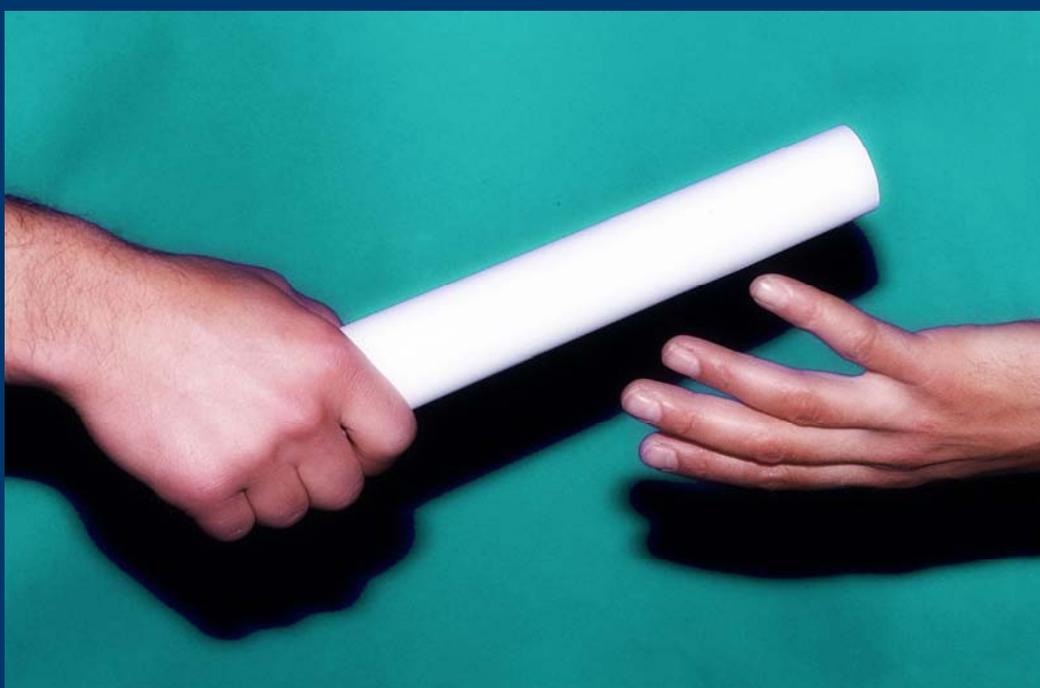


Markets for Business Transfers

Fostering Transparent Marketplaces for the Transfer of Businesses in Europe

Report of the Expert Group





EUROPEAN COMMISSION
ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL

Promotion of SMEs competitiveness
Entrepreneurship

REPORT OF THE EXPERT GROUP

MARKETS FOR BUSINESS TRANSFERS

FOSTERING TRANSPARENT MARKETPLACES FOR THE TRANSFER OF BUSINESSES IN EUROPE

May 2006

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EXECUTIVE SUMMARY

One third of Europe's entrepreneurs will withdraw from their business over the next ten years, although some will start another business. It is estimated that up to 690,000 enterprises, most of which are small or medium-sized, providing 2.8 million jobs, will have to be transferred to new owners every year. While the transfer of a business within the family is still the most frequent case, the **number of transfers to third parties is increasing**. It is therefore becoming more and more important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe.

Not all of the existing tools appear to be equally successful in bringing together potential buyers and sellers, especially for smaller companies. Therefore, the question arises which aspects are most important for an efficient marketplace for business transfers. In order to **identify success factors for the organisation of transfer marketplaces**, Member States of the EU and other countries participating in the Multiannual Programme for Enterprise and Entrepreneurship appointed a group of experts to analyse existing marketplaces (databases) for business transfers and formulate conclusions on how such marketplaces could best be organised. The work of the experts builds on a long series of European initiatives intended to improve the conditions for business transfers, including the Commission Recommendation of 1994, the Best-Project 2000/2002 and the recent Commission Communication "Transfer of small and medium sized enterprises – continuity through a new beginning".¹

Most businesses are unique in one way or another. Even if one looks only at the most obvious features of a business, i.e. sector and size, it might still be **difficult to match a potential buyer and a potential seller** in the same geographical area and at the same time, especially since the majority of those interested in an entrepreneurial career prefer their own start-up to taking over a business. There is often a numerical difference between the supply and demand sides in transfer databases. (2/3 of the advertisements are offers, only 1/3 buyers).

The owner knows much more about the strong and weak sides of his² business than the potential transferee. In negotiating the conditions for the business transfer it will be in his interest to exaggerate the strong aspects and downplay the problems. Knowing this, the transferee might distrust the information provided by the owner. Building trust between potential buyers and sellers is therefore an important

¹ For detailed references see chapter 1.2. All documents can be found at the Commission's webpage at:
http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/transfer_business/index.htm

² Throughout the text personal pronouns are to be understood in a gender neutral sense, referring to male persons as well as to female persons.

element for the success of marketplaces for business transfers. For this, **trustworthy intermediaries and database host organisations are essential.**

Business transfers involve many complicated technical and legal issues for which buyers and sellers, especially of small businesses, will also need advice and help. Finally, handing over a business is ideally a process during which responsibility, power and information is transferred. This can be supported by tutoring programmes. To achieve all this, marketplaces and their providers will be most successful if they are **not restricted to a pure search and find service.**

This report presents nine databases and marketplaces that are provided by public or quasi-public institutions in **Belgium** (Overnamemarkt in Flanders and Sowaccess in the Wallonia Region), **Germany** (Nexxt-Change), **France** (Passer le relais), **Italy** (Borsa delle Imprese), **Luxembourg** (Bourse d'entreprises), **the Netherlands** (Ondernemingsbeurs), **Austria** (Nachfolgeboerse) and **Finland** (Yrittajat).

