

**Interreg**  
Alpine Space



**C-TE**

# C-TEMAIp

*Continuity of Traditional Enterprises  
in Mountain Alpine Space areas*

# BUSINESS TRANSFER HANDBOOK OT.4.1



CAMERA DI COMMERCIO,  
INDUSTRIA, ARTIGIANATO  
E AGRICOLTURA DI BOLZANO



centro servizi multisettoriale e tecnologico



ITALIENISCHE HANDELSKAMMER MÜNCHEN-STUTTGART  
CAMERA DI COMMERCIO ITALO-TEDESCA





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# 1. Introduction

## 1.1 CTEMAIp project and its activities

**Demographic change** and rising of ageing index in Alpine space areas endangers the capability of territories to ensure the economic growth and competitiveness of decentralised territories because of the high mortality rate of existing traditional businesses. Business transfer is thus a key challenge for alpine space areas, seen not only as a critical phase but as a way to strengthen the innovation potential of established SMEs and as an opportunity for business renewal.

**The Project C-TEMAIp** - ‘Continuity of Traditional Enterprises in Mountain Alpine Space areas’ approved within the Interreg Alpine Space Programme 2014-2020, focused on this specific topic with the goal of improving SMEs innovation, diversification and attractiveness through dedicated support services and testing innovative pilot measures for transnational business transfer among a network of chambers of commerce and business services providers at transnational level.

**Services and Network setting up** - C-TEMAIp is based on capitalized experiences and a strong network of innovation and business centres that mutually agreed to test a set of measures for transnational business transfer support and ensure the sustainability of the testes services after the pilot phase. For the first time a multi-governance network will be set up in order to strengthen at local level the bond between the innovation system actors and new marketing and investment services as well as to provide joint tools and harmonised mentoring services at transnational level.

**Services testing and pilot cases** – The project supported the creation of: a common exchange e-platform launched to match potential buyers/sellers at transnational level; a transnational multilevel governance network; the organisation of informative services (Alps Cafè) to involve SMEs in transition (buyers/ sellers); the implementation of dedicated services for business mentoring and matching support.

**Evaluation and Policy recommendations** - C-TEMAIp contributed also to support EU harmonisation process of the regulatory framework for business transfer and the partners, representing all the alpine space area involved countries, matched their competences and their active role in EUSALP to build a sustainable transnational network for the benefit of macro-region economic growth. A common position

**2015**  
APPROVAL



**2016**  
SERVICES AND  
NETWORK  
SETTING UP



**2017**  
SERVICES TESTING  
AND PILOT CASES



**2018**  
EVALUATION  
AND POLICY  
RECOMMENDATIONS





paper for policy makers on EU regulatory framework for business transfer has been drafted.

The transferability and replicability of the project's outputs is promoted through dedicated network enlargement strategy, both implemented at local level by the partners and at transnational level through specific actions and the direct involvement of EC representatives to the main project events in order to support the transferability of the main pilot results at EU level. Durability is ensured by the involved business organisation being the services guaranteed by the existing structures, also thanks to the capillary involvement of local thematic competence centres and the activation of existing network as like Enterprise Europe Network members.

## 1.2 Business transfer activities in the Alpine Space key concepts

### Regions involved

The project involved 11 partners representing six different Alpine Area's European Countries: Italy (Veneto Region, Lombardia Region and Autonomous Province of Bolzano) France (PACA and Rhone Alpes Region), Switzerland (Canton of Grisons), Germany (Bavaria), Austria (Styria) and Slovenia (Maribor / Podravje Region).

### Aim

The project aimed to support business continuity and innovation in the Alpine region in line with the Macro regional strategy EUSALP. Particular attention has been given to services dedicated to business transfer and innovation processes for enterprises and to promote opportunities for transmission and continuity of enterprises by matching supply and demand at transnational level.

### Alpine space mainframe

The **Alpine Space** mainframe started from the idea of increasing business integration among companies based in the different countries of this geographic area. A macro regional area is considered to have homogeneous economic traditions and potentials. The C-TEMAIp project aimed at rising this potential opportunity. The need was thus to dynamize the connection and the integration among existing companies to exploit the potentialities of transnational business transfer.

### Business transfer definition

"Business Transfer is a transfer of ownership of an enterprise to another person or enterprise that assures the continuous existence and commercial activity of the enterprise".

## Incentives

There are several differences, sometimes really substantial, regarding incentives aiming to support Innovation and Business Transfer. The C-TEMAIp network promotes the incentives generally available for innovation and business transfer in the involved regions also thanks to the cooperation with banks, Universities, Research and Innovation centres and business transfer experts.

## Legal aspects

The C-TEMAIp network considers and is aware about the fragmented legal frameworks and remarkable difference existing among countries and cooperates with the aim of overlapping the gap, promoting new policies and facilitating relationships among the boundaries.

## Cultural obstacles

The C-TEMAIp network focused even on the cultural and emotional aspects of business transfer dynamics, which are differently declined in different countries, but which always have a “universal” common denominator in being “human based”.

## 1.3 *Definition of Business transfer and business transfer services at EU level*

### **Enterprise policy at EU level**

**Business transfer** refers to the process of handing over a business to new owners and usually new management. In the past, this has primarily happened when the initial owner of a business approached retirement.

The transfer of a business often requires significant adjustment and change for all involved parties in the process. Because of the large numbers of enterprises being involved and the possibility of the failure of significant numbers of these enterprises advising services play an important role in the whole process.

In order to make the transition successfully, the issue of business transfer has for some time been a matter of public concern.

Business transfer has been an issue in **Enterprise policy at EU level** since the early 1990's and in 1994 a Commission Recommendation on the transfer of small and medium-sized enterprise set out a series of measures to improve the situation for businesses facing a transfer.

### **Commission Recommendation on the transfer of small and medium-sized enterprises (94/1069/EC)**

With **Commission Recommendation on the transfer of small and medium-sized enterprises (94/1069/EC)** the member states were invited to take the necessary measures to facilitate the transfer of small and medium-sized enterprises in order to ensure their survival and to safeguard the jobs. In particular, they were invited to take the most appropriate measures to extend their own legal, fiscal and administrative systems,' in order to:

- make the business owner aware of the problems of transfer and thus encourage him to prepare for such an event within his lifetime,
- provide a financial environment which helps towards successful transfers,
- permit the businessman to prepare effectively for the transfer by offering suitable procedures,
- ensure the continuity of partnerships and sole proprietorships in the event of the death of a partner or the business owner,
- ensure the successful transfer within a family by seeing that inheritance or gift taxes do not endanger the survival of the business,
- encourage the owner, through taxation measures, to pass on his business by selling it or by transferring it to the employees, particularly when there is no successor in the family.

Progress in relation to this document was reviewed in 2006 and the Commission published a **Communication entitled 'Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses - Continuity through a new beginning'**.

## The European experts group for Business Transfer

In parallel, the Commission organised an **expert group** whose members were nominated by national administrations. 22 member states and 5 CIP countries took part in this working group. The Group has been a valuable asset for the project and an important source of information on the current state of play in the participating countries' policy and actions relating to business transfer. Meetings of the Group took place during 2013 and provided information, clarified issues and formulated sound conclusions and recommendations.

The European Commission's survey from 2011 "**Business Dynamics: Start-ups, Business Transfers and Bankruptcy**" revealed that statistics on transfers are not available in most of the countries and when available the definitions used vary significantly.

A '**good practice guide**' of measures for supporting the transfer of businesses to new ownership was issued in 2014. The aim of this brochure is to provide policy-makers, business support organisations and other interested readers with examples of practical support for business transfers.

## 2. Key services for business transfer at transnational level

### 2.1 *The experience within the C-TEMAIp project*

The C-TEMAIp project working group started to work first identifying a transnational services portfolio with the aim of:

- identifying the existing and concretely implemented services for business transfer at regional level
- mapping those services easily replicable and transferable to other partners and
- defining those services to be tested at transnational level by the project's network

According to the received contribution partners have identified services proposed and replicable at transnational level, which can be divided into

- Information package guidance: information relating to business transfer on website or printed designed to be used by the client without further guidance.
- Trainings & seminars: the network organisation offers closed events to help the clients to develop their skills and knowledge needed for a successful business transfer.
- Workshops: the network organisation offers events to guide the client to master challenges of his business transfer project, e.g. formulating an innovation strategy for the clients' company. What differentiates a workshop from trainings & seminars is that the result can be effectively used by the client for the business transfer project his is already following.
- Networking: matching services organised through online platform or through reserved exchanges among the partners.
- Mentoring: Personalised meeting with the clients (seller or buyer) and advices by business transfer specialists (legal financial and fiscal experts).

## 2.2 Cooperating with the network of experts - specialists

Not all expertise is usually available in the hosting institutions and organisations in charge of delivery services for business transfer support. It is mostly the basic expertise and initial consultation to discuss the aspects of company's business transfer situation, therefore a network of external experts is essential for professional support to SMEs in their business transfer process.

Specialists can provide professional consultation to business owners seeking unbiased assistance in how to best prepare for selling their business concerning the

- business valuation
- listing and marketing the business (confidential broker channels)
- showing the business to prospective buyers

For this reason one of the conclusions of the tested services is that business transfer organisations should give the option to SMEs to choose their experts for a personal support and trust relationship. Therefore an expert database is recommended to be published with relevant information on their background and references.

