extremadura. Aimed at providing specific and useful information in relation to all the benefits and specific support for business changing in the region of Extremadura. Five days carried out in different places.
- Guide of Generational Change in the company of Extremadura. It has been produced a document with useful information in order to make possible the process of business transfer. The guide is available in printed matter and digital format (Consejería de Economía, Competitividad e Innovación 2014)
- Service Guidance and expert advice. It's available an information and guidance on aspects connected with business transfers on the Net of Point Enterprise Activation of the Government from Extremadura.
- Line of Grant for Generational Change in the decree of regional incentives for business investment in Extremadura. Financial support project are those that are built up with a set of requirements, involving the continuation of the setting up that, on the contrary, would have closed, on account of retirement, serious illness or death of the owner.

Encuentro Nacional del Forum Familiar. This event is attended by Family Forum representatives from the different territorial associations of family businesses. The event is intended to facilitate the exchange of experiences among young people, future business leaders between 20 and 40 years old. The Meeting's proposed objectives include the exchange of ideas and experiences on issues related to generational transfer in family firms. The event examines issues such as entrepreneurship, the incorporation of the next generation to the family firm and the responsibility that comes with this challenge.

An overview of awareness raising activities in Spain is given in Table 7.

TABLE 7. Business transfer awareness raising activities in Spain.

Activity	Core content	Implementing organization	Level/Country			Target group	Types of costs	Results	
			Nat	Reg	Loc			Strengths	Weaknesses
Web platform	Internet databases. Contacting sellers to potential buyers	Spanish Ministry of Industry, Energy and Tourism www.transmisionempresas.es	X			Sellers, buyers, transferors and successors (n=1 240 000)	Website management, content manager, server, updating. Salaries. Marketing.	Participation in the National Plan to Support Business Transfer. Provides advice to sellers and buyers.	No-financial instruments.
		Extremadura Regional Government		X		(n=25 172)		Idem	Idem.
		Reempresa www.reempresa.org		X		(n: 230 626)		Supported by national government.	Idem.
		Regional area consortium www.consorci.info			X	(n=90 000)		Specialized on local area.	No advise, No guides. No-financial instruments.
		Legorburo Consultants www.legorburoconsultores.es	X			(n=1 240 000)		Legal and tax advice. Financial advice. Business transfer expertise.	Private services focus on money.
		Inverpoint Consultants www.inverpoint.com	X			(n=1 240 000)		Financial advice. Business transfer expertise	No-financial instruments.

		Distrito Negocio www.distritonegocio.com	X			(n=1 240 000)		Provides advice	Idem.
		Empresa en venta empresas-enventa.com	X			(n=1 240 000)		Idem	Idem
		Bizalia www.bizalia.com	X			(n=1 240 000)		Estimated value of the company	Idem.
		Murcia Regional Government www.institutofomentomurcia.es		X		(n=34 713)		Specialized on local area	Idem.
Business transfer counselling service	Personal consulting service. Facilitate business continuity	Barcelona Chamber of Commerce			X	Entrepreneurs and SMEs. (n=173 966)	Salaries, offices, phone, marketing.	Provides information to sellers and buyers. Financial advice. Personal service.	No legal nor tax advice. No-financial instruments.
		Navarra Chamber of Commerce		X		(n=16 633)		Focus on searching buyers & sellers. Verify some information about clients.	Idem
		Gran Canaria Chamber of Commerce			X	Entrepreneurs in commercial segment (n=5 603)		Gets good feedback from entrepreneurs.	Idem

		Extremadura Regional Government (Badajoz, Cáceres, Mérida, Don Benito y Plasencia)		X		(n=25 172)		Financial advice. Personal service.	Idem
		Basque Chambers of commerce. Basque Government. (Berriz-Empresa)		X		Basque Country shops, hotels and accommodation. (n=68 861)		Proximity to industry. Specialised in tourism segment.	Low impact and focused only in three industries.
Information & dissemination.	Information, dissemination and conference programs	Reempresa		X		Sellers, buyers, transferors and successors (n: 230 626)	Marketing, conference facilities.	Creates market. Participation in the National Plan to Support Business Transfer.	No customized advice.
Training workshops	16 hours training to find the best business and going deeply into transfer process.	Reempresa		X		Entrepreneurs. (n: 230 626)	Marketing, workshop facilities, coaches.		No-financial instruments.
Networking	Matching sellers and buyers.	Reempresa		X		Sellers, buyers, transferors and successors. (n: 230 626)	Meeting facilities. Marketing. Salaries.	Creates market. Information to sellers and buyers. Good exchange of information between the target audiences.	No-financial instruments.
Stand at the Barcelona entrepreneur trade fair.	Information and dissemination about business transfer	Reempresa		X		National businessmen. (n=1 240 000)	Fair facilities. Marketing. Assistants.	Information to sellers and buyers. Business transfer expertise. Creates market.	High financing requirements.

Training days	Training meeting for entrepreneurs, interested in transferring their business: importance of planning succession, taxes benefits and specific support	Extremadura Regional Government		X		Sellers, buyers, transferors, successors and family business. (n=25 172)	Marketing, conference facilities, key note speakers.	Provides advice to sellers and buyers.	
Guide	Document with useful information available in print and digital format.						Production, printing.	Provides advice to sellers and buyers.	No customized advice.
Financing line	This program finances business continuity by retirement, illness or death.						Financial funds.	Financial advice and instruments.	
Family business barometer	Semester-long analysis of family business in Spain and Europe	Family Business Institute (Instituto de la Empresa Familiar)	X			Business family. (n=1 237 520)	Research costs (methods, analysis, results, conclusions)	Exhaustive analysis of situation and needs of family business.	Do not provide regular information of successions.
National Meeting of the Family Forum	Seminars, speeches and conferences						Marketing, conference facilities, key note speakers	Focus on issues related to family business.	It does not deal regularly with business transfer matters.

The programmes and events adequately cover contacts between buyers and sellers and provide exhaustive guides on administrative and legal issues, especially in the case of family firms. There could, however, be more emphasis on entrepreneurship through the acquisition of businesses. Government efforts to encourage entrepreneurship focus on the new business creation with little emphasis on the possibility of becoming a business owner through business transfer. In this area there is space for designing and introducing events that promote this type of entrepreneurship. This would require an understanding of entrepreneurs' objectives and motivations for becoming business owners and emphasizing the advantages of becoming one with a business that is already operating.

Another little developed area are events that provide contacts between sources of financing and potential purchasers of businesses. Lack of financing could prevent a business with the potential to remain profitable from finding a buyer duly prepared to take it over, and so it seems particularly interesting to generate events that help to establish relations between buyers and sources of financing.

In the case of the family firm awareness raising campaigns could be created to promote succession planning sufficiently in advance for long term succession plans to be established that contemplate training and the gradual incorporation of the successor and the gradual withdrawal of the transferor and their adaptation to the new life style while also ensuring that the know-how remains in the company. There is also a lack of forums that enable family firms with no successors able to continue the activity to find professional managers to continue with the business.