Most of these databases were only established around three years ago. Today they already contain more than **11,000 transferable companies** – which corresponds to roughly 7% of the businesses that are transferable each year (and, on average, to about 0.2% of a country's companies). It is estimated that, each year, one out of four businesses in the database finds a successor (i.e. the estimated success rate is 25%, although there is limited evidence to support this estimate as several database operators do not record what happens to businesses that leave the database). Most databases are national; in the case of Italy they are organised on a regional basis. There are no European or cross-border databases at present.

The public databases can be consulted by anybody with a standard internet access. However, there are several **different models and restrictions for placing an advertisement**, ranging from complete freedom in the placement of advertisements, an ex-ante check of advertisements by the host organisation to a restriction which allows only intermediaries (banks, consultants etc.) to introduce an entry in the database.

The public/quasi-public databases charge **no fee or, at most, a rather moderate fee**. Buyers and sellers remain anonymous; **contacts** are established by the intermediaries/network partners or by **anonymous** box numbers. In general, the databases provide no matching procedure. Search options are rather similar in all databases, i.e. all databases can be searched by economic sector and region, some databases also provide the possibility to search for companies of a particular size.

Considering the special characteristics of business transfers and the features of existing databases, experts have formulated a series of **desirable features for transfer marketplaces:**

- It is important that national **databases should not be fragmented**. If a comprehensive national database cannot be established, the minimum that should be considered is a national portal for all such databases. National databases and portals should also provide links to well-established databases in other countries.
- A **neutral and trustworthy host organisation is a key success factor** for a transfer database. Natural candidates for this function are chambers of industry and commerce and chambers of crafts and business support organisations, particularly in countries where membership of these organisations is mandatory.
- Marketplaces have to be made known among their potential users. **Awareness** of their existence can be raised by choosing a suitable domain name, by linking with other types of government business support?, by advertising, by awareness raising campaigns and by the distribution of information in related contexts (e.g. chamber of commerce and trade seminars on other topics).
- As a minimum, potential buyers of enterprises should have the possibility of searching the database by economic sector and trades, geographical situation (region or even city) and size (indicated by size classes of employees and/or turnover). Other useful search criteria are price (range) and the planned date of the transfer.
- **Anonymity** is of central importance for most potential transferors (and also for some potential buyers). Contact details or descriptions that would reveal the identity of a company may only be published with the authorisation of the person placing the advertisement. Contact queries could be directed to an anonymous mail box. More security is provided if contacts are organised by the database host organisation or by intermediaries.
- It is advisable for the host organisation to **ensure a certain level of quality of database entries**. This should include at least a regular check to see if advertisements are still valid. Assistance in drafting advertisements is also often useful. Moreover, an ex-ante check of companies before inserting an entry into the database could be considered.
- A transfer marketplace will be more successful if it is not restricted to a database with a discovery service only. Useful **additional services** that could be provided include information on transfer issues, mediation services during negotiations and tutoring.
- In order to adjust and improve marketplaces and to account for public funds that might be used to support them, a **systematic follow-up of its success** (e.g. in the form of a “success rate”) and the factors that determine the success is advisable.

1 INTRODUCTION

1.1 Reasons for the project and structure of the report

One third of Europe's entrepreneurs will withdraw from business during the next ten years. It is estimated that, every year, this will affect up to 690,000 enterprises, most of them small or medium-sized, and 2.8 million jobs.³

There are no complete and comparable data on business transfers for all European countries, but the information available from individual countries supports the EU estimates and indicates a large potential for business transfers:⁴ In **Germany**, around 700,000 businesses will be in need of a successor during the next decade.⁵ In **France**, approximately 600,000 enterprises will have to be transferred over the same period.⁶ In **Italy**, around 42% of the entrepreneurs are older than 50 years, and around 7.5% are older than 70 years. It is estimated that in the coming years there will be around 50,000 transfers annually.⁷ In **the Netherlands**, some 25% of all businesses are expected to be transferred, which translates into a total of 80,000 businesses.⁸ For **Austria**, it is estimated that 23% of all businesses will have to undergo a transfer of ownership in the period 2004-2013.⁹ In **Sweden**, between 45,000 and 50,000 enterprises with employees are expecting a

³ These figures are extrapolations from the results of the final report of the Expert Group on the Transfer of Small and Medium-sized Enterprises, May 2002. The 2002 report estimated that the annual transfer potential for the EU 15 was 610,000 businesses. With the enlargement the number of SMEs in the European Union has increased by around 20%.

⁴ In this report **business transfer** means the transfer of business property to another person or enterprise whereby the original enterprise continues to operate. In the case of most of the small and medium-sized enterprises (SMEs), and in particular for those that are personal companies, a business transfer is accompanied by a transfer of management duties. For limited companies the case is less clear. Usually, if at least 51% of the shares of a private limited company change hands this will also be a transfer. In the case of public limited companies a change of ownership of shares will not be considered a transfer owing to the general division of management and ownership in these companies.

A **succession** is a business transfer within a family, usually from the parents to the children. Other transfer forms include management buy-out or sales to a third party. A **transferor** is the incumbent owner who transfers the business to the **transferee**.

⁵ The Institut für Mittelstandsforschung estimated a transfer potential of 71,000 businesses for 2005. The annual figure is expected to remain relatively stable over the coming years

⁶ Vilain (2004), La transmission des PME artisanales, commerciales, industrielles et de services, avis et rapport du conseil économique et social.

⁷ Data base *Stock View/Infocamere* (2005). When an Italian business changes its legal status the Chambers of Commerce registers it as a new business. Therefore, transfer estimates are based on entrepreneurs' age structure.

⁸ The Netherlands, Ministry of Economic Affairs, 2003.

