

## **Transeo contribution to Malta Business Transfer Conference Final Report | April 2017**

### ***Paving the way for successful transfers of SMEs in Europe & creating cross-border scale up opportunities for SMEs in Europe***

#### **1. Political statement**

*A new momentum for business transfer policy at the 2017 Malta Business Transfer Conference*

Transeo, the European Association for SME Transfer, is proud to have been a trusted partner of the EU Commission and the Malta Ministry for Economy in the organization of the “**Malta Business Transfer Conference**” on 17 March 2017. This conference was an excellent opportunity to gather policymakers and stakeholders organizations from all over Europe to present the new Maltese "Family Business Act", introducing incentives to encourage successful intrafamily succession, and to take stock of the remaining challenges in Europe for business transfers. Transeo was involved in the organization of this important Conference and was invited as guest speaker. Also 8 of its Members were invited as guest speakers in order to share their expertise in the field of business transfer (matching platforms, support measures, cross-border business transfers, intrafamily succession, ...). The Conference has delivered very **positive results**. Transeo insists on the need now **to take action** at Member State and European level to actively work on business transfer action plans.

At the Conference, Transeo was glad to hear Ms Commissioner Bienkowska's inspiring keynote speech to actively work at Member State and EU level to support the different kinds of business transfers (intrafamily succession, transfer to employees, transfer to third party). She underlined the recent 3 EU funded projects, including the successful EU4BT project (carried out by Transeo, and 3 of its Members). As also pointed out by DG Grow Director for COSME Mrs. Kristin Schreiber during the closing speech of the conference, she added that **Member States should now set up national action plans**, making sure to tackle the important challenges such as:

- **Quality support & advice**, both for emotional and technical aspects,
- The right **matching** between business owners transferring their business and acquirers
- **Stimulating cross-border** business transfers, to make the most of the EU Single Market and StartUp ScaleUp Initiative

As pointed out by Ms Commissioner Bienkowska, supporting intrafamily succession is essential, as the Maltese Government has recently done, with the promising “Family Business Act”. However, Transeo wishes to underline the importance for Member States to **also consider other kinds of transfers** for the family business when the children are not able or willing to take over the family business. Such transfers include the transfer to the management or employees of the company (Management-Buy-Out) and the transfer to a third party (external buyer, either an entrepreneur or an existing company, Management-Buy-In).

Transeo and its almost 50 Members have developed **solid experience** on the three kinds of business transfers and the best ways to support them for governments at regional and national level. More than ever, Transeo's pragmatic approach based on **high-level expertise, networking and exchange of good practices**, will help Member States, with the support of the EU Commission, meet the great challenge of encouraging and efficiently supporting transfers of SMEs in Europe. For instance, the quality of professionals who support business owners in the transfer/acquisition of their business is essential. Good practices in Europe exist to guarantee a minimum quality standard level of professionalism for such advisors and there should definitely be exchanges of good practices in this field between Member States.

#### *Taking stock of the European business transfer policy*

The **Single Market** aims to create more opportunities for SMEs in Europe and to remove the barriers to their growth. This will enable SMEs to increase jobs, growth and investment. Many SMEs cater for a local or regional market : they are not enough aware nor informed of the opportunities to grow up by external growth at local/regional/national level but also at European level through cross-border external growth. Opportunities do exist but the lack of transparency and the fragmentation of the single market hamper SMEs from growing.

In this context, the **Start-up and Scale-up Initiative**'s main objective is to help SMEs scale up and grow. It seeks to create scale up opportunities for SMEs, help them connect with the right partners & access commercial opportunities. SMEs should have easy online access to Single Market information and easy access to dedicated experts. The Initiative underlines the need for more coordinated support across EU Member States and the added value of a EU wide platform to connect SMEs with potential business partners, including pilot measures on matchmaking.

Yet, to this day, two main challenges remain to be addressed if we want more jobs, more growth and more investment in Europe:

- 1) **Entrepreneurs do not receive the needed information and support to prepare their business to be transferred to a new owner.** It has been more than ten years that the EU Commission and the Member States have worked on the issue of business transfers, providing recommendations that fail to be implemented, especially in more recent years of budget squeeze by governments.

Every day in Europe, entrepreneurs/business owners want or need to transfer their company to a new owner. Most of the time, the business and its owner are interlinked, with no corporate governance in place, which would, however, make the business much more “transferable” to a new owner. Most business owners do not think of, nor prepare the continuity/transfer of their business to a new owner. If they are not able to transfer the business in optimal circumstances (for example thanks to good information and advice but also, in case of transfer outside the family, thanks to an efficient platform that helps them

find the most suitable buyer for their company), this will lead to a loss of wealth and employment, as well as all the social drama it can imply.