4 SUMMARY OF BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING IN SPAIN

In Spain there is the risk of losing 50 000 Spanish firms per year due to inefficient business transfer. However, only 20 % of potential sellers seek professional advice (Centro de Reempresa de Cataluña 2011a).

In general terms, Spanish legislation favors the transfer of businesses through guarantees for the buyer and tax exemptions; although some taxes and employment obligations act as brakes.

Efforts to develop business transfer markets have been led by the central administration with the collaboration of regional governments, chambers of commerce and confederations of business owners. There are two programs of particular interest: Transmisión de empresas from the Ministerio de Industria Energía y Turismo and

Reempresa statewide, whereas at regional level outstand the activities that belong to Berriz Empresa from the Basque Government.

In the future it is hoped that there will be an increase in transactions due to regained confidence in the Spanish economy, especially on the part of foreign investors interested in the European market.

The available data are generalizations from the European Union. The Spanish Statistical Office's survey of Companies offers monthly information on companies created, dissolved and capital adjustments. KPMG in Spain and the Instituto de la Empresa Familiar produce a six-monthly barometer that measures the level of confidence in owners and/or managers of family firms and their main challenges and concerns.

Most of the publications that show the results of investigation into business transfer are private, in addition to some publications from sector and professional associations and universities. The most popular issues include those related to law, economy and business administration.

The duration and complexity of the process are the main obstacles to successful business transfer (Ibarguen, San Sebastián & Sainz 2013). In addition to the reticence of providers of capital to finance the sales (Centro de Reempresa de Cataluña 2011b).

In the case of family succession one of the main challenges is the founder's reluctance to transfer his/her powers to the successor, and in these cases there is no plan for the succession process, or preparation of the successor for his/her future role as business owner. Succession also takes time, money and energy. In addition to these problems are tensions between the founder and his/her descendants over designation of the successor as leader of the firm, as well as tensions between the founder and successor over business management criteria (Araya 2012). There may also be tensions between the heirs themselves over the appointment of the successor (Ministerio de Economía 2003). For these reasons, experts value the option of hiring managers unrelated to the family (Guinjoan & Llaurador 2009). This is where the issue of remuneration becomes important.

To tackle transfer activities there are not specific financing funds. On the other hand these are the general financial instruments that supply the Spanish market such as the characteristic of risk capital or special loans for SMEs: ordinary shares, shares without voting rights, convertible debentures, participation loans, SME line from the Instituto de Crédito Oficial (ICO), the ERDF line from ICO, microcredits from ICO. Private financing can also be found such as that provided by BIZUP through crowdbuying.

Consultancy services include those provided by public authorities such as the SPRI Basque Business Development Agency attached to the Basque Government and private firms like Legorburo Consultores a company specialized in advice and intermediation in the sale of SMEs. However, advice on structuring the problem of family succession to reduce costs in time, money and energy is lacking. There should also be more emphasis on managing tensions during the process. This analysis shows that Spain lacks public bodies and private businesses able to provide advice to family firms who initiate the succession process. However, there appears to be an emerging structure of public consultancy for the sale of businesses.

Among the bodies supporting business transfer are public bodies in all administrations: central government, regional governments, provincial councils and town and city councils. These are joined by services provided by foundations and associations like for example, Reempresa and Territorial family firm associations.

Awareness raising actions include the agreement between the Ministry of Industry, Energy and Reempresa to facilitate business transfer which attempts to combine the strengths of the different business transfer programmes already in operation in Spain, eliminating their weak points and including new actions in this area. There are also plans in the regions. One example is Extremadura's generational business transfer plan. Events include the Encuentro Nacional del Forum Familiar supplemented with other regional events like the Successful transfer conference: Planning generational transfer. There could however be more emphasis on entrepreneurship through business acquisition. Another little developed area are events that provide contacts between sources of financing and potential purchasers of businesses. Finally, in the case of the family firm, awareness raising campaigns could be developed that will promote the planning of succession sufficiently in advance to establish long term succession plans that contemplate both training and the gradual incorporation of the successor and the gradual withdrawal of the transferor and their adaptation to a new life style, while also ensuring that the know-how generated remains in the firm.

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SITUATION ANALYSIS: SWEDEN

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1 BACKGROUND

The present paper presents insights into the Swedish business transfer market. Taking into consideration the expected importance of regional activities in the context of business transfers and the researcher's location primary data collection happened in Skaraborg (which is part of Västra Götaland County) and more precisely in Skövde (the largest city in Skaraborg) and involved semi-structured interviews with a mix of different stakeholders. As secondary sources are concerned, the emphasis was on national data.

In general, it can be said that the Swedish business transfer market had suffered heavily from the economic crash in 2009, which resulted in both a drop of supply of companies and a reduced interest in buying companies. This also had a negative impact on business transfer activities in general in the country. In these days, there are more and more signals around which anticipate a move away from the downward trend.

For the interpretation of the material presented in the following, it is important to know that Sweden has the lowest number of startups in Europe while at the same time the oldest business owners (Företagarna 2011). Additionally, in a recent national report about Entrepreneurship in Sweden (Braunerhjelm et al. 2013), the authors concluded that even though in Sweden there is a decent share of the population who say that they are able to identify a business opportunity; this is not matched with their perceived ability to start and run a business, which continues to decline according to the report. And even in the context of improvements relatively few put their ideas into new businesses. The authors of the national report presume that this situation is linked to relatively weak overall conditions, which encourage the termination of employment for the benefit of entrepreneurship. This information needs to be considered as well when analyzing the Swedish business transfer market.

2 BUSINESS TRANSFER ECOSYSTEM IN SWEDEN

2.1 Key legislation and tax laws

Regarding laws in general, from 1 January 2005 inheritance and gift tax were abolished for both private individuals and companies. In 2007 (from 1 January), the abolition of the wealth tax followed. Sweden has some kind of tax relief for retirement. Often these provisions are subject to special conditions such as minimum age of the seller, and special tax treatment can only be used once (Fall & Ydstedt 2010).

According to Business Sweden (the Swedish Trade & Invest Council) (2014), for private M&A there are no special requirements or regulations' regarding share or asset purchases other than general contract law and the Companies Act. Legislation laws in Sweden can be considered as comparable with those in other European countries.

As regards tax, in the case of a privately owned business, any profits that result from the business transfer will be taxed (with a tax rate between ~ 40–45 %, the profit is considered an income). If a limited company is going to be transferred, other tax rules apply which are influenced by the history of the company (i.e. how much tax has been paid, how much profit has been put in the stock of the company, which has not been paid tax for, but which would be taxed as a consequence of the business transfer).