⁹ KMU FORSCHUNG Austria/Austrian Institute for SME Research.

generation change over the next ten years.¹⁰ In **Finland**, around 60,000 companies will have to be transferred during this period. In **Romania**, approximately 46,000 small enterprises out of the total of 403,000 are owned by people older than 55. In the **United Kingdom**, around one third of SME owners were identified as vulnerable to age-related transfer failure.¹¹

Business transfers are complex and complicated and sometimes go wrong, resulting in the loss of otherwise viable businesses and the jobs they provide. Clearly, in an expanding innovating economy not every business can be transferred and a certain death rate of old firms and their replacement by new companies is unavoidable. Yet many businesses fail in the transfer phase not because they are not viable but because the transfer has not been sufficiently prepared. This is particularly the case for smaller businesses that might not be able to afford specialised advice. Such transfer failures destroy economic capital, which includes specialised knowledge, established contacts and other forms of intangible assets, and they lead to a devaluation of tangible assets which are no longer part of an operating business. Failed business transfers result in job losses and a reduction of economic growth. Especially in rural or remote areas where the economy is less buoyant than in the centres this can lead to high social costs, since the resources used by the failed business will not be taken up by other companies and employees will not be able to find comparable new jobs.

In the past, the transfer of a business within the family – from parent to children – was common, if not the general case. While this type of transfer still appears to be more frequent than other forms (e.g. management buy-outs or sales to third persons), the number of transfers to third parties is increasing. It is therefore becoming more and more important to facilitate the matching of potential buyers and sellers and to support the successful transfer of ownership of the small enterprises in the European countries.

Due to the increasing awareness of the importance of successful business transfers for the economy, there have been, at all levels of government, a growing number of implemented support services aiming at facilitating the transfer process for either the potential transferor or the potential successor. Next to specific consultancy for this purpose, marketplaces that provide a platform for bringing together potential buyers and sellers – and in particular those that are accessible via internet – are seen as an important tool for fostering successful company transfers. As a result, many web-based business transfer “bourses” have been established. They vary in terms

¹⁰ Generationsskiftet i företag – Problemanalys av vilka effekter förväntas av kommande generationsskiftet i företag, February 2004. The risk category of enterprises facing a transfer are defined as enterprises with an owner of 50 years or older who owns at least 50% of a company with 2-49 employees.

¹¹ UK Small business service (2004), Passing the baton – encouraging successful business transfer – Evidence and key stakeholder opinion.

of their regional scope (national, regional, local), their sectoral coverage (one or more economic sectors vs. the whole economy), the legal status of the provider (public, semi-public or private entity) and so on.

However, not all of the existing tools seem to be equally successful in bringing together potential buyers and sellers. Therefore, the question arises as to which aspects are the most important ones for an efficient marketplace for business transfers.

1.2 Methodology of the current project and previous work on business transfer at European level

In order to identify success factors for the organisation of transfer marketplaces the Member States of the European Union and third countries participating in the Multiannual Programme for Enterprise and Entrepreneurship¹² decided in 2004 to launch a project on fostering transparent marketplaces for business transfers in Europe. Seventeen EU Member States and three other countries nominated experts for this project. The group of experts met four times, in March, September and December 2005 and in March 2006. Since they were nominated by the national governments, the experts concentrated their analysis on transfer markets and databases that were under the control of public or quasi-public institutions (esp. Chambers). The final report was drafted by the European Commission, Directorate General for Enterprise and Industry, in close cooperation with the experts.

As they were appointed by the national governments, the experts concentrated their analysis on transfer markets and databases that were under the control of public or quasi-public institutions (esp. Chambers).

Transfer of business has already received a lot of attention from policymakers at European and at national level. At EU level, the work on business transfers dates back to **1993** when a **symposium** was held in **Brussels**. After conducting an analysis of legal, fiscal, financial and human aspects of business transfers, experts from all Member States put forward a number of proposals for specific actions.

On the basis of the symposium and of suggestions by national and European associations, the Commission identified in its **Communication of July 1994** four main lines of action covering the typical problems of business transfers: (1) Ensuring continuity of partnerships and sole proprietorships; (2)

¹² Council Decision (2000/819/EC) of 20 December 2000 and amended by the Decision of the European Parliament and of the Council (1776/2005/EC) of 28 September 2005. The decision for the project was taken by the Enterprise Policy Management Committee (EPMC).

Preparing the transfer by adopting, without fiscal burdens, the most appropriate legal form for transfer; (3) Encouraging transfers to third parties and (4) Helping family transfers with appropriate tax measures.¹³

Taking into account the results of a public consultation, the Commission published in **December 1994** a **Recommendation** on the transfer of small and medium-sized enterprises¹⁴ in which it outlined a number of possible policy actions in several areas affecting business transfers (awareness raising, taxation, company law etc.).

In **February 1997**, the first reforms resulting from the 1994 recommendation and ideas for future improvements were presented at a **European forum on the transfer of business in Lille** (France). In **1998**, the Commission published another **Communication** reporting on individual measures taken in the various Member States aimed at supporting the successful transfer of businesses by the end of December 1996.¹⁵ The communication concluded that while some Member States had taken practical measures to help transfers, others had done very little. Overall, it found that the suggestions set out in 1994 had not been followed to a sufficient extent to overcome the obstacles encountered in business transfers. The Commission encouraged Member States to increase their efforts, in particular through legislative and administrative simplification, effective tax reductions and easier access to financial support for taking over a business.

In **November 2000** the European Commission launched a **BEST project** on the transfer of business in order to further monitor the implementation of its recommendation, to identify new legal, tax and support measures and to make proposals for further actions. A group of experts including business organisations, support organisations, academia, national civil servants and entrepreneurs, was nominated by Member States.¹⁶ The project conclusions referred to national transfer market databases and encouraged their further development.

The results of the Best Procedure project and examples of good practice in the various Member States were presented at the European **Seminar on the Transfer of Businesses in Vienna on 23-24 September 2002**. In **October**

¹³ Communication from the Commission on the transfer of businesses. Actions in favour of SMEs, OJ C 204, 23.7.1994, pp. 1-23. Annex I of the communication contains the results of the 1993 symposium.

¹⁴ Commission recommendation on the transfer of small and medium-sized enterprises, OJ L 385, 31.12.1994, pp.14-17. In addition the Commission published an explanatory Communication on the Commission's recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises, OJ C 400, 31.12.1994, pp. 1-9.