Appropriate promotion of services should be provided and they should be encouraged to work with experts. A lack of incentives to call on experts is also evident in many countries. Mentoring by retired entrepreneurs on a voluntary basis is also a solution to solve some of the problems.

### Interviews with experts

Business transfer experts and their knowledge present one of the core elements of network activities and influence significantly the level of networks quality. The C-TEMAIp project has contributed to the creation of a pool of experts who are available to entrepreneurs involved in the business transfer process. The cooperation among experts and business transfer institutions is also having a very positive impact on development of business transfer activities on transnational level.



**Karlheinz Uhl**, BSU Graz

Successful small and medium sized enterprises operating on a transnational basis are hardly noticed. At this point rethinking is necessary. The spotlight has to be put on examples of successful cross-national company transfers. Businessmen and women have to demonstrate more openness to changes and new options. Here the project CTEMAIp can supply important options.



**Lukas von Guggenberg**, GCI Management GmbH

As demonstrated by numerous investment processes between Italy, Germany and Austria, it is important for interested companies or investors to have a clear strategic direction and a convincing business plan. Potential synergies between the companies must be critically examined and financial preconditions clarified in advance. In addition, the company value as well as sale or purchase price must be optimized on the basis of profound arguments. This significantly minimizes existing business risks.



**Giacomo Sartori**, Gianni, Origoni, Grippo, Cappelli & Partners

International business transfer is a growing phenomenon, we receive many requests from our customers to get in touch with other business realities at international level, but there is often a lack of institutional exchange channels such as Chambers of Commerce or Business Associations.



**Frank Bau**, HTW Chur

A transnational business transfer is an obvious option to prove. Many entrepreneurs complain about finance, fiscal and legal problems. But actually the real problem is that for an international business transfer a company needs to be prepared in every single fabric. This is no second best option in case that family-, company-, and national succession didn't work. The company needs to show transfer worthiness for international buyers. And the most promising way to do so is to demonstrate innovation potential and innovative capacity of the company.



**Mateja Ahej**, Superior

In most cases small businesses, when starting a sale process, are more likely to be focused on well-known domestic potential investors. But neglecting the possibility of finding potential buyer/investor abroad could mean lower transaction price or not to sell at all. In case of selling a small business to the international buyer the role of supporting environment is crucial.



**André Didelot**, Actoria International Group

Since 2002 Actoria International Group made a vision and innovative approaches to business transfers, family successions, fundraising incorporating business experts in Belgium, Spain, France, Great Britain, Luxembourg, Switzerland and Italy. C-TEMAIp project was a great opportunity to enlarge our network in Italy, Slovenia, Germany and Austria.



**Jean-Claude Baumer**, omegaconsulting GmbH

A larger market is opened to enable an ideal combination of prospective buyers and sellers.

This project offers the greatest added value by establishing and maintaining a network platform that brings the experts together in the field of “International Business Transfer” and enables an active exchange of experience between the various actors and consultants. This achieves the optimal bundling of different competencies that are so relevant to success, especially in cross-border mergers.

## 2.3 SMEs involved in the transnational business transfer process

C-TEMAIp project partners have tested the whole range of transnational business transfer service. After fine-tune of services on the needs basis, the mentoring service have been provided to over 30 companies. Companies were coming from a range of different sectors such as tourism, food and beverage, wood processing, handicraft-paintwork, lingerie, manufacturing of plastic and rubber goods, metal surface technology, waste treatment, etc. The services were mainly devoted to potential sellers which have benefited concretely of “check-ups” and support aimed to increase their value before the business transfer.

The task of the project was also to finalize matchings in order to fully fine-tune the accompany path towards the transnational business transfer. Company visits have been implemented to facilitate the matching among potential sellers and buyers. To provide a high quality of services project partners have in many cases been asked to involve consultants - business transfer experts in order to prepare SMEs on bilateral meetings with potential buyers or sellers.

After analysing services of all project partners it was evident that the number of SMEs willing to go international is limited and that the international business transfer requires more time as practiced on regional or national level. Many of business transfer projects with SMEs that started during the implementation of C-TEMAIp project are supposed to be finalised after the project conclusion.

### Interviews with SMEs



**Flora Olivier**, Hotel Olivier

The support given by the C-TEMAIp Network helped us to have new possibilities and possible scenario to sell our company. The mutual trust created with our institutional partner stimulated us to reach these objectives. The process is still long and maybe will require months or years but we will keep on cooperating with the network.



**Marc CHAMPSAUR**, CEO Kinevolution

Initially, we did not consider looking for foreign buyers because of issues such as language barriers, taxation and different laws or confidentiality! Finally, to be part of C-TEMAIp platform has expanded our opportunities in finding partners and investors.

Being accompanied and put in trust by the experts' network of C-TEMAIp project, made us more confident about reliability of business and investments abroad, especially in Alpine space area.



**Peter Popoušek**, Proprea d.o.o.

Looking for international buyers we are often facing the problem of our individual activities where many buyers with low credibility are showing their interest. There is also a lack of specialised organisation which we can trust.

The C-TEMAIp transnational with involvement of chambers and other trustful organisation has brought us to better quality of contacts and also to bigger transnational market.

## 2.4 C-TEMAIp business transfer contact points

C-TEMAIp project partners are mostly experienced in business transfer activities at the regional level. Despite this fact the transnational cooperation is a new part of services that has been introduced by the Alpine space project. It has significantly improved the portfolio of services of several partners and it was also important to project partners to have an opportunity to test services of other organisations in the project and to use the opportunity of free advices in their testing. Many of business transfer services for the matching at transnational level have been adjusted, capacities for cooperation with other partners of the network increased and concrete contact persons in organisations appointed.

### Interviews with contact point



**Mario Pozza**, president of Unioncamere del Veneto

C-TEMAIp represents a very interesting possibility to establish directly and easily contacts between potential sellers and potential buyers in the Alpine Space Area. The company has actually the possibility to have a regional trust body to start a search for international partners thanks to the different design experiences included in the C-TEMAIp project.



**Aleš Pulko**, president of RCCSB Maribor

The C-TEMAIp project will bring new services to the Chamber in the field of consulting and assistance to companies on business transfer. I have personally met this issue in my company and I understand the importance of this kind of services for business owners.

During the implementation of the project, the Chamber significantly increased the awareness and information activities for entrepreneurs and expanded its cooperation with consultants, experts. We have also successfully established contacts and cross-border business contacts, what is in practice a great opportunity for the future.



**Claudia Krobath**, Managing director of IR Styria

The internal challenges are basically the same in most of the companies and countries. However, the tax and legal frameworks differ from country to country. The project [www.business-transfer.eu](http://www.business-transfer.eu) offers contacts to regional and transnational experts for this purpose. A large number of partners in Austria's neighbouring countries are jointly involved in this project for transnational business transfer. In Styria, we already have a good basis for business transfer with the follow me program of the economic chamber Styria. Within the framework of the C-TEMAIp project, the activities could be expanded on a transnational basis. On the one hand, these contacts provide impulses for regional business and on the other hand, open the door to new business opportunities and new markets. We are convinced that entrepreneurship in Austria will benefit from this project.



**Franck Araujo**, Entrepreneurship department manager CCIMP

C-TEMAIp project gave us the opportunity to share with partners' best practices in Business Transfer approaches. In the first hand, we tested new format services in a transnational scale, in the second hand, we built together our BT platform that we hope it'll be the first brick of a real BT experts network among all countries involved in the project at Alpine Space level, making us able to source and support goodwill Business transfers deals.



**Ivan Boesso**, European Policies responsible Veneto Innovazione Spa

Veneto Innovazione is an innovation agency not specialised in business transfer at all but through our membership in the Enterprise Europe Network we are skilled in providing services to help companies in valorising their innovation potentialities. C-TEMAIp was a good chance for us to understand how to bridge the two kinds of services in view of a broader vision of the company strategic management.



**Markus Neuner**, CCI for Munich and Upper Bavaria IHK MUNICH

For our advice to companies within the Chamber of Commerce and Industry in Munich, the project has mainly contributed to expanding the network of consultants and stakeholders and thereby offering companies targeted added value in terms of service. In any case it is worthwhile to look also beyond the border when looking for a company successor. The network, which was expanded very strongly over the course of the project - with experts in the area of taxation, for legal issues and financing - should be sustainably strengthened after the project's end.



**Luca Filippi**, Vice director of the Chamber of commerce of Bolzano

The C-TEMAIp project has enabled us to gather experience also in transnational business transfer, while before we offered only a national or regional service for business transfer. For a company that wants to expand internationally, acquiring a company abroad can also be a good opportunity.

Thanks to the good cooperation with the project partners, we have built up a network of international experts that we will further strengthen in the future.



**Martina Agosti**, European Project Manager ITALCAM Munich

ITALCAM offers commercial assistance and services to German and Italian SMEs. Thanks to the C-TEMAIp project we had the possibility to grow and expand our field of action and our portfolio of services. In fact, we built a wide international network that includes small and medium enterprises, business consultants, policymakers, local actors and institutions.

We strongly believe that thanks to the project SMEs will have easier and problem-free access to international buyers and sellers.

## 3. Planning your business transfer cooperation

This chapter contains the information for new partners on how to join the network and plan their business transfer services on transnational level.

Business transfer planning is not as simple as the classical business cooperation process. It can also not be concluded immediately. The complete business transfer process can take several years and it requires a good expertise of the supporting institution.