Even though it was stated that the Swedish legislation and tax laws do not restrict the execution of business transfers, business reality does also show that many business owners (more specifically farmers) are reluctant in transferring their property. From the business support organization side it was confirmed that the law situation is quite good in Sweden. However, an actor representing a business support organization mentioned the so-called 3-12 regulation. The 3-12 rules state that Swedish small businesses are taxed at a much higher rate than large enterprises. The rules aim to prevent small business owners, who work in their own companies, from being taxed at the preferential tax rate applicable to financial investors in Sweden.

Sweden applies a flat tax of 30 percent on capital income while income from own work is to be charged with a marginal tax depending on the income scale. The 3-12 rules require that small business owners divide their income into two types of income, "income from services" and "capital gains". For service incomes the same tax rate as for income from work is applied. The rules apply only to private companies (close companies), which have been defined so that the rules apply to most small businesses in Sweden. The regulatory framework of this rule is perceived as technically complicated. It was further reported that some of the accountants are not clear about this regulation and its content, which can result in drastic consequences for the private person that is doing the business transfer. Additionally, it was stressed that the legislation hampers individuals from putting the profit made out of the business transfer into

new businesses straightaway. Additionally, it does not allow people to earn money. Moreover, the high tax rate put on potential profits keeps the persons concerned busy at the expense of other business transfer-related issues.

2.2 Business transfer markets

In October 2003, the Swedish Government gave the Swedish Agency for Economic and Regional Growth (Nutek) the task of conducting a fundamental analysis of what effects can be expected from future successions of generations in companies (intergenerational succession). A report that was presented in February 2004 concluded that there were about 45 000 to 50 000 enterprises within the transfer risk category:

- where the company manager owns at least 50 % of the business;
- which have between two and 49 full-time employees (including the company manager); and
- where the company manager is more than 50 years old.

In total, it was estimated that enterprises in the risk category employed ca 215 000 full-time employees (<http://www.mynewsdesk.com/se/pressreleases/generationsskifte-i-foeretag-63907>). If enterprises with only one full-time employee (in most cases the company manager) were added, there would be an additional 65 000 enterprises in this category.

In a more recent report from March 2011, Företagarna (The Swedish Federation of Business Owners) concluded that every fourth small company owner in Sweden (with max. 49 employees) will withdraw from his/her business. This means that approximately 55 000 to 60 000 small businesses with employees or about 175 000 companies when the one-person businesses are included, will change hands. Företagarna also carefully estimates that about 10 percent of the companies will be closed down. In the following more detailed information of the report about business transfers is presented.

In five years' time, roughly 55 000 to 60 000 small businesses with employees or about 175 000 companies when the one-person businesses are included will withdraw. In ten years' time, the number of businesses with employees affected are 90 000–100 000, and overall, about 290 000 companies. The highest proportion of business transfers exhibits the hotel and restaurant sector, where 33 percent of companies plan for a change in the next five years. The lowest proportion reported is among cultural enterprises (creative industries) (e.g., television and video production, arts and entertainment) with 11 percent. By company size, there are also some differences. The most distinctive feature is that a higher proportion of entrepreneurs with 20–49 employees plan to withdraw within a coming period of five years. Additionally, a significant higher number of the micro businesses (1–4 employees) state that to date the issue of business transfers is not due at all.

Företagarna´s report estimates that about 10 percent of companies (i.e., approximately 8 000–10 000 businesses with employees and nearly 30 000 businesses in total) is likely to be closed.

The report further states that highest proportion of “family takeovers” are found in transport, building and construction and wholesale trade, of about 40 percent, compared with less than 20 percent in the financial sector, technical consultants, nursing & social care, and other sectors. As an explanation for the difference, the report argues that it could be that the companies in the latter group are largely based on the entrepreneur’s personal skills and contacts, and are therefore not transferable.

The percentage of firms that are expected to be closed down is the highest in the consultancy sector, which is comprehensible according to the report because this sector is widely based on one or a few individuals’ own skills. The proportion that is expected to be closed down also appears to be higher in the more human capital-intensive businesses.

In connection with the possibility of transfer, it was stated that there are many companies, managed by a single owner, that are not transferable.

There are also estimates for Swedish farmers, representing another crucial group in Sweden:

- 50 000 farms will change hands in the coming years
- 400 000 persons own agricultural property
- 120 000 persons are 60 years or older
- 40 % of the farmers over 65 years are planning a change of ownership within the next three years (LRF Konsult 2014).

As regards marketplaces, there is no formal marketplace or national database for business transfers in Sweden that is publicly funded. However, there are a number of marketplaces for business transfer, such as web based marketplaces commercially operated by agents/brokers/banks with databases containing anonymous company profiles and offering a search engine. For example:

- TACTIC Företagsförmedling Stockholm - <http://www.tactic.nu/>
 - Länia Göteborg - <http://lania.se/>
 - Svensk FöretagsFörmedling - <http://www.sffab.se/>
 - Exitpartner - <http://www.exitpartner.se/>
 - <http://smabolagsknuten.se/> for companies that are going to be sold under 5 million SEK
 - <http://www.swedbankff.se/> for companies that are going to be sold over 5 million SEK
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Additionally, there are two nationwide commercially operated marketplaces:

- www.bolagsplatsen.se. This site is Sweden's largest marketplace for businesses for sale, used by 90 % of Sweden's business brokers (the site's own information). The site partners with banks, business brokers, accounting firms, law firms, and other actors who offer support with business transactions. ALMI Företagspartner and Nutek helped in financing the marketplace. The site does also provide some information for potential sellers and buyers, such as search machines that direct to partner firms that can support with financing, company valuation etc. On 8th of April 2015, 873 companies were offered for sale.
- www.blocket.se. This is a marketplace where a person can find everything - from porcelain to real properties, or a new job. On Blocket also smaller companies, from sectors such as restaurants, cafés and friseurs are offered for sale. Blocket started in 1996 in Fjalkinge and was primarily a regional "flee market" for Skåne (Southern province in Sweden). After a few years it expanded to offer buy and sell ads across Sweden. Blocket can be characterized as a regional focused marketplace offering all kinds of merchandise, including small businesses. It represents a c-to-c marketplace.

Regarding SME business transfer research, the main actors appear to be:

- Jönköping International Business School, Centre for Family Enterprise and Ownership, persons such as Leif Melin, Kajsa Haag, Ethel Brundin, Karin Hellerstedt, Francesco Chirico, and Mattias Nordqvist.
- Karl Wennberg of Stockholm School of Economics. One of his research interests is regional development, in this connection he also looks into entrepreneurial exits.

Research outcomes are made available in the form of reports (e.g. report of the conference of Transfer of Ownership in Private Business, authors: Annika Hall and Leif Melin), booklets (e.g. Nutek's booklet about the transfer of ownership, author: Annika Hall and Leif Melin), Jönköping International Business School (JIBS) Research Report Series (e.g. Ägarskiften i familjeföretag (transfers of ownership in family businesses) by Lars-Göran Sund and Divesh Ljungström), courses (e.g. business succession as part of a graduate course on developing dynamic family enterprises offered at the Summer Programme 2014), or through the actors' websites (e.g. Centre for Family Enterprise and Ownership: <http://center.hj.se/cefeo>). Otherwise, the main source of research dissemination are international peer reviewed journals such as Small Business Economics, Strategic Entrepreneurship Journal, ET&P and Family Business Review.