¹⁵ Communication from the Commission on the transfer of small and medium-sized enterprises, OJ C 93, 28.3.1998, pp. 2-21.

¹⁶ European Commission (2002), Final report of the expert group on the transfer of small and medium-sized enterprises, May 2002.

2002 a further (**MAP-**) **project** on business transfers was launched in order to improve the implementation of the Commission Recommendation on the transfer of small and medium-sized enterprises and to respond to the recommendations of the Best project.¹⁷

In **March 2006** the European Commission published another **Communication** on business transfers: Implementing the Lisbon Programme for Jobs and Growth: Transfer of Business – Continuity through a new beginning”.¹⁸ It was found that the degree of implementation of the 1994 recommendation was only around 65% for the EU-25. The communication outlined the areas in which further efforts were necessary, including support for more awareness raising measures, adequate financial conditions for business transfers and more favourable income tax rules on transfers to third parties. The communication also highlighted some good practice cases in the EU, e.g. the transfer databases in Germany, France, Italy, Luxembourg, the Netherlands and Austria, which are also presented in this report.

¹⁷ European Commission (2003), Transfer of business – continuity through a new beginning. Final report of the MAP 2002 project, August 2003.

¹⁸ COM (2006)117 final, 14 March 2006.

2 THE SPECIAL ECONOMIC NATURE OF BUSINESS TRANSFERS

The transfer of a business from one person to another is a complex process that involves much more than the legal transfer of ownership in exchange for a price. To complete such a transfer successfully numerous problems, many of them of an emotional and psychological nature, have to be overcome. Business transfers have several important characteristics in which they differ from the sale (or the gift) of most other assets. Traditionally, the most common solution to these problems used to be the transfer within the family from one generation to the next.¹⁹ Ideally, the family context, the existing framework of mutual relations, trust and the shared information about the business itself facilitated the economic transfer of assets, of information, knowledge, business relations etc.

The transfer of businesses entails certain transaction costs, which can greatly diminish the value of the business that is handed over or which can even constitute prohibitive obstacles that prevent the development of comprehensive transfer markets outside families. Inside families, the transaction costs of the transfer can often be reduced to a degree that makes a transfer possible and efficient. This is not to deny that there are cases where distorted family relations endanger the economic transfer of the business. Families are social groups that have their own problems which, in some cases, can hinder a successful transfer.²⁰ Moreover, there can be other factors, for example industry- and sector-specific problems, that make a family transfer problematic.²¹

In this chapter the characteristics of business transfers are described in greater detail. This description will then serve as a theoretical background against which existing databases can be analysed and which will help to formulate recommendations on how transfer marketplaces could be organised.

The numerous particular features of a business transfer can be grouped under the following four headings:

- 1) Matching the preferences of buyers and sellers;
- 2) Building trust (information asymmetries);
- 3) Emotional and psychological issues;
- 4) Technical issues.

¹⁹ See e.g. Bjuggren, Per-Olof and Sund, Lars-Göran (2002), A Transaction Cost Rationale for Transition of the Firm within the Family, in: *Small Business Economics*, vol. 19, pp. 123-133.

²⁰ For an overview, see Handler, Wendy C. (1994), Succession in Family Business: A Review of the Research, in: *Family Business Review*, vol. VII, no. 2, pp. 133-157.

²¹ See e.g. Getz, Donald and Petersen, Tage (2004), Identifying Industry-Specific Barriers to Inheritance in Small Family Businesses, in: *Family Business Review*, vol. 17, no. 3, pp. 259-276(18).

2.1 Matching preferences

Most businesses are unique in many ways and what suited the incumbent owner might not be favoured by a potential buyer or transferee. Even if one looks only at the most obvious features of a business, i.e. sector and size, it might still be complicated to match a potential buyer and a potential seller in the same area and at the same time.

A great majority of those interested in becoming entrepreneurs have a preference for starting a new business, as compared to taking over an existing one. The decision to become an entrepreneur is (possibly with the exception of cases where a business is started as a result of unemployment or a similar situation) only partly motivated by purely economic considerations. To some degree, self-fulfilment and the desire to realise an idea will also play a role. According to the 2004 Flash Eurobarometer, 53% of Europeans would rather set up a new company; only 29% preferred taking over an existing one.²² There are two reasons for this. First, starting-up a business allows the new entrepreneur to shape it exactly the way he wants it. Not only has the founder of a business more freedom regarding his business choices in the strict sense. Founding his own business will also make it easier to match personal needs, such as locating the business close to his residence. The second reason is that setting up a new business usually requires less financing than a takeover. According to some estimates, taking over an existing business requires 60% more investment than a start-up.²³

For the owner and potential transferor of a business, alternatives to selling the business are relatively limited. If the business cannot be transferred within the family, an alternative to the sale of the business as a whole could be winding up the company piece by piece. The disadvantage of this arrangement, of course, is that a substantial part of the value – client relations etc. – will be lost.

This is why there is often a numerical difference between the supply and demand sides in transfer databases. In such databases there are usually more offers of businesses (2/3 of the advertisements) than persons looking actively for a business (1/3 of advertisements).

²² Flash Eurobarometer, Entrepreneurship. In the USA the results are rather similar: 54% of the population express a preference for start-ups, and 30% a preference for taking over a business. There are, however, large differences within the European countries ranging from Greece (66% preference for start-ups) to the Czech Republic (32% preference for start-ups).

²³ Deutsche Ausgleichsbank, cited after: European Commission (1997), European Forum on the Transfer of Business, p. 5.

2.2 Building trust

There are usually strong information asymmetries between buyers and sellers of businesses (especially smaller ones), i.e. the owner knows much more about the strong and weak sides of his business than the potential transferee. In negotiating the conditions for the business transfer it will be in his interest to exaggerate the strong aspects and downplay the problems. Knowing this, the transferee might distrust the information provided by the owner.

