

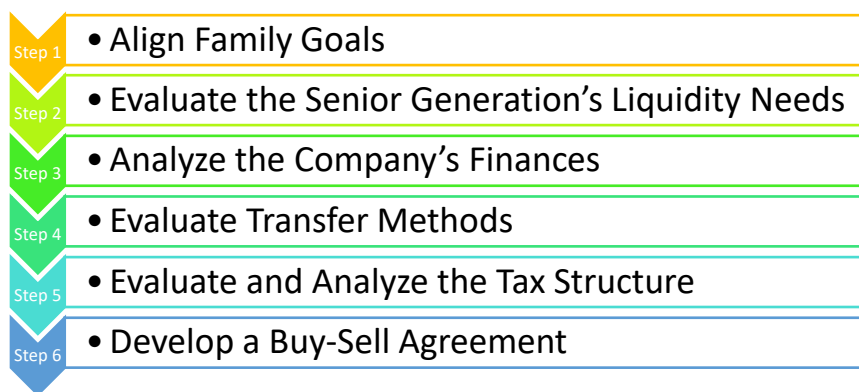
## INBETS BSR

### Newsletter 2: Transfer Models

Business transfers are highly complex processes which are often made even more difficult when the businesses are family run or have no clear successor. Therefore, the INBETS project aims to provide a variety of business transfer models which can be used by SMEs.

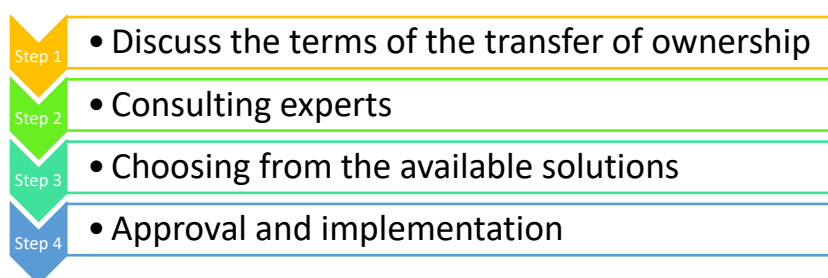
A big part of the consultation process with SMEs is to find a business transfer model which suits the SME and can be consulted and relied upon during the takeover process. An excellent example of such a business transfer plan is the Family Business Transfer Plan as SMEs are often family businesses.

#### Model 1: Family Business Transfer



The “Family Business Transfer Model” identifies six important steps to enable a smooth and successful business transfer for family-owned SMEs where the future owner of the SME is a family member. At the start of the process, it is important to identify and understand the different generations' goals and to identify potential cross-generational goals and themes. In a next step, SMEs are advised to evaluate the senior generation's future income needs and to further analyse and evaluate the company's financial history to gain insights into potential future transactions. Afterwards, it is important to evaluate which transfer path and methods are the most suitable for the company and, additionally, evaluate the existing tax structures within the company in order to identify potential issues and opportunities arising from the business transfer. In a final step, it is vital to develop an agreement which is acceptable for all parties involved, particularly when more than one owner is involved.

#### Model 2 – One Or More External Entrepreneurs

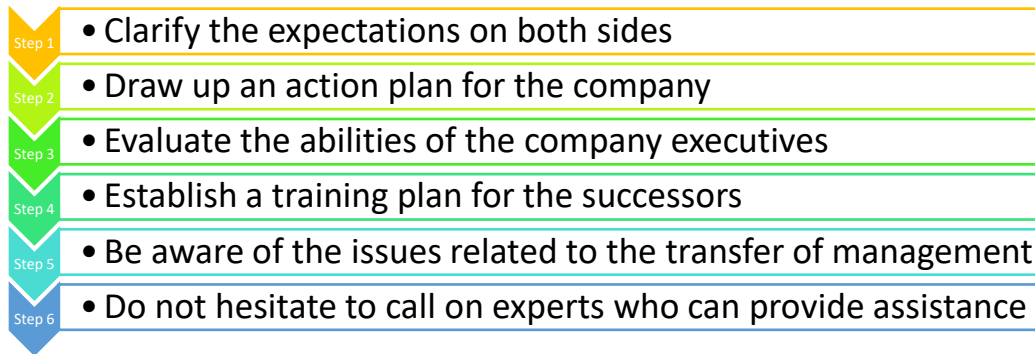


When one or more external parties are involved in the business transfer, it is important to clarify the expectations for the takeover on both sides: the external parties and the owner. Afterwards it is essential to consult experts who can do assess the financial situation of the SME and establish the company's value. Before the financing negotiations it is helpful to review various

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scenarios with a team of experts in order to make an informed decision which is acceptable for all parties. To secure a successful takeover, it is important to set up and regularly review structures which ensure the smooth running of the business.