Svenskt Näringsliv (Confederation of Swedish Enterprise) and Nutek (now Tillväxtverket (Swedish Agency for Economic and Regional Growth)) have funded business transfer research.

2.2.1 Sellers and buyers

Concerning sellers and buyers some qualitative data were obtained.

Family businesses that have 50–250 employees are mainly interested in family business succession (intergenerational succession). Companies of the same size can also be interested in taking over such a company when there is the possible advantage of exploiting synergies. If there is no one in the family (in the context of retirement), a transfer to an external individual is considered the last option; whereas companies with less than 50 employees are almost all for sale.

There are also some MBOs and risk capital firms that focus on family businesses. These firms are characterized by a turnover of >10 Mio SEK, are stable, know their business, but did not expand it. Competitors are also interested in buying companies.

Concerning the characteristics of the actors, it was reported that sellers are those that are either interested in doing something new or in selling shares of the company. On the other hand, buyers might be 1) persons who face difficulties in finding a job, and therefore sees business transfers as an opportunity of making a living, 2) experienced persons who considers market entry through business transfers as easier, 3) persons who are interested in establishing themselves, or 4) persons who buys companies to complete their existing ones.

2.2.2 The challenges to buying, selling and succession at the moment

According to the report by Företagarna (2011), the Swedish regulations are made for large companies and their employees, not for entrepreneurs/small business owners. The regulations are also mainly made for the condition of industrial companies and are less suitable for service providers, despite the situation that it is the sector that is growing the fastest in Sweden. The report further argues that the Swedish capital taxation disadvantages Swedish private owners compared to foreign ones. Additionally, Företagarna continues to see a negative attitude toward to or a lack of knowledge about entrepreneurs in many places.

Additionally, the financing of business transfers and company size are considered as biggest challenges, as well as finding a qualified buyer. Setting a price both partners are willing to accept was named as another issue. Own financial resources are mostly not sufficient so they have to be complemented by financial capital provided by banks or ALMI. With regard to business transfer financing, it was reported that the Skövde area suffers from a lack of local financial capital. As a result, when larger projects are to be financed external actors need to be involved. This situation can increase the danger that the companies will not stay in Skövde.

2.2.3 Issues to be tackled to improve the number and quality of successful business transfers

The report by Företagarna (2011) highlights the importance of having an operational capital market that facilitates exit and entry. According to the Federation, running a company needs to be attractive, irrespective of the form of entrepreneurship. The availability of risk capital was named as another aspect. Currently the large risk capital companies do not invest in small companies. They prefer investments that are larger than 100 million SEK.

The findings highlighted the need for financing (in the first place). In the Skövde area there is a need for better channels that support in transferring the capital into businesses and their development. There is a need for local organizations that can also handle big projects.

In the case of the green industries (i.e. forestry and agriculture), the importance of having incentives for selling a company instead of liquidating it was stressed. Additionally, a lack transfer markets for smaller businesses was specified, for examples, markets for specific target groups such as craftsmen.

2.3 Financial institutions

Looking at the key actors in financing business transfers, there are five big banks in Sweden which are Swedbank, SEB, Nordea, Handelsbanken and Danske Bank. The handling of business transfers varies from bank to bank. The Danske Bank, for example, is very active regarding business transfers, on the local level however the people do not have the authority to execute such projects. Therefore, the parties concerned have to go the Copenhagen, which means that the decision is made at a remote place. Geographic proximity however is perceived to influence the quality of the businesses (deals) made, i.e. because of the banks' knowledge of the companies, the market, any networks etc.

Besides the five banks, LandshypotekBank (a mortgage bank) can be named which is specialized in forestry and agriculture. It offers financing solutions such as loans.

As public organizations the following can be listed:

- ALMI Invest (a subsidiary of ALMI) supplies funds to startups and emerging businesses in the very early stages ([http://www.almi.se/Almi-Invest/.](http://www.almi.se/Almi-Invest/))
 - Vinnova (The Swedish Agency for Innovation Systems) supports companies with up to 250 employees that focus on innovative development projects (in early stages) ([http://www.vinnova.se/en/About-VINNOVA/.](http://www.vinnova.se/en/About-VINNOVA/))
-

- Tillväxtverket (The Swedish Agency for Economic and Regional Growth). Tillväxtverket's mission is to strengthen the competitiveness of enterprises. The agency's focus is on promoting entrepreneurship (i.e. startups) and economic growth of existing companies (<http://www.tillvaxtverket.se/huvudmeny/omtillvaxtverket.4.21099e4211fdb8c87b800017660.html>.)

The brief description clarifies that the public organizations have an emphasis on other stages of a business' life cycle.

In this context, it is also worth mentioning that Tillväxtverket and ALMI are being perceived as mainly oriented to production (manufacturing), thus they seem to overlook the growing number of service companies in Sweden. When the issues of development and export are discussed it happens from a production (physical goods) point of view. It was highlighted that service companies need to be addressed and supported as well.

The main actors in financing business transfers are banks (which can be national and international ones), ALMI and business angels. The latter are not interested in giving loans, they want a partnership and good revenues. The business angels look for existing patents and/or products that are rare. These individuals are attracted by knowhow and high technology.

Loans continuously dominate as instrument used for financing business transfers. Crowd funding is a new instrument in Sweden that has been working quite good in some companies.

As regards the realization of financing, financing takes place through a partnership involving ALMI, the owner and a bank.

2.4 Advisors

A number of organizations provide advisory in the field of business transfers. The findings suggest that with many of these organizations business transfers is not the main field of activity, but simply a further service that is offered.

In the following some examples of organizations are listed which offer different forms of advisory:

- LandshypotekBank is specialized in agriculture and forestry and disposes of good knowledge of the industry's challenges surrounding profitable farming business and the real estate market upturns (<http://www.landshypotek.se/Tjanster/>).
- LRF Konsult is an accounting company with approximately 600 authorized accounting consultants, which is the largest number of accountants in a single

accounting firm in Sweden. Additionally, it is the country's largest provider of forestry and agricultural properties (<http://www.lrfkonsult.se/om-lrf-konsult/fakta-om-lrf-konsult/vi-ar-auktoriserade-redovisningskonsulter-/>).

- Svenska Riskkapitalföreningen (SVCA) (Swedish Private Equity & Venture Capital Association) is the association for private equity actors (Buyout and Venture Capital) and business angel networks. The association, which was founded in 1985, has the task of promoting a well-functioning private equity and venture capital market in Sweden. This happens, amongst others, through the dissemination of facts and knowledge about private equity's role in the Swedish economy (<http://www.svca.se/om-svca/>).
- Excore (one of the leading M&A companies in Sweden) is specialized in middle-sized companies with a turnover between 50 million and 2 billion SEK. The firm's emphasis is on company sales, acquisitions and mergers (<http://excore.se/en/services/selling-a-company/>).