The classical solution to information asymmetry problems is reputation: information advantages are not exploited because of the risk of endangering further business opportunities. However, a seller will only be concerned about his reputation if he has an interest in future transactions which would be thwarted by having earned a bad name. In the case of a business transfer this will often not be the case since after the transfer the former owner might retire.

The building of trust will also be made difficult because potential sellers will usually not want to have it widely known that their business is for sale. Therefore, advertisements in databases will be quite general and vague. This means, however, that the advertisement is not very attractive for potential successors who often wish to gain a deeper impression before they try to establish contact. In most cases an intermediary can play a useful role in trying to convince the entrepreneur that a certain amount of information is necessary in order to make the advertisement attractive enough.

Yet issues of information asymmetries and trust apply not only to the relationship between potential buyers and sellers but also to intermediary institutions. For example, potential advertisers in a web-based marketplace sometimes do not believe in the trustworthiness of the institutions involved in running the database. Many entrepreneurs fear a lack of discretion if they agree to advertise information on their business. Moreover, if there are private intermediaries involved they are sometimes suspected of concentrating on a quick turnover rather than on finding good contacts.

2.3 Emotional and psychological problems

For the incumbent owner (transferor) the business to be transferred will often be the achievement of his life. He is therefore likely to attach a purely emotional value to the business and, to some degree, he will want to be compensated for its loss. (The size and specific nature of this particular value naturally depends on the kind of business. It will be different for a small craft firm, for instance, where the owner is the business, for a company that was bought by the owner for purely financial reasons or for a company that was founded by the incumbent owner and which had a substantial growth during its history.) But the buyer will not be willing to pay for it,

because this kind of value cannot, by its very nature, be transferred to him. To some extent this emotional value will simply be lost in the transfer.

Only if the transferor has some emotional bond with the transferee (in economic terms: if the transferee's preferences are partly included in his own preference mapping) can the loss of the emotional value be diminished. Such intertwined preference mappings can be assumed between parent and child. But they might also be present between owner and buyer. So the two have to get along on an emotional, psychological level and not just on a business level, and the incumbent owner will need assurances that his business is changing into good hands.

In order to build trust between buyer and seller and also in order to pass on, at least to a certain extent, the "emotional" value of a business, longer tutoring periods during which the incumbent owner gradually retires from the business can be helpful.

2.4 Technical problems

The transfer of a business involves the transfer of several types of assets, such as machinery, real estate, cars etc. each of which might be governed by special rules. The complexity is further increased by the different tax provisions regarding the transfer of assets.

Moreover, there are often more than two parties concerned. The transfer of a business is not just a deal between the owner/seller and the buyer. The family of the owner might have something to say, as might the credit institutions that provide funds for the transfer, for instance.

While certain business assets such as machinery, supplies, and financial assets can be handed over in a relatively simple way, the transfer of a business also involves the transfer of intangibles such as the owner's knowledge (regarding markets, competitors, clients, employees, technologies etc.), human relations (with clients, employees etc.), authority and the business' reputation.

For an operating business, setting and agreeing on a price can bring further complications for which the help of outside specialist might have to be sought.

3 GOVERNMENTAL AND QUASI-GOVERNMENTAL MARKETPLACES FOR BUSINESS TRANSFERS

3.1 Overview

In eight of the countries participating in the project there are governmental or quasi-governmental transfer markets, i.e. databases that are hosted by a governmental organisation (e.g. a ministry) and/or a chamber organisation, sometimes in co-operation with private organisations. These countries are France, Italy, Luxembourg, the Netherlands, Austria and Finland. In the case of Belgium there are even two databases, one for Flanders and one for the Walloon Region (although the latter is not yet operational, but is due to be launched in summer 2006). In Germany the formerly separate databases “Change” (organised by the chambers) and “Nexxt” (organised by the Federal Ministry of Economics and Labour) have only recently been merged into a single database (“Nexxt-change”).

In general these databases were established only recently. The average age of the databases described in this report is about three years. The size of the databases varies with the size of the respective country. Altogether the nine databases that will be described in this chapter contain around 11,000 transferable businesses. A rough estimate shows that the databases include about 0.2% of a country’s companies and roughly 8% of the companies that are transferable each year. (There appear to be some countries, i.e. Belgium, the Netherlands, Germany and Austria, where the database contains around 10% or more of the annual transfer potential.)

For most databases success rates have been estimated, i.e. the ratio between the annual number of accomplished or prepared transfers that were initiated via the database and the number of transferable companies that are advertised in the database. These rates are around 25%, i.e. one in four businesses in the database finds a successor each year (estimates are rather difficult, however, since there is no systematic tracking of businesses leaving the databases).

While most databases are national, there are some - as in the case of Italy - that are organised on a regional basis (e.g. Emilia Romagna Region). There are no European or cross-border databases at the present time. Moreover, all databases operate exclusively in their national languages.

The public databases can be consulted by anybody with a standard internet access; there are no access restrictions (in this respect they are different from many other databases that are operated by commercial providers, e.g. banks). However, there are several different models and restrictions for placing an advertisement. In one case (Austria), there is complete freedom regarding the placement of advertisements, i.e. any private person or business can place an advertisement and is fully responsible for its content and duration. In the Flemish and Finnish databases there is comparable freedom to insert

an entry. However, the content of advertisements that are placed by private persons or companies is first checked by the database administrator to avoid obvious abuse of the database. In other countries, only intermediaries or network partners can insert a business into the transfer database. Occasionally, there are also restrictions that preclude entrepreneurs who are not members of a chamber from using the database.

The public/quasi-public databases charge no fees or only rather moderate fees (probably less than the cost of a newspaper advertisement) for placing an advertisement for several months.

There are also differences as regards the length of time an entry can remain in the database. Generally, host organisations seek to avoid the accumulation of old and no longer valid advertisements in the database. Advertisements that have been in the database for several months are therefore usually removed, although prolongations are also possible. Only in the Austrian “Nachfolgebörse” is there no limitation on the duration of the advertisements. In the Italian Borsa delle Imprese, advertisements can stay in the base for quite a long time, i.e. two years.