### Model 3- Takeover by company executives/ management team



Another business transfer model is the model for an SME being taken over by the company's executives or management team which also happens on a regular basis. At the start of the process, it is essential to identify the intentions and expectations of all parties involved. This is important for the second step which is the development of a strategic plan which takes into account the current economic and financial situation of the company. Furthermore, the parties involved should identify measures and plans for the company's future, as well as identify the human resource needs of the management of the company. In order to have a successful business transfer, it is vital to develop a training plan for each individual member of the management team, as well as considering to contact a specialist for human resource management to assist with the transfer process. Finally, it is important to identify potential consequences of failure within the transfer process for all parties involved in order to avoid failure.

### Model 4: Takeover by a Workers' Cooperative

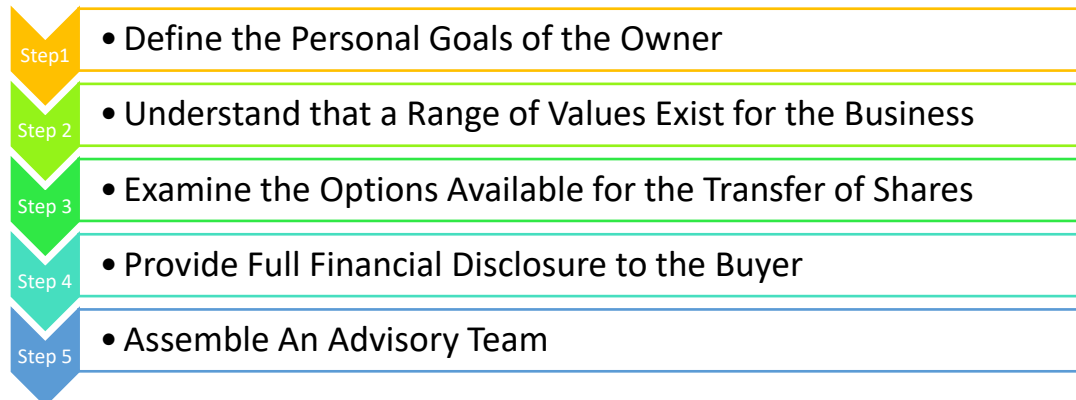


Also particularly common is a business transfer to a workers cooperation or existing employees. In order to have a successful business transfer to a workers' cooperation, it is vital to engage in research on business management and transfers before starting the process. Furthermore, it is important to evaluate the abilities of the company's executives and to offer advice and succession options workshops when necessary. The good preparation of the successors is vital in order to have a smooth and successful business transfer. This can be done by offering financial, business and industry, as well as cooperative training for employees. To avoid future hiccups, it is also essential to determine financing options and review current

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business and management plans in order to develop future ones. Finally, the final price needs to be negotiated and the business ownership transferred. However, the project highlights the need to offer training and support for current employees after the business transfer to make the transfer as easy and accessible for all employees.

### Model 5 – Takeover by Another Company



If the SME is being taken over by another company, the current owner should define their personal goals and balance them with his financial goals in order to find the best possible exit strategy. Furthermore, it is vital to understand the range of value for the business which usually depends on the prospective buyer. In this scenario, there are three possible primary purchasers: financial groups (recapitalisation), industry buyers (acquisition) and initial public offerings and it is important to examine all three options and decide which one is the best for the owner. Afterwards, the current owner should assemble financial records and present them to potential buyers. It is important to note that the takeover process is a highly complicated and time-consuming one and it is thus vital to invest time and money in the right team of advisors in order to secure a smooth and successful business transfer for the SME.

### INBETS Success Stories

Since the start of the project, several SMEs have received both business transfer consultation and financial consultation, in particular in relation to the financial part of a business takeover. For instance, a joinery company which had existed for over 35 years received information on finance and business planning (approx. 21.000 h) which led to a smooth and successful transfer of the business to an external stakeholder for both the owner and the three employees. Another great example of the INBETS project aiding SMEs with their business transfers is the successful takeover through an already existing employee of a hair salon after approx. 15.000h of consultation.

A slightly bigger SME with a single owner and five employees (a dental laboratory) was successfully transferred to an external buyer who, due to the excellent consultation over the course of two years, could keep all five employees on. The consultation was provided mainly in the form of general business consultation and in financial consultations (loan). Particularly helpful, according to both the new and previous owner, as well as all employees, was the

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assistance and consultation provided after the business transfer which ensured that the business stayed successful after the takeover had taken place.

These three examples alone show that both general business consultation, as well as financial consultation, can play a vital role in ensuring the successful transfer of SMEs across the EU. Projects like INBETS are thus essential to securing the survival of SMEs across the Union and contribute to the economic stability of all EU member states.