### 3.1. *Planning your services on transnational level*

There are several providers for transnational business transfer services, mostly consultancy companies. The business transfer process is expensive and business transfer consultancy companies are mostly oriented towards the transfer of medium sized and big companies where the final business transfer costs do not present a problem for payment on the side of the company owner. In the case of small and even micro companies the business transfer process requires involvement of public supported services where the public resources are invested in order to remain the existing jobs.

**Cross-border cooperation** is present in many regions due to the existing cooperation between institutions. Based on the experience of C-TEMAIp project partnership in such cooperation was identified between Styria (Austria) and Maribor (Slovenia). The cooperation can be considered as very reliable way of cooperation which does not require a lot of additional resources and as long term cooperation. The number of cooperation projects between companies is larger as with business partners from the global market and consequently also the understanding of business relations and the level of trust. The short distance between potential business partners and consultants allows short term organisation of site visits and more frequently contacts.

One of the biggest opportunities for positioning business transfer services to international level **presents the Enterprise Europe Network**. The Enterprise Europe Network is the world's largest support network for small and medium-sized enterprises (SMEs) with international ambitions. The Network is active in more than 60 countries worldwide. It brings together 3.000 experts from more than 600 member organisations. The network offers expertise, contacts and events to connect SMEs with the right international partners with the right international partners. The majority of its members are chambers and SME supporting institutions which already offer business transfer services or work tide together with institutions from mentioned sector.

### 3.2 Cooperating with C-TEMAIp contact points

Nine partner organizations have agreed on long term transnational cooperation and signed the Memorandum of Understanding in Munich on October 18th, 2018. Majority of them is networked with other regional and national business transfer service providers in the way that complete information and advice on business transfer can be provided.

- **Austria (Innovation Region Styria)**

Transnational business transferor and successors are supported by the team of the Innovation Region Styria and the Styrian Economic Chamber. The Economic Chamber Styria offers the service „Follow me“ for business transfer for transferor and for successors.

<http://www.irstyria.com>

- **France (Chambre de Commerce & d'Industrie Marseille Provence)**

Business transfer is managed by the CCI Marseille Provence Department of Entrepreneurship team. The team validates sellers (diagnosis of sale) and buyers projects. CCI Marseille Provence offers the digital service “Transentreprise.com”. This system, in partnership with transmission professionals: notaries, accountants, lawyers and banks is efficient in 77 departments.

<http://www.ccimp.com>

<http://www.transentreprise.com>

- **Germany (Italienische Handelskammer München- Stuttgart)**

Thanks to its transitional nature of the company ITALCAM brings together successors and transferors on a transnational level, particularly within Bavaria, Baden-Württemberg and Northern Italy.

<https://www.italcam.de>

- **Germany (Handelskammer München, Industrie- und Handelskammer für München und Oberbayern)**

The Chamber of Commerce and Industry for Munich and Upper Bavaria offers support services concerning business transfer / Company succession. Some of those services, like the e-platform Nextchange are offered thanks to the cooperation with other partners.

<http://www.invest-in-bavaria.com>

<http://www.statista.de>

- **Italy/Bolzano (Camera die Commerciale, Industria, Artigianato e Agricoltura di Bolzano)**

Business transfer is supported by the team of the Chamber of Commerce of Bolzano. The service point gives following services: Information material and guides for business transfer, orientation and information, consulting with experts, information on financial support, lectures and seminars.

<http://www.bz.camcom.it/en>

- **Italy/Lombardy (CSMT Gestione Scarl)**

CSMT acts as contact point in Brescia through a wide range of services in support to Business Transfer and addressed to both buyers and sellers. These activities are carried out in a coordinated way with other relevant stakeholders and professionals of the field (experts in intellectual property rights management, financial, legal and fiscal advisors, investment banks, venture capitalists, coaching, management and organisational experts).

<https://www.csmt.it/>

[www.saprai.it](http://www.saprai.it)

- **Italy/Veneto (Innovazione S.p.A.)**

Veneto Innovazione Spa is the in-house innovation agency of the Veneto regional Government. The aim is to promote and develop applied research and innovation inside the regional production system, particularly focused on SMEs meaning to pursue high technological standards, environmental improvement and human resource qualification.

<http://www.venetoinnovazione.it/>

- **Italy/ Unioncamere del Veneto-Eurosportello Veneto**

Unioncamere del Veneto is an information and assistance office providing services and helping the business community- especially SMEs based in Veneto region. With an experience of more than 24 years in project management and planning, The Department staff has an excellent knowledge of EU institutions and programs and thanks to the participation to EEN acquired specific skills in the field of innovation support, internationalization services, research and innovation, technology transfer and SME support services.

<http://www.eurosportelloveneto.it>

- **Slovenia /Regional Chamber of Craft and Small Business of Maribor**

The experts group of the Chamber of Craft and Small Business of Maribor support transferor and successors on different matters such as the company incorporation, financing, taxes, labour law, wages and salaries, accounting, civil and company law.

Concerning the transnational business transfer activities it is cooperating with the Enterprise Europe Network at the Maribor Development Agency.

<http://www.ooz-maribor.si/>

<http://investpodravje.si>

<http://www.mra.si>

## The C-TEMAIp network offers:

- Mentoring services - **dedicated service for sellers** willing to disinvest all or part of the shares, finding a possible business partner abroad (Alpine Space area) and supporting **services to clients** that would like to **buy/invest** in new markets.
- The services package consists of technical and specialist support that would be activated on the basis of the clients' need all along the project life by the C-TEMAIp partners and through their local stakeholder's network.
- A business transfer platform that helps partners and advisors in exchanging information about their clients that could directly be used by companies to contact their local support organization: [www.business-transfer.eu](http://www.business-transfer.eu)
- Information offered to have an overview of the regions, the investment opportunities and the core sectors of each region and have a quick of the main before investing

The network has been created as an open network which is supposed to be enlarged by the end of Alpine Space project. The main aim is to involve competent partners and to provide high quality of services to entrepreneurs in the process of business transfer.

In order to ensure the basic cooperation pre conditions and implement the action each partner is recommended to:

- **Identify employees** with professional spoken and written English language skills and business transfer expertise for first contacts.
- **Train these employees** on the C-TEMAIp platform, principles of the partnership.
- Secure **time and travel budget** for those employees if needed.
- Give **priority to international business transfer** requests.
- Continuously **collect information from own customers** about potential international business transfer activities.
- Use any service format to **promote international business transfer** as an alternative to evaluate.
- **Promote service offers in English or other spoken language** offered by C-TEMAIp partners.

### 3.3 C-TEMAIp business transfer platform

The platform is meant as a tool for SME business transfers in the project area to foster the matching among buyers and sellers at transnational level. The platform not only facilitates the transnational matching but it also is useful to provide support services for companies and to strengthen the innovation potential of established SMEs.



The platform is on the one hand a database of sellers and buyers and also a meeting point of buyers, sellers and experts. All profiles entered into the Business transfer platform and information is shared between project partners. Through direct and personalised contacts with the intermediary organization of reference they get access to specialized services and meet potential buyers. The service gives companies a personalized support and strict confidentiality in relation to the information provided.

All information concerning services is provided by the support point in each country. It includes specialized technical advice services which are activated for the duration of the project from the intermediary organizations involved in the project, with a widespread capillary network at local level.

There are two domains to find the e-platform [www.business-transfer.eu](http://www.business-transfer.eu) (main domain for the volume) and [www.c-temalp.eu](http://www.c-temalp.eu) - this domain points to the main domain, but is also found in searches.

## **Marketplace - central point of business transfer platform**

The effective transfer of businesses is clearly assisted by the existence of an efficient market place in which sellers and buyers can meet and also gather information about the necessary elements for a successful deal. The MATCHING SERVICE is dedicated to companies interested in identifying possible partners abroad, in order to sell (in whole or in part) their own business or to acquire / invest in new markets.

All partners create by themselves marketplace – profiles based on the forms which were developed for seller and buyer. It is possible to make “textboxes” VISIBLE or NOT VISIBLE. This point is very important, because some companies want only basic information visible and privacy is an important element of the platform.

There are two ways to search for companies - On the one hand you can search for all different regions involved and on the other hand you can filter by sector (trade, Services, tourism, industry, handcraft).

For the exchange of the data among the project partners the profiles are sent to each other by interest in a company and updated regularly in the tracking list (part of the matching process).

The collection of potential companies by all project partners takes place through the developed profiles for seller and buyer. The data for the input on the e- platform is collected by using the questionnaires / profiles which agreed among the partners.

### *3.4 Developing business transfer*

Many failures can be avoided if transfers are planned well ahead and specialised advice is provided. For this reason C-TEMAIp contact points offer support activities to make business owners aware of the need for a timely preparation and to accompany them in the business transfer process. To provide high professional level of services they cooperate with external experts - specialist (tax advisers, accountants, legal experts, etc.).

For international buyers sellers C-TEMAIp contact points can be of advantage due to high quality of expertise offered and incentives which are available in some cases. These services also not operate as profitable activity but in most cases as regional or national supported instrument to preserve jobs or to attract investors.

C-TEMAIp partners have created a network of consultants and offer experts a possibility to internationalise their activities and to exchange the know-how with experts from other countries. Databases of experts are developed and maintained on regional level. Experts in the area of business transfer are free to contact regional office in their region and offer their services for regional buyers/sellers as well as to customers from abroad. This way they can also get in contact with experts from other countries and meet them at international event of the network.