In all databases the buyers and sellers remain anonymous. Contact is established either by the intermediaries/network partners or by the buyers. Sellers that have placed an advertisement in the database can be contacted via a box number.

In general, databases offer no matching procedure. An exception will be the SOWACCESS database in the Walloon region where there are plans for active matching by the host organisation. The Flemish “Overnamemarkt”, the German database “Nexxt-change” and the Dutch “Ondernemingsbeurs” offer the possibility of leaving a search profile and an automatic email alert if a suitable enterprise is introduced into the database.

The search possibilities provided for persons looking for a business that they could take over come in a variety of forms. All databases can be searched according to economic sector and region. Some databases also provide the possibility to search for companies of a certain size (defined by number of employees or turnover, for example). Other search possibilities that can be used in some cases are: the asking price, the preferred payment arrangement, and key words that can be freely chosen.

Table: Public transfer databases - overview

Country	Database	Host	Size	Success rate	Established
Belgium, Flandres	Overnamemarkt (www.overnamemarkt.be)	Unizo (business chamber) Bobex (B2B marketplace)	725 transferable companies	25%	2005 (April)
Belgium, Walloon Region	SOWACCESS (www.sowaccess.be)	SOWACCESS (subsidiary of SOWALFIN), in partnership with a private company	Objective after 2 years: 70 intermediaries, 50 direct buyers, 15 direct sellers	n.a.	to be established in June 2006
Germany	Nexxt-Change (www.nexxt-change.org)	Federal Ministry of Economics and Technology, Kreditanstalt für Wiederaufbau (KfW)	6,700 transferable businesses, 3,200 demands	10% - 15%	Databases Nexxt and Change were merged in January 2006
France	Passer le relais	Chambre de Commerce et d'Industrie de Paris	600 transferable companies, 100 demands	30%	2001, re-launched 2005
Italy	Borsa delle Imprese (www.generazionimpresa.com)	Bologna Chamber of Commerce	130 transferable businesses, 300 demands (2005)	Around 30%	2000
Luxembourg	Bourse d' enterprises	Chambre des Métiers	300 clients since 2000	10%	2000
Luxembourg	www.cc.lu/bourse.php www.bourse-entreprise.lu	Chambre du Commerce	250 sellers, 100 buyers	1%	1998
The Netherlands	Ondernemingsbeurs	National Chamber of Commerce	1,800	25% (transfers, negotiations)	2002
Austria	Nachfolgebörse (www.nachfolgeboerse.at)	Austrian Federal Economic Chamber	1,000 transferable companies, 300 demands		1999, re-launched 2003
Finland	Yrittajat (www.yrittajat.fi/yritysporssi.fi)	Federation of Finnish Enterprises	around 400 (2005), 90% of which are sellers	around 30%	1999, re-launched 2004

Table: Public transfer databases – conditions for use

Database	Who can consult?	Who can advertise?	Fees?	Duration of advertisements
Overnamemarkt	Everybody	Everybody. Ad. not placed by intermediaries are checked by administrator	Currently not, but fees will be introduced in May 2007	Standard 6 months, prolongation (+ 3 months) possible.
SOWACCESS	Everybody	Ads are placed by intermediaries or directly (after a interview with SOWACCESS)	Flat fee per year. In addition: success fee for direct buyers/sellers if matching was made through database	Unlimited but reviewed every two months
Nexxt-Change	Everybody	Ads are placed by intermediaries	Basic service is free. Fees might be charged for additional services by intermediaries.	Depends on agreement with intermediary
Passer le relais	Everybody	CCI staff if buyer/seller agrees. Network partners	No fees; costs are covered by compulsory membership fee of chambers	One year, but seller/buyer can ask for prolongation
Borsa delle Imprese	Everybody	As transferees: everybody, transferors' ads have to be checked by network partners	No fee for matching. Fees are charged for advice and coaching.	2 years
Bourse d' entreprises	Everybody	Ads are placed by host	No	Unlimited
Ondernemingsbeurs	Everybody	Only intermediaries	Ads 49 €, contact 12.50 €	6 months + prolongation
Nachfolgeboerse	Everybody	Everybody. Advertisers have to reveal identity to host.	No	Unlimited
Yrittajat	Everybody	Everybody. Advertisers have to reveal identity to host.	60 Euro + VAT	6 months

Table: Public transfer databases - procedures

Database	Anonymity?	Contact	Matching?	Screening?
Overnamemarkt	Yes	Via email	No, but search profile with mail alert	Yes
SOWACCESS	Yes	Via SOWACCESS	Yes, active matching by SOWACCESS	Yes
Nexxt-change	Yes	Via intermediaries	Search profile with email alert, optional regular matching by intermediary	Yes, by intermediary
Passer le relais	Yes	Non members get in contact with CCI staff. Members have privileged access to website.	Yes	Members have to fill in a detailed application form and accept user agreement
Borda delle Imprese	Yes	Via intermediaries (chambers, trade associations, experts) or direct (phone, email)	Not automatically, but search profiles through experts support	Yes (for transferees through optional short check, for transferors by experts)
Bourse d'entreprises	Yes	Interested parties have to contact the chamber. A meeting is organised if both parties agree.	Yes, based on information provided by potential buyers and sellers.	Users have to fill in a detailed "fiche signalétique") and agree to a code of conduct
Ondernemingsbeurs	Yes	Via intermediaries	No, but search profile with email alert	Yes, by chamber
Nachfolgeboerse	Yes	Via email (box number)	No	No
Yrittajat	Yes	Potential seller can contact a buyer under a box number	No	Yes, some sectors

Table: Public transfer databases – Search criteria

Database	Sector	Region	Number of employees	Turnover	Value/Price	Size of real estate	Preferred payment arrangement	Intermediary	Keywords
Overnamemarkt	x	x	x	x	x			x	x
SOWACCESS	x	x							
Nexxt-change	x	x	x	x					x
Passer le relais	x	x	x	x	x	x		x	x
Borsa delle Imprese	x	x	x	x					
Bourse d' entreprises	x	x	x						
Ondernemingsbeurs	x	x	x	x					
Nachfolgeboerse	x	x	x	x		x	x		x
Yrittajat	x	x							

3.2 Overnamemarkt (Flandres) and SOWACCESS (Walloon region)

It is estimated that around 21.500 Belgian SMEs will have to be handed over each year (approximately 8.000 in Walloon Region and 13.500 in the Flemish Region)²⁴. Most of these businesses are small family businesses that were created by their present owners, who are approaching retirement age. A rough estimate can be made that one third of small business owners are over 50 years old and that every second small business owner in Belgium is over 45. Approximately 30% of the family companies are successfully transferred to the second generation and around 10 to 15% are handed over to the third generation, while only 3 to 5% have reached the fourth generation.