Despite the promising actions in the Single Market Strategy and the Start-up and Scale-up Initiative to reach more growth by EU SMEs, the importance of maintaining existing jobs and know-how by guaranteeing the continuity of existing SMEs should not be underestimated.

Investing in starting up and scaling up of enterprises is crucial, of course, but this investment should be secured by also supporting transfers of businesses. Building on the EU Commission's achievements in supporting business transfers in Europe, Transeo expects the Commission to take concrete action to help build business transfer-friendly ecosystems in Member States and to monitor and coordinate progress at EU level.

- 2) **Entrepreneurs still face many obstacles when wanting to grow by buying another business in their own country or to take over a foreign company.** Today, there are still obstacles preventing business owners in Europe to grow by external buyout in their own country but also in other countries. Indeed, international external growth is not only a matter of big corporations but is really becoming an essential tool for international development of SMEs. Because of increased competition and limited growth potential within a single region or country, SMEs should become aware of the opportunities linked to growth by external acquisition abroad. As a matter of fact, it enables SMEs to expand on international markets with high potential, to acquire specific know-how or technologies, to win new market shares abroad or even to split the risk among several countries. Emphasis should be put on how important it is for SMEs in Europe to consider their growth strategy as a whole, and to be aware of the opportunities of external buyout, nationally and internationally.

To this day, the European market remains intransparent in the eyes of a business owner seeking to buy a business across national borders. Matching platforms and on-line marketplaces are concrete tools to help create transparency in the market and facilitate connections between potential sellers and potential buyers of SMEs both in a single country and at cross-border level. The recent EU4BT project<sup>1</sup>, which objective was to define minimum quality standards for matching platforms in Europe, found out that such platforms and marketplaces are willing to cooperate to facilitate cross-border deals in Europe but options for the internationalization of platforms and their coordination at EU level remain to be investigated.

Transeo underlines the need for the Commission to take concrete action to encourage more cross-border transfers of businesses, with a focus on external growth by acquisition and the essential role of matching platforms to give visibility to existing buyout opportunities across borders.

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<sup>1</sup> [www.eu4bt.eu](http://www.eu4bt.eu)

It is therefore essential to start paving the way for successful transfers of SMEs in Europe & creating cross-border scale up opportunities for SMEs in Europe...So, following the lead of the successful 2017 Malta Business Transfer Conference and with the Competitiveness Council on the horizon, Transeo, the reference European Association for SME Transfer, makes the following, very concrete, proposals:

- European Business Transfer Barometer

Collecting and sharing data on transfers of businesses in Europe would enable to have **business intelligence** at European scale regarding transfers of businesses, to show the **economic impact** of (un)successful transfers of SMEs for Europe's jobs, competitiveness and growth, to measure the impact and **efficiency of business transfer policies**, and to help Member States **allocate in a smarter way government budgets** to the most efficient policies.

- Facilitation of cross-border business transfers

In order to pave the way for more cross-border transfers of SMEs, several actions need to be taken first to **create the right conditions** for entrepreneurs to conduct such transactions. Firstly, Europe needs to put the spotlight on cross-border business transfers under the form of **awareness-raising campaigns**. Secondly, the challenge of the intransparency of national markets needs to be addressed by making the best use of existing tools: **the business transfer matching platforms, operating regionally, nationally and internationally**.

- Guaranteeing coherent business transfer policies at regional/national level in Member States thanks to coordination and good practices at EU level

**Member States** are expected to implement **national action plans** to support business transfers. The EU Commission could definitely play a constructive role by **coordinating at European level** business transfer regional/national policies and by helping Member States exchange information, good practices and tools to develop their respective national action plans. Transeo suggests to create a dedicated **EU expert group**, as well as provide **operational support** to Member States, including activities where Member States can benefit from **transfer of knowledge**.

- Achieving top of mind awareness of “business transfer”

Business transfer as a **too low profile** in the Member States political agenda, while supporting SMEs to organize their continuity is crucial to maintain employment and know-how in these companies in Europe. Therefore, Transeo is convinced that the EU Commission should do **more to “market” business transfer** in Europe, with, among others a Business Transfer EU portal, EU-wide promotion campaigns, national business transfer roadshows to highlight success stories and encourage entrepreneurs to take action, the organization of the European Business Transfer Week, the organization of the Best Business Transfer Awards as well as a biannual European Business Transfer Conference.

- Access to reliable and quality business transfer professionals

Member States should make sure to **provide access to quality support** for entrepreneurs facing a transfer of business or with an acquisition project. Nevertheless, there are **no minimum quality standards for business transfer professionals** in Europe. This is not a regulated profession. Transeo underlines the importance for the EU Commission to guarantee

the access to reliable professionals by promoting the implementation in each EU Member State/region of **certification committees/organizations**. A pilot project could help to obtain an **inventory of existing good practices** in the field of the professionalization of private advisors in business transfer and these good practices could be used as a toolkit at Member State level to implement committees providing agreement to quality business transfer advisors.