## 4. Sustainability of the network

### 4.1 Sustainability of the proposed services

The Governance Model foresees the role of the involved organisations as HUB service points linked at transnational level between each other and a local level with a set of 'second level' service providers' organisations identified by the Partners as capillary service points of the networks at regional level.

The project's involved network organisations signed a Memorandum of understanding in Munich on October the 18th during the project final conference. The Memorandum of Understanding (MoU) is a mutual statement of commitment among the parties. It serves to keep record of the commitment of the parties, which agree to make every reasonable effort to create a mutual networking cooperation for the support of business transfer services for Alpine Space companies.

By subscribing the MoU, the parties committed themselves to:

- Transfer information and concrete experiences to third parties including external organizations interested in being part of the network;
- Do any reasonable effort to research of other financial resources to cover dedicated services or integrate the tested services into existing internal ordinary activities;
- Promote and deliver specific actions dedicated to transnational business transfer at European level by transferring the gained knowledge and competences to other potential members outside the network, with specific reference to the Members of the Enterprise Europe Network.

The HUB service points will be thus both the formal partners of the C-TEMAIp Project, "Continuity of Traditional Enterprises in Mountain Alpine Space Areas", and other organisations willing to join the business transfer network in the future.

The network organisations will build synergies with other complementary service providers outside the network in their geographic area.

Beside the project partnership the network has also received statement of support from the following external institutions which expressed their willingness to cooperate in further development of the network:

#### **Ministry of Economic Development and Technology (Slovenia)**

The Slovene ministry has joined the project at the very beginning as observer. The ministry is organising the business transfer support network on national level. Activities are planned to be implemented in time period 2018 – 2019. The voucher system for final beneficiaries will be introduced in cooperation with the Slovene Enterprise Fund (SEF).

<http://www.mgrt.gov.si/en/>

### **Maribor Development Agency (Slovenia)**

Maribor Development Agency is a public institution responsible for the coordination of regional development activities in the Podravska region. It is also a member of Enterprise Europe Network. Its activities are also including the investment attraction services with the regional business transfer platform.

<http://investpodravje.si>

<http://www.mra.si>

### **Wirtschaftskammer Steiermark – Follow Me (Austria)**

Services provided by Follow me: assisting business owners in finding successors, assisting potential successors in finding businesses, assisting in finding a business for business owners who are interested in enlarging their business: growth through succession, providing help with specific questions on business succession.

<http://followme.nachfolgen.at>

<http://www.nachfolgeboerse.at>

## 4.2 Enlargement Action through Enterprise Europe Network

During the implementation of the project, the partnership discussed about its sustainability of the project after its closure and the partners agreed to propose the creation of the new working group within Enterprise Europe Network in order to actively cooperate to sustain the Business Transfer policies at European Level.

**What is EEN?** - Enterprise Europe Network (EEN) is a business support network, initiated by the European Commission, promoting competitiveness and innovation at local level via its 600 member organisations present in over 50 countries. It offers professional support services to bridge the gap between research and the market by facilitating transnational business-business and business-academia innovation partnerships across Europe, Asia and the Americas.

The C-TEMAIp partner's organisations mutually agreed that the experiences from the C-TEMAIp project will be used in the framework of the EEN 2019 working plans to facilitate the continuation of the tested business transfer activities taking into account also the recommendations of the EEN's actual Annual Guidance Note 2018.



*Business Support on Your Doorstep*

**website:** <https://een.ec.europa.eu/>

## 5. Conclusions & recommendations

- **The transfer of a business is a complex process that involves much more than the legal transfer of ownership.**

### **C-TEMAIp recommends:**

To face and manage successfully such a complex process, companies should be fostered to adopt a strategic approach and an early planning. SMEs support organisations and chambers of commerce should enrich their services portfolio giving companies a first orientation toward business transfer since the early stage.

- **The business transfer entails certain transaction costs which are the first barrier for small companies that often cannot afford expensive consulting services**

### **C-TEMAIp recommends:**

C-TEMAIp organised in the project areas several round of informative events which have been appreciated by entrepreneurs because they offered both information about the different aspects of business transfer as well as the possibility to book (also weeks after the event) a first orientation session with specialised consultants. Companies should have the possibility to select the best consulting services accordingly to their specific needs and to benefit from a first meeting free of charge.

- **The building of trust is one of the first tasks in creating a business transfer hub.**

### **C-TEMAIp recommends:**

The existence of an impartial and trustworthy organisation is a requirement for the creation of a successful business transfer network on regional and transnational level. In many cases chambers of commerce, business associations or public innovation agencies that already act as supporting organisation at local level are the best candidate as network hubs because they are already connected with businesses in their territories and they are perceived as trusted organisations.

- **In order to provide high quality level of services to transferors and transferees/ successors, support organisations are supposed to have a disposal professional and qualified advisors and to provide regular training to their employees**

### **C-TEMAIp recommends:**

The C-TEMAIp network has identified the need to create competences and skills inside and outside the hub organisations as an important matter for the sustainability of the network. Internal personnel is asked to have the knowledge and the experience to check companies' needs and to propose possible solutions and/or to signpost the company to the apt specific external support.

- 
- **Online business transfer matching platforms are not very known and too many potential users are not aware of the possibility of making use of such a service. In addition sellers are often reluctant to have their profile promoted online.**

**C-TEMAIp recommends:**

Online matching platforms are useful tools that allow supporting organisations to facilitate the matching among potential sellers and buyers even at transnational level. On the basis of the C-TEMAIp experience it is recommended to valorise these platforms more as an entry point for clients and to develop the matching tools as internal reserved area for intermediaries.

- **Transnational transfers in European Union are of growing significance, though they are still a small proportion of the total number of business transfers**

**C-TEMAIp recommends:**

C-TEMAIp have experienced that transnational business transfer is facilitated if potential buyers and sellers share the same culture and language. Exchanges and cooperation among advisors of cross border regions should be valorised as powerful tool toward transnational business transfer.

- **Not all the companies are ready for transnational business transfer**

**C-TEMAIp recommends:**

One of the key questions of the project was also what target group of SMEs is more promising for international business transfer. In the testing phase we have provided the services to a broad range of companies, often very small and acting in several business sectors. We have realised that transnational business transfer could be an opportunity also for traditional small companies but it should be definitely intended as a path to be taken only by companies that have reached a enough readiness level.

## 6. Attachment

In attachment the Discussion Paper on International Business Transfer, Innovation and growth of enterprises through business transfer in the Alpine space, written by Frank Bau, Katrin Schillo, Eva Rohrer (Hochschule für Technik und Wirtschaft HTW Chur, Switzerland).

The Paper gives a very precise scientific point of view on the capacity of international business transfer to support future oriented and financially sustainable companies with a positive innovation capacity within the European market.

## Literature and sources

Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises 94/1069/EC

Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions 'Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses - Continuity through a new beginning' COM(2006) 117 final of 14.03.2006

Report of the Expert Group - Fostering Transparent Marketplaces for the Transfer of Businesses in Europe (2006)

C-TEMAIp Newsletter Issue #1, # 2, # 3

<http://www.alpine-space.eu/projects/c-temalp/en/news/media-info>











## **C-TE**Alp

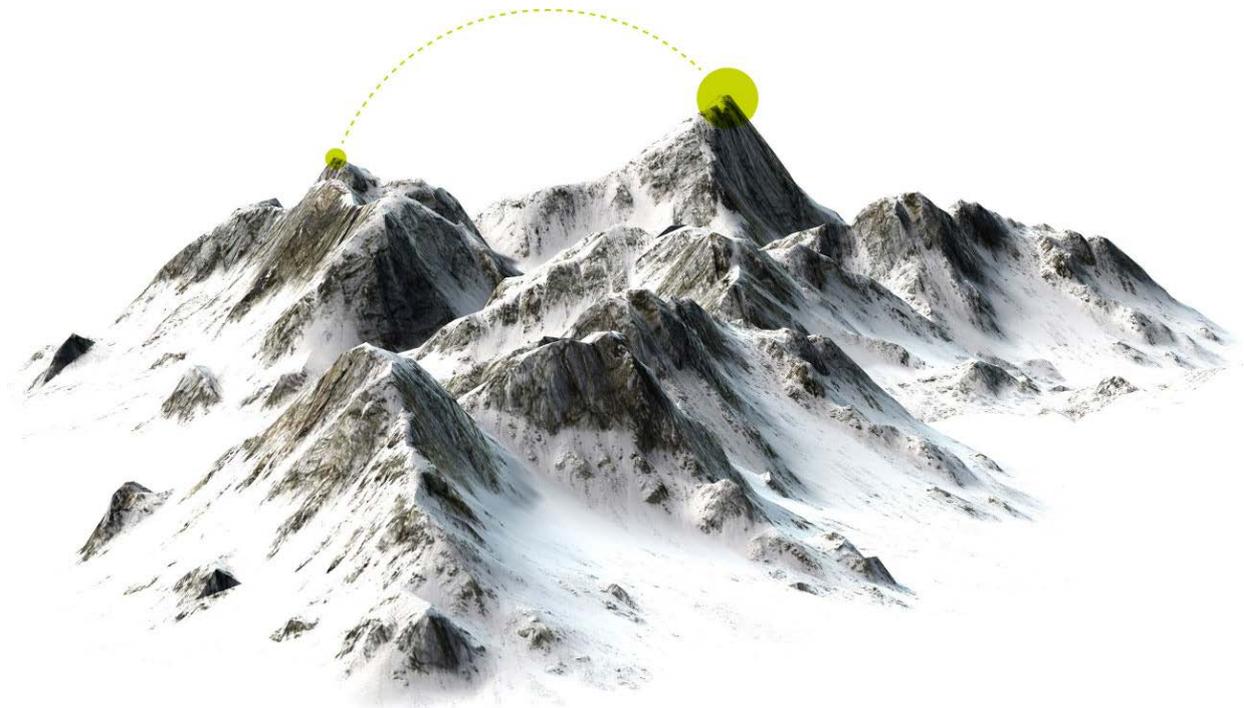
*Continuity of Traditional Enterprises in Mountain Alpine Space areas*