A large number of companies were created after World War II and will soon be confronted with the problem of handover. Based on results from France, it is estimated that the transfer failure rate is over 20% for the first five years and nearly 30% for the first seven years. The principal problems encountered during the transfer are:

- the ability of the predecessor to withdraw
- the presence of a potential successor
- little or no preparation of the transfer process
- determining the business value
- financing
- legal and tax aspects related to the transfer

For **Flanders** it is estimated that, annually, 3% of all 450,000 existing businesses, i.e. 13,500 enterprises per year, will have to be transferred in the future. Around 50% of these businesses are one person companies or micro companies.

In April 2005 the transfer platform “www.overnamemarkt.be” was launched with the support of the Flemish government. There are a few private initiatives (www.mna.be, www.oba.be, www.atkinson.be) and a common initiative (www.bvob.be) which brings together 11 independent transmission brokers. These, however, have only a limited interest in micro and small business and therefore do not want to become affiliated to Overnamemarkt.

OvernameMarkt is hosted by Unizo (www.unizo.be) and Bobex (www.bobex.be) but users are not required to become members. The platform is sponsored by the Flemish government for the first three years and is therefore free of charge. After this period a business plan has to be made. Currently, there are 725 companies which are consultable and transferable in the database. The platform has around 15,000 visitors and 18,000 visits each month. On the basis of a sample of 300 registered

²⁴ In Flanders there are 450,000 businesses registered and approximately 3% of them need to be transferred.

companies a success rate of 25% has been calculated, i.e. one in four businesses entered into the database is sold.

OvernameMarkt can be searched by the following criteria:

- sector
- region
- turnover
- transfer value
- intermediary
- number of employees (full time equivalent)
- keyword or
- a combination of these criteria.

Every potential seller of a business can put his own profile on the platform, either by himself or with the assistance of a transfer broker, e.g. banks, accountants, real estate agents and consultants working in the area of company transfers. These intermediaries have the advantage of being able to give more detailed information, such as transfer value and revenue. A list of recommendations is also provided to assist entrepreneurs in putting their business on the platform.

Every profile created directly by a business owner has to be approved by the site administrator. The administrator checks whether the content of the ad is in accordance with trade customs and uses appropriate language, and whether the instructions for use have been followed. In order to guarantee a certain quality, ads might also be partly redrafted. For intermediaries there is no screening; after registration and approval, the intermediary is free to put his clients on the site.

Contacts are made by telephone (preferably GSM) or via e-mail. If the contact is made by the intermediary, full anonymity is guaranteed. Where there is direct contact with the seller, it depends on how he or she answers the telephone. If the entry is placed by the entrepreneur himself, he receives an alert-mail after 3 months that informs him that the normal period during which ads are kept in the database has expired and that he could prolong for a further 3 months. Where an intermediary is involved, it is his full responsibility to follow-up his profiles. No matching is organised.

There is an extended information database linked to the site (FAQ's, agenda, interesting links, list of intermediaries and advisors, articles and books...)

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In February 2005 the **Walloon** parliament decided to set up an “exchange platform”. SOWALFIN, the Walloon Government’s financial instrument for SMEs, has the remit to set up such a platform to facilitate the matching of potential sellers and buyers of companies and to ensure the best possible “fit” between supply and demand. The main role of SOWALFIN as a disinterested party is to gather various actors active in a company transfer system.

SOWALFIN is now working on the implementation of a platform that addresses the identified needs. This platform will be operational as from June 2006. Starting in February 2005, SOWALFIN has met all the players that are active in this business in the Walloon region (banks, consultancy firms, institutional organisations) in order to better understand and define the need for a better dissemination of information on candidates, sellers and potential buyers and for increased and early awareness of all aspects of the transfer from both the seller’s and the buyer’s point of view.

Most of the **banks** in the Walloon region have a "transmission" service or at least an "M&A" department. However, they offer additional services (or simple "matching") only for more significant transactions (the level varies from bank to bank), and often sub-contract the remainder to the transfer consultants.

As regards **consultants**, two groups offering their own platform are active in the area of transfer of SMEs, each of them having a fairly small portfolio of businesses to be transferred.

The Union of Small Firms and Traders (UCM) acts in accordance with the geographical distribution of the FEDER financing. In the provinces of Namur and Liege, the UCM offers assistance relating to the initial evaluation or specific issues (standard agreements, legal matters, financial plans...); however, it does not perform active searches or act as an exchange platform.

The situation differs from city to city. In Hainaut province, the UCM received ERDF "Objective I" funding to initiate general awareness actions (booklets, mailings, conferences...) and more personalized activities, e.g. an exchange database which, at the end of 2004, contained around 90 entries (including 30% buyers). However, this database is limited to Eastern Hainaut.

The Chambers of Commerce of Namur, Luxembourg and Western Hainaut also have a specialised department for transmission matters, to advise on standard agreements, legal questions and financial plans. It is important to note that membership of a Chamber of Commerce is not compulsory in Wallonia.

There are signs of growing interest in issues related to the transfer of businesses, especially the emergence of various initiatives aimed at facilitating the matching of potential sellers and buyers.