- **Certification of business transfer matching platforms in Europe**

The number of transfers to third parties is increasing. It has become increasingly important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe. In this respect, **Business Transfer Matching platforms** prevent the loss of hundreds of SMEs and thousands of jobs per day. The **EU4BT** project, supported by the EU Commission, made it possible to define **minimum quality standards** for such platforms. Next steps include the **concrete implementation** of minimum quality standards from the EU4BT code of conduct. The **certification process** should also be organized at EU level. Also the **promotion of such a certification** should be planned at EU level, making sure to involve all relevant stakeholders in the promotion of the certification of business transfer matching platforms: professional organizations, government organizations, supranational organizations such as Transeo,...

## 2. Detailed presentation of proposed actions

### European Business Transfer Barometer

Today, there is a lack of data on transfers of businesses in Europe. A European Business Transfer barometer makes it possible to :

- have business intelligence at European scale regarding transfers of businesses,
- show the economic impact of (un)successful transfers of SMEs for Europe's jobs, competitiveness and growth,
- measure the impact and efficiency of business transfer policies,
- help Member States allocate in a smarter way government budgets to the most efficient policies.

The European Business Transfer Barometer could be carried out under the form of a survey among entrepreneurs and could ideally measure

1. The ongoing number of business transfers in the European SME market, especially so for micro- en small firm entities.
2. The characteristics of the firms, their seller and the wished for buyer/successor characteristics.
3. The barriers perceived in business transfers both with respect to family succession and non-family business transfers.
4. The perceived success or failure chances.
5. The potential macro-economic loss of revenue, employment and capital destruction in relation to national or European statistics.
6. The perceived support by incumbents or sellers of national agencies, support programs and/or private advisory services.
7. There should be some room for country specific themes or items.
8. The cross-border deals

**The European Commission could support a project to design and pilot the first EU Business Transfer Barometer.**

## Facilitation of cross-border business transfers

Enabling more cross-border transfers of SMEs is a key challenge for Europe in the context of the Single Market strategy and the Start-up Scale-Up Initiative's main goal to reach higher growth. Besides, about 50% of all small and medium-sized family firms are looking for cross-border investments to grow their markets, also in setting up subsidiaries and/or acquiring other (family) firms. Family firms also tend to acquire other family firms abroad. Since many family firms overlook the possibility to be acquired by foreign family firms, they hardly make themselves visible on matching platforms. Supporting cross-border business transfers also will help these family firms to find good buyers or sellers abroad.

In order to pave the way for more cross-border transfers of SMEs, several actions need to be taken first to create the right conditions for entrepreneurs to conduct such transactions. Firstly, Europe needs to put the spotlight on cross-border business transfers under the form of awareness-raising campaigns mainly. Secondly, the challenge of the intransparency of national markets needs to be addressed making the best use of existing tools: the business transfer matching platforms, operating regionally, nationally and internationally.

### **The European Commission could support :**

- **A pilot project to investigate necessary conditions for cross-border connections between platforms-including a research project to assess the obstacles and opportunities linked to (cross-border) external growth of SMEs by acquisition, as perceived today by entrepreneurs in Europe**
- **A EU-wide awareness-raising campaign targeted to SMEs, capitalizing on the learnings from such research, and highlighting success stories from all over Europe, in order to encourage business owners to consider external growth by (inter)national acquisitions**
- **the launch of a European business transfer online marketplace**

## Guaranteeing coherent business transfer policies at regional/national level in Member States thanks to coordination and good practices at EU level

Several Member States are still lagging behind and should implement efficient business transfer ecosystems to guarantee access for entrepreneurs to the basic information and support services to conduct successful transfers of their business or to carry out acquisition projects.

Therefore, we strongly believe in the added value of a EU coordination of business transfer regional/national policies: organizing the coordination, at EU Commission level, of business transfer policies from Member States would enable to keep this very important policy area on the agenda and to encourage Member States to develop business transfer friendly ecosystems, capitalizing on good practices from other countries.

**The European Commission could support a multi-year programme which objective would be to guarantee coherent business transfer policies at regional/national level in Member States thanks to coordination and exchange of good practices at EU level. This could be done by :**

- **The setting up of an expert group at EU level gathering regional and national business transfer government agencies from Member States to exchange good practices and minimum quality standards for business transfer ecosystems at Member State level.**
- **A follow-up and operational support to the expert group between each meeting to help each Member State implement the minimum quality standards in its local ecosystem.**
- **Transfer of knowledge: A specific task of the operational support & coordination could be, in parallel, to guarantee the transfer of knowledge from more mature countries in the field of business transfer policy and dedicated support programmes, to less mature countries. Trainings, peer-to-peer meetings and operational follow-up could be organized to increase the chances of success that less mature countries evolve towards mature countries and progressively have strong and efficient business transfer ecosystems in place.**