Discussion Paper

# International Business Transfer

Innovation and growth of enterprises through business transfer in the Alpine space

by Frank Bau, Katrin Schillo, Eva Rohrer<sup>1</sup>



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## 1. Introduction

### Preliminary Note

Demographic change and the rise of the ageing index in Alpine Space areas could endanger the capability of territories to keep their attractiveness because of the risk that companies may not find an adequate solution for their succession planning. Approximately 450 000 firms are being transferred across Europe affecting two million employees every year. Around 150 000 companies are not being transferred due to system inefficiencies, causing a risk of losing 600 000 jobs in Europe (European Union 2011).

The project C-TEMAp (Continuity of Traditional Enterprises in Mountain Alpine Space Areas) aims to support this critical company phase, offering entrepreneurs specific services and a network of support organizations with the double aim of strengthening the innovation potential of established SMEs and fostering the matching among buyers and sellers at transnational level. C-TEMAp would like to show, through entrepreneurs' experiences and concrete pilot cases that business transfer is not only a critical issue but ,moreover, it is an opportunity for the business renewal of the Alpine Macro Region. C-TEMAp is funded by the European Union in the programme Interreg Alpine Space.

This discussion paper is an output of the project C-TEMAp and integrates practical experiences and insights from the project as well as an academic literature review and reflection of international business transfer. Thus, we concentrate on family-external and company-external business transfer to a company successor from a foreign country. As a result, the present article is closer to the exit alternatives "sale to a third party" or "mergers and acquisitions" defined by (Morris et al. 2018) than to other exit options. Based on the entrepreneurship literature, (Morris et al. 2018) names seven exit options in company succession. However, as these are not very selective, we define family-external and company-external succession as exit options for our purposes.

### Structure and content

We start with definitions of the basic terms used in the article. At the beginning of the three-year project with twelve partner institutions from five Alpine regions we conducted a survey on the services offered to incumbents for business transfer. Method and results will be shown in chapter 3. We will then highlight the perspectives, motivations and challenges in the transfer process on the company seller's side and the company buyer's side. This also includes a deeper look at the psychology and emotional setting of the two parties involved (chapter 4). The next chapter will outline the internationalization process by transferring a company across border (chapter 5). We will then focus on the role of innovation in international business transfer and give some recommendations as to how companies can prepare themselves in time to be ready to be transferred as an innovative and future oriented company (chapter 6).

One enormously challenging task will not be highlighted in this paper: the search for the successor. This task was one of the main objectives of the C-TEMAp project. Under [www.business-transfer.eu](http://www.business-transfer.eu) during the project life-time, a platform for the matching of incumbents and successors was built and filled with data. The data is highly confidential and access to the full data needs a personal contact with one of the project partners. This website will also be the place to find a practitioner's handbook and other useful material and links.

## 2. Definition of business transfer and the transfer process

The European Union, which has been funding the project, C-TEMA<sup>alp</sup> defines business transfer as “(...) the process of handing over a business to new owners and usually new management” (European Union 2011, S. 2). This definition is in line with the academic literature in the field as Alpeza et al. 2018 point out in their literature review. There has been a clear shift from the family business perspective dominant in the 1980s and 1990s to the focus on the change of ownership in the 2010s and recently also in the entrepreneurship literature (Alpeza et al. 2018). In this article we follow the definition from the European Union.

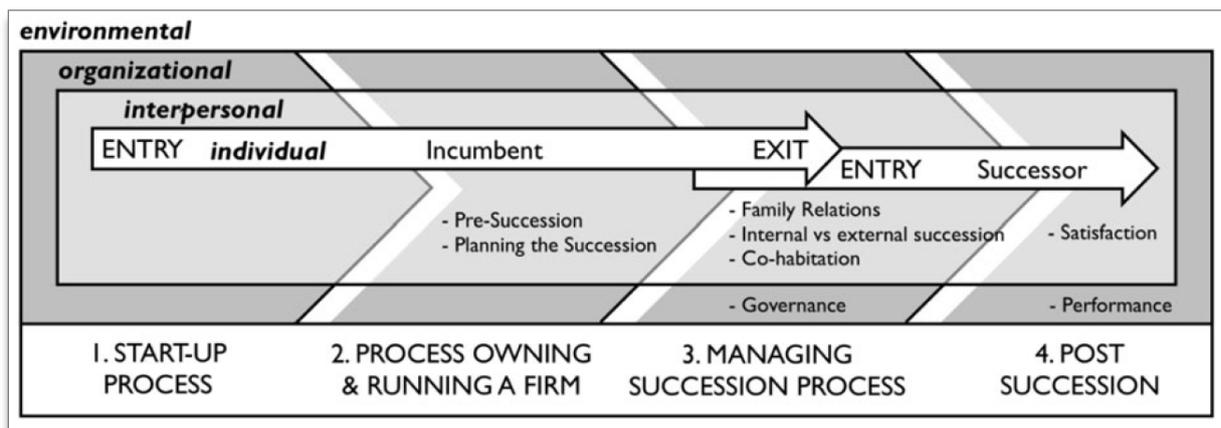


Figure 1: Succession from an entrepreneurial process perspective (Nordqvist et al. 2013).

We also need to define a process model of business transfer. As the definitions shifted from a family business succession perspective to a rather investment and entrepreneurial oriented perspective the process models also changed. Since in an international business transfer many cases will follow an investment logic on the buyer's side, we build on a corresponding process model designed by (Nordqvist et al. 2013), see Figure 1. This model supports the approach of this paper in contrasting the seller's and the buyer's perspective. For the purpose of this paper we adopt the terminology from (Nordqvist et al. 2013) with the incumbent equalling the seller and the successor equalling the buyer. The model also opens the three levels of analysis with the interpersonal, the organizational and the environmental level having a different impact for the incumbent and the successor.

## 3. Survey on support services for business transfer

The aim of the project is to increase the quality of support for company successions. In order to obtain a sound starting point, all project partners were asked about their currently offered services. The respondents listed and explained all the services they offered and assigned them to the dimensions described in Table 1, 58 services in total: Figure 2. The survey was based on a more traditional process model that is closer to the prevailing practice of advising corporate succession (Christen et al. 2013).

Dimension 1: Process phase	Dimension 2: Service format	Dimension 3: Exchange relationship
<p><i>Initiation:</i> This phase is one of apparently easy phases. There is no expert knowledge on taxation, funding, accounting and other topics required both on the side of the providing agency and the company. Still, this phase is probably the most important; since the transfer process will be the more successful the earlier, both buyer and seller are clear in their objectives and plans for the transfer project.</p> <p><i>Selection of transfer option:</i> There are different options to choose from how a transfer can be designed (inside the family, trade sale, management buy-out, etc.).</p> <p><i>Preparation:</i> Many things need to be done to prepare a company and all the stakeholders for the transition. The tasks cover finance and accounting, customer care, personnel affairs, taxation, legal issues and many more.</p> <p><i>Transition:</i> During this relatively short period, the transfer will be executed. Legal issues dominate this phase.</p> <p><i>Implementation:</i> This phase is the real execution of the transfer, since after the legal transition the process of leaving alone and taking over in the daily business has to take place.</p>	<p><i>Consulting:</i> The agency meets the client (seller or buyer) and intensively consults the client relating to specific individual and real challenges.</p> <p><i>Training &amp; seminar:</i> The agency offers closed events to help the clients to develop their skills and knowledge needed for a successful business transfer.</p> <p><i>Workshop:</i> The agency offers closed events to guide the clients to master real challenges of their BT project, e.g. formulating an innovation strategy for the clients' companies. What differentiates a workshop from trainings &amp; seminars is that the result is a real piece of work the participants will effectively use for their BT project, which they are already following.</p> <p><i>Public event:</i> The agency offers to the public events of public interest such as keynote speeches, expert talks or panel discussions.</p> <p><i>Information package:</i> The agency offers information relating to BT on their website or in print formats that are designed to be used by the client without further guidance.</p> <p><i>Networking:</i> The agency is running databases or matching platforms and/or organizes events that follow the main objective to bring people together.</p>	<p><i>Active:</i> The buyer and/or seller have to be active to benefit from services that are classified as active concerning the exchange relationship between agency and client. Active may be the participation in a seminar or training.</p> <p><i>Passive:</i> The client could just consume the content of the offerings such as downloadable guidelines, expert talks, etc.</p> <p><i>Interactive:</i> Most challenging for both clients and agencies are interactive formats, such as workshops, consulting or coaching. Interactivity means that both sides have to open themselves and have to give individual input.</p>

Table 1: Operationalization of the three dimensions for the service analysis (Source: internal).