Reflecting on the services offered in Sweden, one gets the impression that these services can mainly be assigned to classical services, i.e. providing support in the areas of tax, legal and financial issues. For instance, the private bank Carnegie offers expertise in the areas of tax and law (<http://www.carnegie.se/privatbank/att-vara-kund-hos-oss/privatperson-och-entreprenor/skatt--juridik1/>). Excore provides online some tips for sellers and acquirers. These tips are oriented to the issue of price setting. In addition, the firm offers two comprehensive books entitled "livsverk till salu" (lifework for sale) and "tillväxt till salu" (growth for sale). These books can be ordered in print or directly downloaded.

PWC has a youtube film about business transfers. Besides, it offers expertise in the areas of tax, economical and legal advisory (<http://www.pwc.se/sv/generationsskifte/index.jhtml?query=generationsskifte&live=1>).

LandshypotekBank provides advisory and capital in the form of loans. Regarding the former, they collaborate with LRF Konsult.

Besides being a contact for financing, the Danske Bank in Sweden offers a guideline for farmers interested in selling their farm (<http://www.danskebank.se/sv-se/skog-och-lantbruk/skog-och-gard/att-tanka-pa/att-salja-gard/pages/orsak-salja-gard.aspx>). Similar can be found with the Swedbank that offers potential buyers support in finding companies that are for sale, financing solutions and regarding tax and legal issues. For potential sellers Swedbank offers support in the areas of finance, law and structure. On the website the bank also provides a movie that briefly informs about buying and selling a company (<https://www.swedbank.se/foretag/kopa-eller-salja-foretag/index.htm>).

LRF Konsult offers company valuation, business planning, risk analysis, financing solutions, tax solutions that meet the needs of both sides and legal form solutions.

Gaps in provision or availability of business transfer expertise have also been considered. One interviewee specified a need for a marketing approach to business transfers and support in the sale process. The question was raised as to “how to undergo the process best?” Further support with the different conditions, e.g. labor law, one has to fulfil in the different stages of the business life cycle are viewed as helpful. Another interviewee would like to see a business transfer measure/concept that increases potential sellers’ willingness to sell their companies instead of closing down them. It is also considered as promising to have a measure at hand that facilitates the business transfer process, as it could make the process more secure.

Good advisory which would provide a general roadmap and that highlights some milestones was determined as another missing service. Additionally, a service that addresses the issues related to the future of the seller are perceived as relevant, e.g. what could be possible new roles?

A “healthy” mix of public and private organizations could be in charge of providing these services.

The main challenge concerning business transfer expertise could be that the expertise is too strongly focused on providing technical solutions for traditional issues, which increases the danger that other aspects such as soft factors (the role of intangibles, emotions, psychological aspects etc.) or strategic matters (related to the future of the company, i.e. after the business has taken over) in the context of business transfers are overlooked or underestimated, in the worst case.

2.5 Business support organizations

The following provides an overview of the key business support organizations in Sweden.

ALMI Företagspartner AB is owned by the Swedish government and is the parent company of a group consisting of 16 regional subsidiaries, ALMI Invest AB and IFS Rådgivning AB. ALMI has 40 offices across Sweden and offers some courses about business transfers over the year (the number depends on the demand), and is the contact organization for financing. ALMI does not take a proactive approach to business transfers, and deals with the buyer only. The organization helps potential buyers to make a realistic appraisal of the price.

ALMI's main mission is to help new and established companies to become (even) better. Over the years, the organization has switched its focus from a more advisory-oriented organization to a more financing-oriented one. The financial crisis was one reason for ALMI to shift its scope. Another reason was the new rule of the EU regarding banks and their capital requirements. In 2010 the then Swedish government instructed ALMI to develop specific manuals intended to support companies in the forthcoming transfer of ownership. This resulted in brochures that were oriented to prospective sellers and buyers. As well as one brochure that informs about succession and its planning in general. The documents (four in total) can be downloaded from <http://www.almi.se/Kunskapsbank/Dokument-mallar-och-verktyg/Generationsskifte/>.

West Sweden Chamber of Commerce. Similar to ALMI, also the West Sweden Chamber of Commerce does not have a specific focus on business transfers; 15–20 years ago this was different. Nowadays ALMI seems to have taken over the role, with regard to business transfers, in its function as a stately run company. It was stressed that there is no demand for services the companies have to pay for. As a consequence the West Sweden Chamber of Commerce decided to put an emphasis on other areas (i.e. international contacts, and management and leadership skills). The West Sweden Chamber of Commerce has signalled interest in reactivating the topic of business transfers.

According to the chairman of Arbetsgivarringen in Skövde (an industry-independent employers' network that intends through collaboration to create added value in the areas of recruitment and company development, taking an employer's perspective), the organization has not discussed the topic of business transfers to date. However, interest in including the topic in one of the network's working groups was signalled.

A similar answer regarding the role of business transfers was obtained from one of the representatives of Näringslivsforum. The forum is a network of companies in Skövde (including one-man companies and large companies such as Volvo). At the time of the interview, the forum had around 300 members. The aim of the network is to work on improving the climate in Skövde for companies, i.e. for companies to grow, for new companies to establish in Skövde or to move to Skövde. This happens through the participating companies that help each other "to stay strong together and be stronger together". The cooperation takes place in a non-material way. The network lobbies but at the same time also tries to collaborate with the municipality. Interactions happen on the level of SMEs; as there are only two large companies in Skövde. The network is not working on business transfers in particular. In this context, the lack of focusing on capital was highlighted, i.e. venture capital, which is related to business transfers. A frequent reason for a transfer is the lack of capital for growth, which forces the company concerned to take in new owners. In addition, quite often the majority of the company is transferred to the investor(s). This happens in addition to family business succession and straight business exits.

Svenskt Näringsliv (Confederation of Swedish Enterprise) represents 60 000 SMEs and large companies. On its website, the confederation informs how different companies dealt with intergenerational succession (<http://www.svensknaringsliv.se/>).

Företagarna. The Swedish Federation of Business Owners is the largest business organisation in Sweden representing the interests of around 70 000 business owners. They are an independent and a nonpartisan organisation owned by its members (<http://www.foretagarna.se/Om-Foretagarna/Om-Foretagarna/in-english/>). In 2011 the organization published a report: "Hur klarar företagen generationsväxlingen?" (How do companies generational change?) that informs about the current situation and challenges regarding business transfers. The report is an update of previous activities and is based on a survey of 4 150 small businesses with 1–49 employees. The survey was conducted by SIFO (Sweden's leading market research companies) between September and October 2010.