## Achieving top of mind awareness of “business transfer”

According to Transeo, as well as the “Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers”<sup>2</sup>, it is important to recognize the generalized too low profile of “business transfer” across Europe. Therefore, even if this is not directly linked to the Single Market Strategy nor the Start-up Scale-up Initiative, we are convinced that EU Commission should do more to “market” business transfer in Europe, with, among others:

- A Business Transfer EU portal where entrepreneurs can easily find, among others, business transfer information, competent support organizations and quality professionals from their country.
- EU-wide promotion campaigns of business transfer/takeover organized, in collaboration with relevant government organizations and business associations at Member State level, but also in close partnership with the media
- The organization of national business transfer roadshows to highlight success stories and encourage entrepreneurs to take action
- The organization of the European Business Transfer Week,
- The organization of the Best Business Transfer Awards to highlight successful transfers/acquisitions of SMEs, inspire entrepreneurs and encourage authorities to continue to pursue their efforts in supporting business transfers
- The organization of a biannual European Business Transfer Conference, gathering all relevant and involved stakeholders
- ...

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<sup>2</sup> <http://ec.europa.eu/DocsRoom/documents/4263/attachments/4/translations>

## Access to reliable and quality business transfer professionals

In order to guarantee the success of transfers of SMEs, it is essential to provide access to quality support for entrepreneurs facing a transfer of business or with an acquisition project. Support may be provided both by semi-public/public organizations such as economic development agencies, business transfer government agencies, chambers of commerce, ... But each entrepreneur should also be supported by business transfer professionals, for support services requiring an expert in his field such as valuation, legal and transaction aspects. Private advisors and government/semi-public support organizations play complementary roles in providing support to entrepreneurs.

However, to this day, there are no minimum quality standards for business transfer professionals in Europe. This is not a regulated profession. Calling on a “bad”/unprofessional advisor may be worse than no advisor at all. Besides, entrepreneurs are not always willing to pay for professional advice.

### **The European Commission could**

- **Promote the implementation in each EU Member State/region of committees/organizations or any other neutral structures that would provide certification and monitoring of business transfer private advisors abiding by minimum quality standards, ethical values and a certain level of professionalism.**
- **Gather each year these Certification Committees in a dedicated expert group in order to reinforce the good practices through exchange of experience**
- **At long term, implement a system of certification of those committees**
- **Support a pilot project to obtain an inventory of existing good practices in the field of professionalization of private advisors in business transfer: Ethical committee, Ethics Charter, professional association for M&A advisors, trainings, awards to highlight success stories and good examples of quality business transfer professionals, .... These good practices will be used as a toolkit at Member State level to implement committees providing agreement to quality business transfer advisors.**

## Certification of business transfer matching platforms in Europe

The number of transfers to third parties is increasing. It has become increasingly important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe. Business Transfer Matching platforms prevent the loss of hundreds of SMEs and thousands of jobs per day. This is the price paid by the EU economy, due to companies simply giving up on their activities without finding any buyer.

More specifically for family firms in Europe, improving the quality of matching platforms is likely to be very helpful to stimulate growth of family businesses. Indeed, in some countries, a better transparency on matching platforms would lead to Family Buy Inns, where two or three family members buy a non-family firm.

Conclusions from the EU4BT project are promising, with this clear sign of business transfer matching platforms willing to improve and better meet their users' needs. Their users are crucial for the European economy as owners of today's and tomorrow's SMEs in Europe. Therefore, we need to make sure they have access to high-quality services. Thanks to the EU4BT project, 35 Business Transfer Online Platforms from 12 countries have committed themselves to quality standards for more transfers of SMEs in good conditions in Europe. At the EU4BT Closing Event in Cologne on May 24<sup>th</sup> 2016, 19 matching platforms from 9 countries signed a 'Code of Conduct' and committed to respecting minimum quality standards.

Next steps include the support and coordination at EU level to help business transfer matching platforms implement all minimum quality standards from the EU4BT code of conduct. The certification process should also be organized at EU level.

Also the promotion of such a certification should be planned at EU level, making sure to involve all relevant stakeholders in the promotion of the certification of business transfer matching platforms: professional organizations, government organizations, supranational organizations such as Transeo,...

### **The European Commission could support a stronger basis for quality matching:**

- **the certification of business transfer matching platforms in Europe, making sure entrepreneurs in Europe are supported by quality platforms to search the best counterpart and secure continuity of their business**
- **the promotion of such a quality label/certification for business transfer matching platforms in Europe to encourage platforms from all EU Member States to go for certification (with possible subsidies)**
- **supporting innovation projects of (cooperating) matching platforms, having been certified, on additional digital and non-digital services like financing, legal services and/or closer cooperation with advisory services to create low barrier one-stop-shop for sellers and buyers in the business transfer market.**