The results for dimension 1 suggest a possible gap in the support of business transfer (see Figure 2). 43 of the 58 services are not dedicated to a specific phase in the transfer process. The largest number of services deals with the process stage of transition. This process phase is complex and demanding and difficult to cope with by the entrepreneur alone. However, in this phase it is too late to influence the future viability and innovative capacity of the company. For a future oriented transfer process the business support agencies should offer more services in the very early stages of the transfer process. This would help the entrepreneur to prepare mentally earlier for the transfer of his company and prepare employees, customers, suppliers and the successor earlier and better for the often long-lasting transfer process.

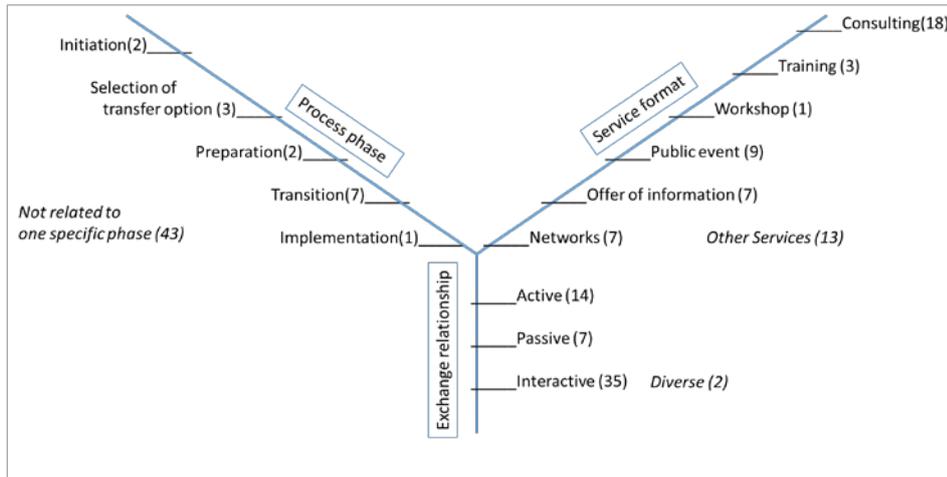


Figure 2: Support services for business transfer (Source: internal, adapted to Bau und Sennrich 2017).

Looking at the service formats applied, it is remarkable that there are hardly any workshop formats and considerable consulting. Consulting can be very intensive. But it can also be a great help to the entrepreneur to prepare his own work on the way to a successful completion of the succession process in a workshop with other entrepreneurs in the same situation. The exchange relationship could include more passive service offers such as downloadable checklists and other documents. For example, entrepreneurs could consume information and knowledge in quiet preparation before they officially start the transfer process and would not have to publicly reveal their concerns. Many entrepreneurs are afraid of transmitting too many signals of weakness to the customers, partners and competitors by talking too early about the transfer process. (Bau und Sennrich 2017)

**Recommendations for institutions supporting entrepreneurs in their succession process.**

1. Create more offers tailored to the early stages of the handover process. This includes psychological issues.
2. Offer more workshops in which entrepreneurs can interact with other entrepreneurs and take back usable results for the ongoing transfer process.
3. Offer more passive formats to let the entrepreneur stay anonymous for longer if needed.

#### 4. Incumbent and successor: two different perspectives

It is in the nature of the matter that incumbent and successor pursue different interests in the transfer process and are driven by different motivations and needs. In a family- and company-external international business transfer the two parties involved may not know each other before the matching process has started. Both sides need to prepare for negotiating with a stranger, while the major practitioners' literature in business transfer focuses on the situation where incumbent and successor have been already working together or even belong to the same company or even family (Halter und Schröder 2017; Blackburn et al. 2018; Dürr und Lardi 2014). One of the most critical consequences and differences is that for the incumbent the transfer will ever remain a mentally challenging task, while the successor can start the process rather rationally.



## The soft side of business transfer

A number of different issues can occur during a company succession, which hinder a successful transfer. Issues triggered by succession can be divided into “hard” and “soft” issues. Hard issues include monetary, technical and legislative matters, legal and financial aspects, among others. Soft issues on the other hand, refer to family and business sub-systems, and consist of emotions, personal feelings, relationships and conflicts between people within the company (Cesaroni und Sentuti 2016).

In many cases, a particular focus is attributed to the legal aspects of the business during a company succession. Even though financial and physical aspects play an important part, intangible assets are most crucial as well and should not be overlooked. However, psychological factors are often neglected in the succession process (Filser et al. 2013, S. 257).

Four different levels play a role during a business transfer (Whatley 2011, S. 23):

1. Individual level: the success of a business transfer is highly influenced by the owner’s personality, their emotions and stage of personal development
2. Interpersonal group level: the interpersonal and group dynamics between members of a family-owned business influence the succession process
3. Organizational level: cultural aspects and the systems perspective of succession further impact the business transfer
4. Environmental level: contingency or population ecology theory perspectives affect the succession as well.

Whatley 2011 extend the scheme shown in Figure 2 around the individual level of the entrepreneur. That is important because in many cases the entrepreneur/the seller has often owned and managed the company for decades or even founded it, which makes the soft side of the process much more challenging.

On average, three years are needed for a business transfer to be completed. However, family-external successions require less time (less than two years), than family-internal ones. This period of time leaves room for a great number of differences, which can occur between the current owner and the successor. Such conflicts can range from personal differences, to the unwillingness of the owner to let go of his life’s work, and the fear of loss of status after the succession. These emotional difficulties lead to a less objective perspective of the business transfer. The longer the process takes, the greater the potential for conflict becomes. Furthermore, the potential of personal and professional conflicts is significantly higher, when the company founder still exerts influence or remains in the company after the succession. Even though psychological aspects are not considered to be the main factors of conflict, they can influence the succession process in a negative way, ultimately leading to failure (Filser et al. 2013).

Most company owners have a strong emotional bond with their company. They spent a great amount of time working towards their goals and can strongly identify with their business. The founder’s strong sense of attachment to the business is coupled with the fear of retirement and ultimately death, as they reach another stage in life. Furthermore, many business owners have few additional interests other than their company, which makes letting go even more difficult (Filser et al. 2013). The fear of loss of status is accompanied by hesitation in company owners. If the business transfer then is accompanied by emotional conflicts, the succession process can be extended or postponed. However, letting go of the company can also generate positive feelings, which mostly occur after the business



transfer is completed. A clear distribution of decision-making power during the process, an open communication, and the general openness and curiosity of the business owner, who is not fearful about retirement, facilitate the succession process (Filser et al. 2013).

A study from Italy suggests that accountants represent a strategic partner for family businesses and often are the main reference point in many different fields, since they know the business characteristics and the entrepreneur's personal and family situation very well. Taking care to solve the financial and legal aspects in a succession is undoubtedly very important. However, solving "soft" issues (emotions, personal feelings, relationships and conflicts between people within the company) ensure the survival and the continuity of the family business. The succession process is very complex and concerns the entire process of transferring the entrepreneurial role. This raises a series of problems not only in the relationship between the predecessor and successor, but also in the relationships between family members of a family business, those involved in the firm and between family and firm (Cesaroni und Sentuti 2016). In the event of a business transfer, an accountant's technical skills are undoubtedly essential to address the hard issues posed by succession. However, soft issues often represent the real problem to be managed and are most complicated to address (Cesaroni und Sentuti 2016).

The willingness of both the owner who transfers the business and the successor are both important for a successful business transfer. The succession needs to be planned in advance, and current owner and successor need to be equally convinced of the long-term success of the company (Filser et al. 2013). Succession planning requires a long-term plan for an adequate number and great quality of managers, key-skilled employees and any new positions which may be created in the future. Human resource development plays an important role and should be planned early on. This includes organizational, career development and, in addition, the development of potential company successors. The transfer of informal work skills and knowledge between individuals within a company is particularly important in company succession (Sambrook 2005).

Every company has its own unique culture, which is not apparent at first glance. It takes time to understand the subtleties and get to know "how things are done". It is more difficult for an external person to become aware of the different relationships between employees, as this can even be unconscious for some of the employees themselves. From this point of view, the gradual investment in an internal successor could be an advantage. Not only can an internal successor understand the company culture, as he is part of it, but he is most certainly trusted by the current owner to successfully operate the company in the future. Such a strategy needs a lot of planning and takes several years to be successful. However, an internal successor could also be somehow biased by his previous activity within the company, following goals that ultimately may not be beneficial for the company. An external successor could in this case bring a fresh view and optimize goals for the company's future.

Strategic planning, especially concerning company succession and its future success increasingly becomes of importance for smaller firms (Durst und Gueldenberg 2010). Due to the high failure rate in company successions, business owners should start planning succession sooner rather than later.

Five assets are crucial to a company's attractiveness regarding succession (Durst und Gueldenberg 2010, S. 13): key employees, knowledge retention, brand, partners, corporate culture. Moreover, it is important that both the previous company owner and successor keep in mind the long-term development goals of the company. Intangible company assets are particularly linked to a more long-

term development and the sustainability of a company. Moreover, these intangible assets play an important role in an external successor's decision-making process (Durst und Gueldenberg 2010).