Vinnova (The Swedish Agency for Innovation Systems) supports companies with up to 250 employees that focus on innovative development projects (in early stages).

Tillväxtverket's (The Swedish Agency for Economic and Regional Growth) mission is to strengthen the competitiveness of enterprises. The focus is on promoting entrepreneurship (i.e. startups) and economic growth of existing companies. The agency does provide money to ALMI and Vinnova in order to reach the aims set.

Looking at the role of business support organizations in supporting business transfers, as far as the public organizations are considered (in the given case ALMI) the main emphasis is on providing financial support. In the private organizations the focus is on sharing experiences which takes place informally.

The question of cooperation of key organizations can only be examined here for the organizations that were directly involved in this study. Accordingly, there is no formal cooperation between ALMI and West Sweden Chamber of Commerce. LandshypotekBank cooperates with LRF Konsult. LRF Konsult and ALMI recommend each other (i.e. people in need for financing will be forwarded to ALMI and people in need for advisory will be forwarded to LRF Konsult, respectively). This happens in an unorganized way.

3 BUSINESS TRANSFER AWARENESS RAISING ACTIVITIES IN SWEDEN

Past and current business transfer awareness raising activities in Sweden are summarized in Table 8.

TABLE 8. Business transfer awareness raising activities in Sweden.

Activity	Core content	Implementing organization	Level			Target group	Types of costs	Results	
			Nat	Reg	Loc			Strengths	Weaknesses
Family succession (2007/2008)	Network group (ca. 100 companies) that shared the challenges of BTs (ownership) as well as issues/questions such as owner knowledge, how to transfer, to identify buyers and to release (more qualitative focused)	West Sweden Chamber of Commerce		x	*	Owners, 60 years and older	Room, selection costs and costs for facilitator (one of the chamber´s associate)	Self-awareness raising	Follow-up processes were missing (the company may face the same problem today)
Course about buying a company (currently)	Questions such as What am I paying for? How to analyse a company? (SWOT analysis) → focus on company valuation	Almi	x	x	x	SME owners	Room, lecturer (from outside Almi)	To give the participants a real idea of the object they are dealing with, the value of a company	Non-sustainable, needs active follow-up activities
Course about selling a company (currently)	Questions such as What am I selling? How to value my company? focus on company valuation	Almi	x	x	x	SME owners	Room, lecturer (from outside Almi)	To give the participants an idea of the object they are dealing with, the value of a company	Non-sustainable, needs active follow-up activities
Youtube movie (currently)	Information about different forms of BTs	PWC	x	x	x	Older business owners	Movie production, presenter plus text	Quick overview	Needs additional support in order to be found; non sustainable

Nutek /University of Jönköping booklet (2005)	Provides information about the succession process and relevant questions in this context	Nutek (since 2009 Tillväxtverket)	x	x	x	Business owners 55 years and older	Print, copy-editing, authors	Quick overview	Non-sustainable, demands for accompanying active measures
Brochures about succession planning (from 2010)	Provides information about different forms of BTs and relevant questions in this context	Almi	x	x	x	Companies facing ownership transfer	Print, copy-editing, authors	Quick overview	Non-sustainable, demands for accompanying active measures
Brochure "Tio steg för ett lyckat generationsskifte" (Ten steps to a successful business transfer)	Provides information about the relevant aspects that need to be considered in the succession process	Landshypotek Bank		x	x	Owners and their families	Print, copy-editing, authors, marketing	Quick overview	Non-sustainable, demands for accompanying active measures
Transfer of Ownership in Private Businesses conference (25-26 March 2010)	International key note speakers (company owners, researchers, experts, policy makers and advisors), latest family business succession research and workshops	The Confederation of Swedish Enterprise – SME committee, PWC, Gärde Wesslau Advokatbyrå and Centre for Family Enterprise and Ownership	x			International experts in the field of family business succession (over 130 participants)	Marketing, conference facilities, catering, key note speakers	Brings different people together	Needs efforts and financial resources, follow-up activities are needed

*The local level did not work because the people involved did not want to discuss the issues with those they know

Business transfers seem to be an issue that is not marketed in Sweden, at least not in Skaraborg as specified by one interviewee. But also on the national level an impression has been created that business transfers represent an issue that is a Cinderella issue in terms of how it is treated. It is therefore not surprising that the few measures that have been/were implemented lack a strategic and long-term approach. That is regrettable based on the promising initiatives that had been conducted in the past.

Based on the findings the following needs can be specified:

1. To reactivate the focus on business transfers, thereby it would be promising to go beyond the issue of financing;
2. to integrate the issue of business transfers into ongoing activities that aim at fostering entrepreneurial activity. This would mean to position business transfer as an alternative to starting a business from scratch and to show the positioning of business transfer in the business life cycle by stressing that a business transfer does not necessarily means an end to a business. This underlines the need for a revised approach to entrepreneurial activity in Sweden.

4 SUMMARY OF BUSINESS TRANSFER ECOSYSTEM AND AWARENESS RAISING IN SWEDEN

Based on the analysis one can conclude that business transfers represent a topic that is neglected in Sweden. One reason to explain the passive approach to business transfers may be linked to Sweden's continued low ranking on the ability to start businesses, at training and the dissemination of R&D. Funding as well as intellectual property law are additional negative aspects (Braunerhjelm et al., 2013). Consequently, the state run organizations (i.e. Tillväxtverket, Vinnova and Almi) seem to primarily working on improving this situation. Thus, Sweden as of today has a rather imbalanced approach to entrepreneurship. Against the background that Sweden shows a disproportion between large and small companies (Henrekson 2002) one can understand a focus on startups. However, this must not be achieved at the expense of sound businesses that might be required to close down or that decide not to transfer their businesses because of inadequate or unsatisfactory structures.

On the other hand, one also gains the impression that the other (private) actors expect from the Swedish government (and thus ALMI as its body) to take the initiative regarding business transfer activities. This may be a result of the strong role the public sector plays in general and with regard to economic life (Napier et al. 2012).

Given the lack of financing, or more precisely risk capital (which is also highlighted in the context of entrepreneurial entry (Braunerhjelm et al. 2013)), the discussion about business transfers is mainly around this issue, which prevents the country and

its actors from taking a more holistic perspective regarding business transfers but also entrepreneurship in general. This unbalanced approach can also be found when one looks at the services that are currently offered. It becomes clear that technical questions dominate over services that address the more soft factors, e.g. fear of letting go by the incumbent, and strategic issues, e.g. future direction of the company, in the context of business transfers; the latter seems to be undervalued, but an inclusion of these issues would help to address business transfers in their entirety.

As a logical consequence of the situation presented above, awareness raising activities are in a resting state and are not actively addressed. The interview findings however suggest that there is an interest in changing the situation.

Taking into consideration the additional information provided about Sweden and the country's approach to economic development one clearly sees that in order to improve business transfers and their handling one must target a lot higher.