### Changing tensions in the transfer process

Table 2 lists three major ideological tensions in family businesses (Koiranen 2003). We argue that the incumbent over time moves from entrepreneurialism through managerialism to paternalism at the time when the company is about to be sold. On the other side, we have the successor who may run his or her company with no major tension. But when it comes to buying another company the tension of entrepreneurialism will be, at least for a certain time, dominant in the company. The acquisition and the following integration of the company require a change of mindset and with Koiranen (2003) a change of the tension. And we further argue that this shift to entrepreneurialism is one of the keys to innovation. Even a company that has been run under the tension of paternalism may become more innovative when acquired. But still without any of the motivations explained in chapter 5 the company will not reach transfer worthiness at all. Thus, the concept of the changing tensions can only support the innovative capacity of a company in succession but not totally create it.

	Paternalism	Managerialism	Entrepreneurialism
<b>Rationalities</b>	Caring	Being in charge	Venturing, creating
<b>Characteristics</b>	Protective, dominating, fatherly	Calculative, supervising, mechanistic	Initiative, innovating, organic
<b>Parallel features</b>	Emotionality, control	Intentionality, control	Intentionality, emotionality
<b>Traps</b>	Shared illusions	Inflexibility, shared rigidity	Foolhardiness, shared speculation
<b>Justification of power</b>	Seniority, superiority, being 'above'	Managerial competence, position	Ownership, risk-taking
<b>Attitude toward keeping</b>	Keeping traditions	Keeping business as controlled	Keeping business in charge

Table 2: A summary of ideological tensions (Koiranen 2003).

It is obvious that the different tensions on the incumbent's and the successor's side create additional potential problems. The entrepreneurial tension pushes the company towards initiative and innovative behaviour while the paternalistic tensions support traditions and the status quo. All parties involved have to be clear in their intentions to avoid conflict. The incumbent should prepare his employees far in advance. The process of being sold will be challenging enough. So, as much as possible should be done to help the employees master the transition.

#### **Recommendations for the incumbent.**

1. Create awareness for the forthcoming change of tension from paternalism to entrepreneurialism.
2. Communicate the shift to entrepreneurialism positively and be future oriented.
3. Create and foster innovation capacity early.



## 5. Requirements and Constraints of International Business Transfers

In this chapter we focus on international business transfer as the most complex transfer alternative. In the majority of the cases this will be a family- and company-external business transfer. Actually, this alternative is similar to what we find in the literature as mergers and acquisitions. In the case of a merger two companies are consolidated into just one company while an acquisition means a change of ownership. In this paper we focus on acquisitions and call it international business transfer.

### Successor's motives for an international business transfer

From the successor's perspective there are three fundamental reasons why companies engage in international business: (1) expanding sales, (2) acquiring resources and (3) minimizing risk (Daniels et al. 2011, S. 60). The first option offers access to new markets with additional potential customers and with higher sales volume the per-unit costs may be reduced. The second option is more complex and supports the objectives of lower costs, new or better products and/or additional operating knowledge. One element in this second reasoning is often the research & development capacity of the acquired company, or, in other words, the innovation capacity of another company run by different people in a different country. Other reasons are specific resources that are not available in the home country; human resources as well as materialistic resources (Morschett et al. 2015). The third reason for going international is minimizing risks. Basically the internationalizing company is buying more diversity and, thus, less dependent on the development of the home market (Daniels et al. 2011).

In the context of SMEs in the stage of business transfer, we suggest that (1) expanding sales and (2) acquiring resources are the dominant reasons and justifications for internationalization and international business transfer. (3) risk management will become more important with the increasing size of the company. Morschett et al. 2015 (2015) adds among other motivations that expanding sales requires knowledge of the local market structures and the behavior of the local customers to successfully capitalize on the larger market size. Therefore, it is also an option to use the established distributional systems of the acquired company (Morschett et al. 2015).

Whatever the motivation in buying a foreign company might be, there are a number of barriers for the so-called cross-border acquisitions or international business transfer in the words of this paper (Morschett et al. 2015, Daniels et al. 2011). The structural (statutory, regulatory and infrastructure) and information barriers (accounting, shareholders, regulation) apply for any business transfer, so for the recommendations we focus on culture and tradition as well as management (see Figure 3).

Structural Barriers	
Statutory	<ul style="list-style-type: none"> <li>♦ strong powers for supervisory boards to block mergers; unions and workers' councils have say on takeovers and strong redundancy rights</li> <li>♦ issue of bearer shares, double voting or non-voting shares; absence of one share, one vote (OSOV) principle</li> <li>♦ discriminatory tax laws against foreign acquirers, e.g. withholding taxes on dividends</li> </ul>
Regulatory	<ul style="list-style-type: none"> <li>♦ antitrust regulation, foreign investment review, rules of stock exchange and professional self-regulatory bodies</li> <li>♦ absence of statutory or voluntary bodies to regulate takeovers</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>♦ absence of M&amp;A services, e.g. legal, accounting, investment banking services</li> </ul>
Technical Barriers	
Management	<ul style="list-style-type: none"> <li>♦ two-tier boards which cannot be removed or changed quickly</li> <li>♦ families dominate shareholding</li> <li>♦ powers to issue shares with differential voting rights or to friendly persons</li> <li>♦ powers to limit maximum voting rights; powers to override shareholders in company's interest</li> </ul>
Information Barriers	
Accounting	<ul style="list-style-type: none"> <li>♦ accounting statements not available, quality of information poor</li> <li>♦ low compliance with international generally accepted accounting principles; accounting practice biased to avoid tax liability, or conservative, hence accounting statements opaque</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>♦ due to issue of bearer shares, shareholding structure not known</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>♦ regulatory procedures not known or unpredictable</li> </ul>
Culture and Tradition	
Attitude	<ul style="list-style-type: none"> <li>♦ "to sell is to admit failure" syndrome; dislike of hostile bids; dislike of institutional constraints on dividends or short-term profits</li> <li>♦ unwillingness to disclose information</li> </ul>
Value system	<ul style="list-style-type: none"> <li>♦ high premium on trust and confidence in negotiations rather than formal contracts</li> </ul>

Figure 3: Barriers to Cross-border M&As (Morschett et al. 2015, S. 415).

Empirical research has shown typical causes of failure and success in cross-border M&As (see Figure 4). Again, it is not accounting & finance, nor is it legal and tax issues that cause success and failure. It is rather the cultural and management aspects that make an international business transfer succeed.

Cause of Failure	Cause of Success
<ul style="list-style-type: none"> <li>♦ target management attitudes</li> <li>♦ cultural differences</li> <li>♦ no post-acquisition integration planning</li> <li>♦ lack of knowledge of industry or target</li> <li>♦ poor management of target</li> <li>♦ no prior acquisition experience</li> </ul>	<ul style="list-style-type: none"> <li>♦ detailed post-acquisition integration plans</li> <li>♦ speed of implementation</li> <li>♦ clarity of acquisition purpose</li> <li>♦ good cultural fit</li> <li>♦ high degree of target management cooperation</li> <li>♦ knowledge of target and its industry</li> </ul>

Figure 4: Causes of Failure and Success in Cross-border M&As (Morschett et al. 2015, S. 417).



#### **Recommendations for the incumbent.**

1. Find out the successor's true motivation for the international business transfer as a way to internationalize and present your company correspondingly.
2. Accept that the foreign successor will perceive the value of the company very differently.
3. Be honest with your people about their future to avoid unpleasant surprises after the transfer.

## 6. Business Transfer and Innovation

The transfer of a company, be it international or not, be it family, company internal or external, is always a chance for innovation. The incumbent, in the case of SMEs often the founder and owner of the company, is the basis for a significant part of the company. We argue that if the incumbent leaves it will be hard for the successor simply to continue the business as run by the incumbent for years or decades. In this chapter we want to reflect on innovation and develop recommendations as to how the incumbent can build innovation capacity and, thus, make the company more attractive for potential buyers. On the other side we analyse how the successor can use the innovation capacity of the acquired company.

A typical definition of innovation integrates a content dimension, a subjective dimension, a process dimension and a normative dimension (Hauschildt 1997). The content dimension means the what of the innovation (product, process, social, legal). The subjective dimension depends on the perception of the innovating organisation. If a product is new to a company but not new to the market, it is still an innovation for the one company. The process dimension focuses on the process of innovation, i.e. how innovations arise. The normative dimension is rather a theoretical construct and not useful for the purpose of this paper. A common definition is the following. "The definition of innovation is one which is difficult to come to a consensus. However, the OECD's Oslo manual defines an innovation as "... the implementation of new or significantly improved goods or services, or a process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations" (OECD-2, 2005, p. 46, cited in Bentivegna 2014).

### The successor's view on innovation

In chapter 5 we have seen the most common motives for internationalization. In the sense of the subjective dimension of innovation, both expanding sales and acquiring resources support the successor's innovation activity. Innovation activity is often supported by networks (Bentivegna 2014). More specifically, an innovation network can be defined as "an organization network engaged in product or process innovation or both." (van Aken und Weggeman 2000, S. 142). With a minimum of two companies, the buyer's company and the incumbent's company, we can call a business transfer already a network. This perspective seems artificial but it integrates the question of the source of innovation. The literature supports the suggestion that external sources are important for the innovation process (Bentivegna 2014, Bau und Forster 2014).

The literature on innovation networks shows that the motivations to join an innovation network are similar to those when internationalizing. In general, individual firms have five motives which drive them to participation in such networks: (1) The high costs and risks of R&D projects, (2) an attempt to shorten the period between discovery and market introduction, (3) the exploration potential of new



markets and new market niches, (4) technology transfer, and (5) the monitoring of technological opportunities and evolution (Pyka 1999).

We conclude that the motivations to join innovation networks and to internationalize are similar and, thus, we argue that international business transfer offers an opportunity for innovation. This is the successor's perspective and we presume that the successor can deal with this innovation challenge once he has decided to buy a company cross-border.

#### The incumbent's view on innovation

As elaborated in chapter 4 the incumbent is preparing to retire, to finish his or her entrepreneurial career. That is not supposed to correspond with a future-oriented attitude. So how can the incumbent install innovation capacity into the company and make it attractive enough for buyers seeking a company with innovation capacity?

SMEs show a number of characteristics that are positive for the establishment of an innovation culture (Kaschny et al. 2015). The authors emphasize flexibility resulting from direct communication, flexible labour division, customer focus, transparency and lower levels of bureaucracy. They further see the entrepreneur in the role of fostering innovation with motivational leadership and the creation of responsibility for all employees. On the other hand, SMEs lack financial resources, both internal and external innovation funding. Due to the size of the company it is often difficult to acquire all HR resources needed for innovation. They also often lack strategic management and methodological knowledge (Kaschny et al. 2015).

(Kaschny et al. 2015) list factors influencing and, thus defining the innovation capacity of a company:

- relative growth rate
- social support and benefits for employees
- quality of planning systems
- number of external relationships
- rational process of resource allocation
- organization of production
- business dynamics
- relative investments in research and development
- international activities
- financial sustainability
- personality and attitude of the entrepreneur

Since this is a long and challenging list for SMEs, we suggest that SMEs focus on their personnel resources when trying to build innovation capacity, and develop a supporting leadership style. Other instruments specifically designed for the enhancement of the innovation capacity and the support of the creative processes for more innovations often necessitate professional trainers for an effective application. With leadership the entrepreneur has a much easier instrument that builds on the positive characteristics of SMEs mentioned above. Basically, people doing highly sophisticated jobs, such as innovation management and product development, are motivated effectively by autonomy, mastery and purpose (Pink 2011). Employees tend to enjoy autonomy and strive to be competent in what they are doing. If that also supports a positive purpose, employees will show extraordinary motivation, innovative behaviour and overall work results. Translated into leadership that means, that SMEs should trust their people, listen to their people and support them rather than try to influence them

with extrinsic incentive systems. That sounds naive and too simple. But the theories from motivational psychology clearly support Pink 2011 with these motivation principles (Bau 2003).

**Recommendations for institutions supporting entrepreneurs in their succession process.**

1. Trust your employees and play with autonomy, mastery and purpose.
2. Start early. Innovation capacity can't be achieved in a couple of months.
3. Demonstrate visionary leadership until the very end of your career.

## 7. Conclusion

In this paper we reviewed services offered by agencies that assist companies in succession. We worked out the different perspectives of the incumbent selling his company and of the successor buying it. The result was a number of differences and a high risk of one side not understanding the other side's motivations. We have then reviewed literature on international management and cross-border mergers & acquisitions and found that the field of international business transfer can adopt many of the findings. Then we focused on business transfer and its role in the innovation process and suggest that existing approaches from the field of innovation management can be applied for business transfer. Throughout the paper we asked ourselves if we wouldn't have to address more specifically the international element. But actually the challenges aren't so different from the regular business transfer, but, nevertheless, much more challenging.



Figure 5: Motivations and challenges in international business transfer (Source: internal, Kaschny et al. 2015, Morschett et al. 2015, Daniels et al. 2011, Weber 2009).

Figure 5 summarizes the different perspectives of incumbent and successor when starting and during the process of international business transfer. There is a significant gap between the two parties involved which is a problem particularly for the incumbent. While the potential buyers always have the alternative of not buying, the incumbent has no choice. If the incumbent doesn't see the process from the successor's perspective, the result will be no contract at all or a lower price. A solution might come from the field of entrepreneurship (see Infobox).

The young entrepreneur from the Alpcafé introduced a venture capital oriented perspective to the field of business transfer and presented a possible solution. If the incumbent never stops preparing himself and the company for a pitch in front of investors, a better fit between the motivations of the incumbent and the successor will be the positive result. The incumbent should rather sell an investment in the future than sell the company with all his personal achievements, which are backwards oriented.

However, the incumbent has to be well prepared before entering the process. We expanded and adapted the models from Halter und Schröder (2012) and Halter und Schröder (2017) and defined three dimensions determining the success of transfer processes. We integrated the idea of innovation through business transfer and summarized our suggestions in Figure 6.

#### **Infobox: Insights from the C-TE Alp Alpcafés**

One of the activities during the project C-TE Alp were the Alpcafés. An Alpcafé was designed to bring together incumbents, successors, policy level, private consultants, public support agencies and other parties involved. One was also held in Switzerland with a very reduced number of participants. One of the participants was an entrepreneur running his second company after having sold the first one successfully.

During the discussion of international business transfer the participants realized different philosophies of entrepreneurship. While the senior SME owners and managers in the room were status quo oriented and caring for their employees, the start-up manager explained his philosophy. Starting a business and acquiring money from business angels and venture capital firms requires clear exit options from the beginning. Exit options exist when the company is future oriented with the potential for further growth and continuing innovation activity. The seniors did not accept that point of view and insisted on the appropriateness of their approach.

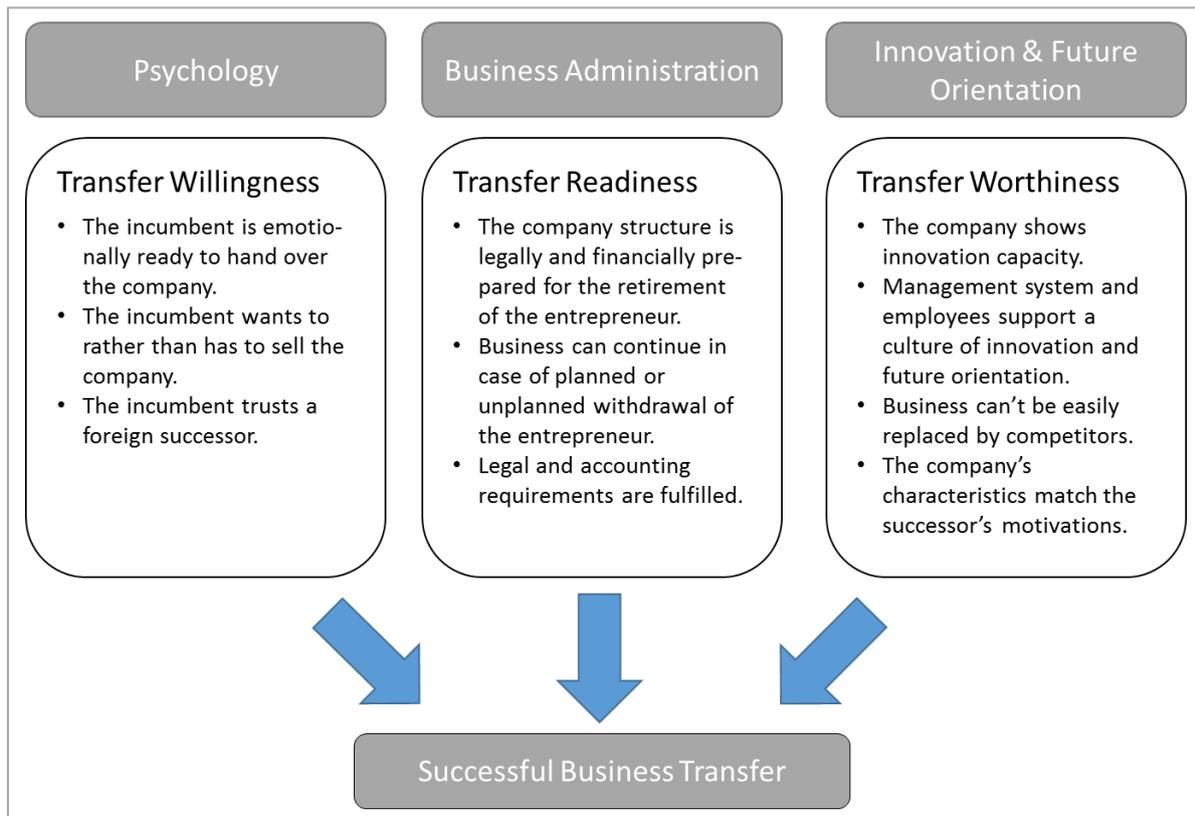


Figure 6: Transfer willingness, readiness and worthiness determining the success of business transfer (Source: internal, adapted to Halter und Schröder 2012, Halter und Schröder 2017).

International business transfer, we conclude, is the most challenging alternative among all alternatives for transferring a company. But still, it is worth thinking about this alternative. We suggest that if a company is ready and future oriented, financially sustainable with a positive innovation capacity, a very attractive and valuable offer to potential buyers is possible. The company needs to offer characteristics and competitive advantages that perfectly match the motivations of international successors. One of the most difficult tasks for the incumbent is to think from the successor's perspective and then start early enough to meet those requirements. For those cases the price for the company could be much higher than in the case of selling it to the second or third best option in the home market.



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