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SUMMARY AND CONCLUSIONS: BUSINESS TRANSFER ECOSYSTEMS AND AWARENESS RAISING ACTIVITIES IN PARTNER COUNTRIES

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1 OVERVIEW

The five European countries examined in this report differ in the extent of business transfer research carried out. Hence, the data available differs from country to country, making a comprehensive comparative analysis challenging. In Spain research efforts focus on legislation, finance and successions with less coverage on management of business transfers, MBOs and MBIs, and in France a great number of academic publications and books in French are available. In contrast, in Sweden there is only one research institute and some individual researchers involved in business transfer research, and in Croatia, the international GEM studies are the only source of data partially related to business transfer process. In Finland some research is carried out, from the perspectives of family business and succession, SMEs and M&As.

In sum, two of the five countries (Finland and France) have regular national observatories of business transfer volumes and three (Finland, France and Sweden) have dedicated academic research teams. The ecosystems thus differ in the level and depth of knowledge available on business transfers.

The summary analysis presented here is based on joint discussions by the teams that participated in the country analyses. Each report was read by all the members. The results were then discussed and summarized, which helped to identify the similarities and differences between the ecosystems.

In Section 2 these similarities and differences are presented, with a particular focus on factors supporting and hindering smooth business transfers. However, it should be

noted that in a complex system such as the business transfer ecosystem, the role and impact of any particular element can be viewed from multiple perspectives and their inter-relations need to be considered. For example, complex legal frameworks can be discussed, from the viewpoints of both sellers and buyers, as a negative factor and hence as a barrier for business transfers. Yet, assuming that advisory services of good quality are available, the significance of the barrier is reduced. Furthermore, from the perspective of a consultant providing such advice, complex legal frameworks are a prerequisite for doing business rather than a barrier.

Overall the analysis shows that the ecosystems, while very country specific, still have many similarities. In all countries the majority of potential for business transfers is within micro firms, and none has a public database on business transfers which would make research on the topic easier. The differences between the ecosystems may in part stem from the fact that they are in different stages of development. The view that business transfer is not the end of a business is adopted – or not adopted – to a differing degree in the countries examined. Also the level of business transfer infrastructure (e.g. online platforms, advisory services, financing) varies, as does the complexity of legislation connected to business transfers.

Similarly, there are differences in the level and depth of awareness raising activities. In Section 3 the highlights from and areas to improve in each country are summarized. More detailed descriptions of the awareness raising activities in each country are available in the country reports.

2 BUSINESS TRANSFER ECOSYSTEMS

2.1 Key legislation and tax laws

In Croatia there is no inheritance and gift tax for spouse and children. All in all, legal and tax regulations do not present a barrier for business transfers there. The only compulsory expense is the services of notary public. In Spain, there is an applicable tax reduction of minimum 95 % in the case of mortis causa transfer, and some the self-governing regions offering even higher reductions. Tax on inheritance and donations is transferred to the regions and each of them has a specific rate and application. A notable feature of the legal framework in Spain is the fact that the transferor and the buyer are required to provide information to the legal representatives of their respective employees. This can be experienced as a complication.

In Finland the legislative environment is relatively stable and does not really inhibit business transfers except in some family businesses where inheritance and gift taxes are considered a hindrance. In France the sellers have a definite interest in planning

a transfer carefully, for the taxation is complex and fiscal consequences can vary. Furthermore, a new law requires an owner of a SME to inform all their employees about ownership transfer at minimum two months before the transfer takes place.

In Sweden there is no inheritance and gift tax and, overall, legislation and tax laws do not restrict the execution of business transfers. However, the regulatory framework is technically complicated and can be characterized as one that is aimed at large companies.

In sum, the analysis reveals that the legal and tax environment is not a serious overall barrier for business transfers in three of the countries (i.e. Finland, Croatia and Sweden), notwithstanding some limited problem areas, but do present a barrier in two (i.e. Spain and France).

2.2 Business transfer markets

There are clear efforts in Spain to develop business transfer markets and several online platforms with a variety of services exist. One of them offers integral advice service with the web portal showing supply and demand. The number of transfers is expected to grow in Spain. In France there are about 50 000 potential firms to be transferred each year and several online market places for SMEs are available. In Sweden there are some commercial online platforms available, and about 50 000 firms are assigned to the transfer risk category (i.e. an entrepreneur older than 50 years owns at least 50 % of the firm which has 2–49 full-time employees). In Croatia there are no matching platforms for SMEs. In Finland a number of platforms are available, although the volumes of offers are not great. About a fifth of aging entrepreneurs are planning to implement family succession. All in all Finnish business transfers of small firms are a very local phenomenon.

All the country cases are similar in that no public database on business transfers is available. In Finland a private database on business transfers over 500 000 € exists. In all the countries it is estimated that the majority of potential for transfers is within micro firms. All countries, with the exception of Croatia, have several online platforms which offer a variety of services.

Looking at the challenges to successful business transfers, in Spain the duration and complexity of the process is the main obstacle. Only 30 % of family firms are passed on to the second generation. In Finland issues of valuation, high asking price and financing are highlighted. In Sweden, financing is also an issue; lack of local financial capital and availability of risk capital for small firms are particularly highlighted.

In France the lack of transparency is one of the key problems on the SME business transfer market. Research data show that buyers spend on average 13 months in the business transfer process, and that sellers apparently do not know the business transfer process and are badly prepared.

2.3 Financial institutions

In Spain there is a finance line for business transfers but it is very scarce, and is mostly used for consulting. Access to financing is worse in family firms. As an interesting feature, there is also a crowdfunding platform for business transfers. In France the financial opportunities offered for buyers are well developed. Interest-free loans without guarantees are available for individuals from a public institution and there are public programs to encourage individuals to buy firms. Also, private equity financing is well developed. In Finland private equity financing is not very well developed and is rarely available for business transfers. Further, banking sector developments have led to increasing difficulties in financing small business transfers. A state-owned financing organization is involved in 50 % of business transfers.

In Croatia there are no public financial institutions supporting the process of business transfer. In Sweden the main actors in financing business transfers are banks, a state owned organization (ALMI) and business angels. Loans dominate as instrument for financing business transfers.

In sum, four of the countries have a state-owned financing organization, with Croatia being the only exception. Private equity financing is underdeveloped in three (Finland, Croatia and Sweden). Overall, access to financing, including guarantees, is one of the key issues in all the countries except France.

2.4 Advisors

In Croatia there is little expertise available that is focused specifically on SME business transfers, i.e. advisors with particular expertise and experience in dealing with SME business transfer issues are lacking. The Big Four consultancy companies provide expert services but are mainly focused on large and medium sized enterprises. In Sweden a number of organizations provide advisory services in the field of business transfers, but it is usually not their main field of activity. The focus in advice is on tax, legal and financial issues, whereas soft factors and strategic matters are underestimated.

In Finland external advisors are significant stakeholders in business transfers for sellers and buyers, but entrepreneurs underutilize competent experts and seek expertise at a too late phase of the business transfer process. Small firms tend to favor accountants, banks and auditors as advisors. In France the private sector advisors and their interests can be divided into two main categories: big firms and SMEs, with the SME business transfer market being very fragmented in nature. Many independent consulting companies offer services. In Spain specific consultancy services for business transfer are scarce, but there is an emerging structure of public consultancy for the sale of businesses. Lack of advice on family succession has been noted.

In sum, access to specific business transfer consultancy services is good in three countries (France, Sweden and Finland) but problematic in two countries (Croatia and Spain), with Croatia lacking advisors in particular. Regarding the focus of advice, soft and strategic issues are apparently underestimated in advisory services in three countries (Spain, Finland and Sweden) but not in France.

2.5 Business support organizations

The Spanish business support organizations can be divided into two categories: public organizations and foundations/associations. A cooperation effort has led to a creation of a plan for business transfer support and continuity. In Finland there is also variety of business support organizations, with some cooperation and coordination apparent among local actors. In Sweden there are many support organizations for general business issues, yet business transfers represent a side issue and formal cooperation is on a low level. The business support organizations mainly focus on financial support. There is some cooperation among local actors.

Croatia, however, has few support organizations for business transfers, and cooperation between key organizations supporting business transfers is not yet established or coordinated. In France many support organizations for business transfers exists both at local and national levels.

In sum, there is at least some cooperation among business support organization concerning business transfers in three ecosystems (Spain, France and Finland) but no evidence of systematic cooperation can be found in two (Sweden and Croatia). All the countries except for Croatia have a wide variety of business support organizations.

3 AWARENESS RAISING ACTIVITIES

In Finland a variety of activities have been identified including activation letters, events, calls and visits, as well as business transfer barometers mostly targeted for aging entrepreneurs. The main emphasis in activities is at regional level but also national and local activities take place. There is a need to increase long term focus in awareness raising, as current activities are mainly carried out as one-time regional action, typically within projects. There are also challenges with measuring the results and a lack of further development measures for the firms. Even more importantly, a perspective of business growth and renewal should be adopted in awareness raising, as current activities tend to over-emphasize aging of (seller) entrepreneurs; this leads to lack of focus on the buyers.

In France each year a multitude of thematic events about SME business transfers are organized by a variety of actors for both sellers and buyers. CCI Grenoble (Chamber of Commerce and Industry) systematically surveys all regional entrepreneurs older than 55 and several associations publish observatories about business transfers. There is a three-week training programme for potential buyers. The level of awareness raising activities is quite high, but on the regional level room for improvement can be found in improving and integrating screening processes of CCI and CGPME (General Confederation of Small and Medium Companies) and creation of yearly observatory of transfer potential. In addition, the identification of potential buyers could be made more effective and the existing online platforms be improved.

Also in Spain quite a number of activities takes place, including training workshops, other events and information materials. An agreement between the Ministry of Industry, Energy and Tourism and an innovation foundation has been made to facilitate business transfers. Events are often regionally organized. As areas to improve, events that provide contacts between sources of financing and potential purchases are highlighted. Also, there is a need for an increased emphasis on entrepreneurship through business transfers. Additionally, campaigns that will promote long term successions are needed.

In Croatia business awareness raising activities are still undeveloped. Annual conferences on family businesses and round table discussions are held. The focus is largely on family business. Several areas of improvement can be identified, including but not limited to 1) educational programs designed for business transfer professionals, entrepreneurs, consultants, lawyers and other stakeholders, 2) business transfer campaigns designed to increase overall awareness of business transfers in the society, 3) development of an online platform for business transfers, 4) improved data gathering and statistical monitoring of business transfers and finally, 5) development of financial instruments to support transfers of viable businesses.

In Sweden business transfers are not marketed, but some courses, booklets and brochures are available, as well as a YouTube video for either aging entrepreneurs or SME owners. A reactivation of the focus on business transfers is called for, ideally this happens through an integration of the business transfer discourse into ongoing activities aiming at fostering entrepreneurship.

4 CONCLUSIONS

Taken together the analyses underline the heterogeneity of business transfer ecosystems in Europe. Legislative environments differ widely, as do financing and business support structures. There are also considerable differences in the breadth and intensity of awareness raising activities. With such diverse cases, there are clearly also major differences in what are the most urgent needs for improvement. Nevertheless, some general comments can be put forward on the basis of analysis.

First, there seems to be a *lack of systematic and long term approach* regarding the implementation of business transfer awareness raising activities in all participating countries. There is a tendency in all examined cases (with the partial exception of France) to aim awareness raising activities at aging entrepreneurs and at other specific groups of entrepreneurs (e.g. in a certain region, craft, etc.). This reflects the fact that policy-makers in general tend to view SME business transfers as a matter of continuity rather than of growth and dynamism. This calls not only for awareness raising directed at entrepreneurs but also for indirect awareness raising aimed at changing the general business and policy climate, emphasizing on one hand the acceptability and desirability of transfers and, on the other hand, their effect on SME growth and the economy in general.

A particular problem in all countries is the lack of long term perspective and overall coordination. Awareness raising activities tend to be isolated and distinct actions, and not based on insights into the business transfer ecosystem or systematic data collection. For example, a national business transfer barometer that gathers comparable data at regular intervals would provide a fundamental basis for examining the impact of changes in the business transfer ecosystems (e.g. changes in taxes or other legislation).

Second, to continue on the theme of better information, *impact measures for awareness raising activities* should be developed. At present there is clear lack of measures to help determine the effectiveness and success of various activities. While it may perhaps not be realistic to call for all awareness raising activities to be fully measurable in their effectiveness, some efforts should be directed towards the development of such impact

measures. This would, in the long term, help to better allocate scarce resources and justify investments in the area.

Third, in order to improve coordination and to facilitate the development of long term information gathering systems and effectiveness measure, *national advisory boards on business transfers* should be considered. Such boards could be hosted, for example, by the main ministry responsible for business policy development. An advisory board would consist of representatives of key stakeholder organizations (ministry, key business support organizations, financial institutions, advisory services, active research bodies, entrepreneurs' organizations). A national advisory board could ensure that all relevant target groups are considered in planning awareness raising activities and thus would help in preventing overlapping activities. In addition to national advisory boards, also advisory boards focusing on specific target groups (e.g. aging entrepreneurs, growth entrepreneurs, business transfer advisors) could be considered.

Fourth, in addition to better coordination and better information, awareness raising activities *targeting not only specific groups of entrepreneurs but rather all the relevant target groups within the ecosystem* should be developed. In all the countries there is room for improvement, albeit the order of priority may differ from country to country. For example, awareness raising activities targeting accounting firms and other advisors closest to SMEs could help both increase general awareness of business transfers as a way of invigorating a business and, indirectly, increase early preparedness for business transfers as accountants can bring up the possibility with working with their clients.

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