Currently, there is no single institution that is able to address these concerns in a neutral and comprehensive manner, e.g. by proposing to every interested party the broadest possible range of businesses to be transferred or potential buyers. This is mainly due to a lack of interest in micro businesses, a limited list of contacts and a limited geographical area of activity.

Moreover, the figures presented by each of the small actors in terms of files currently being dealt with are relatively low – a state of affairs which ought to be improved by the creation of a broader platform.

There may be some kind of competition between Chambers of Commerce and Union of Middle Class (UCM). In this context, it was crucially important to identify an organization able to work with all “intermediaries” and all the organizations active in the transfer of business which have already developed a very good relationship with these actors (banks, lawyers, chartered accountants, chambers of commerce, consultancy firms etc).

That is why the Walloon government decided to give this mission to SOWALFIN via a specific subsidiary called SOWACCESS, which can be considered as completely neutral in relations with all intermediaries. The mission can be summarized as follows:

- ensure better dissemination of information about those who want to sell and potential buyers, thus ensuring a better match between both sides;
- ensure that sellers and buyers are aware of all transmission aspects at the earliest possible stage in the life of the company.

It is articulated around two main aspects :

- the setting up of an overall regional exchange platform bringing together all the various players involved in a transmission scheme
- the organisation of awareness-raising actions by publishing a practical booklet distributed to all interested companies, technical information on the web site, coordination of transmission, forums, and talks given by specialists.

The main characteristic of the platform is the database service combined with active matching services.

This mediation service can be described as the circulation of anonymous vendors’ and buyers’ profiles on a web site and in a newspaper, with the platform’s administrators acting as a filter. In other words, interested parties have to contact SOWACCES, who will ensure a link-up with the counterpart. It also includes an individualised search for counterparts performed for all profiles by the platform’s administrators.

Protection of anonymity is essential in most of the transactions. That is why the seller (or even sometimes the potential buyer) should not agree to have

his anonymous profile appearing on the web. These profiles would only be accessible to platform's administrators. In this respect, active matching can add real value.

As regards the financial aspects, the Walloon Region believes it is more appropriate to try to achieve viability on a 5-year timeframe by :

- asking for a subscription fee from intermediaries, buyers and sellers who make a direct approach (i.e. without going via an intermediary), and
- a reduced success fee for an active matching service to sellers and buyers who apply directly. Those fees would make it possible to perform additional services which add real value to the transmission process.

Apart from the platform, which should reach financial viability, it is clear that public authorities will always have to support the costs related to all awareness raising aspects.

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3.3 Nexxt-change (Germany)

It is estimated that around 70,000 companies per year will have to change hands over the coming decades in Germany. Two thirds of these companies appear to be completely unprepared for the transfer process and so more than 350,000 jobs are in danger every year.

In Germany there are numerous marketplaces for the transfer of business, many of them organised by private institutions, especially management consultancies. Most of these privately organised databases were set up only a few years ago and are relatively small. In general, they are nationwide but some institutions - especially chambers - operate local marketplaces. Some of the privately run platforms charge fees for including offers in their database. Access to the contact data of the advertising companies and potential successors is usually restricted to the publishing institution in order to ensure confidentiality; box numbers have to be used for contact purposes. The information that is publicly available is limited to basic facts about the business or the potential buyer.

The biggest platform in Germany, (which is also one of the oldest) is the site of the Change initiative www.change-online.de. It was organised by the two national chamber associations in Germany and the KfW bank, which is owned by the government. In Germany, membership of a local chamber is compulsory for most companies, so one could regard the Change site as being publicly run. The other big publicly run national platform for transfer of businesses, the “nexxt” site www.nexxt.org, was set up by the Federal Ministry of Economics and Technology. The KfW also took part in this initiative. These two marketplaces were quite successful; more than 1,800 of the advertisements published in the two databases in 2005 led to completed transfers.

In January 2006 a new nationwide transfer database was established as a result of the merger of Change and “nexxt”. The internet site www.nexxt-change.org is also hosted by the KfW and the Federal Ministry of Economics and Technology. Every former intermediary of Change or “nexxt” has access to the new database.

Ads are placed in the databases by the network partners, i.e. the chambers, banks, consultants and business promotion agencies taking part in nexxt-change. There is no fee for this service because the costs are covered by the membership fee (the banks offer entry free of charge as a service for their business customers). However, some of the institutions offer additional services (e.g. setting up a financing concept for the takeover) for which they might charge a fee.

The amount of information on businesses that is publicly available in the database is restricted to a few facts in order to avoid a business being easily identified. The database can be searched according to the following criteria:

- Type of business: both offered by entrepreneurs and asked for by potential successors.
- Location: The county (Land) in which a business is located has to be specified in order to achieve better matching results. Potential successors define the possible areas for the business to be taken over.
- Turnover: As predefined size classes only.
- Number of staff: As predefined size classes only.

Besides these specific data fields, much of the information is contained in the text of the advertisement, e.g. whether a retail business is located in a pedestrian precinct or the university degrees of the potential buyer.

Since many entrepreneurs are reluctant to prepare the transfer of their business, both chambers and banks are trying to raise awareness of the need for timely preparation. In Germany this is mainly done by mailings or by organising information events. These events often include information on other topics like taxation issues or promotional loans for business founders. This also increases entrepreneurs' readiness to attend such events, since they do not automatically have to admit they are preparing a transfer of their business.

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3.4 Passer le relais (France)

Of the 2.4 million SMEs in France, 600,000 will have to be transferred during the next ten years. As the following table shows, the average age of enterprise owners in France is relatively high.

Table: Age of owner of French companies (per size class)

SME	< 39	40-49	50-54	55-59	> 60
Micro	25%	31%	17%	15%	12%
Small	14%	31%	20%	19%	16%
Medium	8%	30%	21%	21%	20%

A large proportion of the enterprises that will have to be transferred are relatively small businesses, the majority of which have no employees. Enterprises with considerable assets and potential for further development will usually find a buyer and are less likely to disappear. Few potential buyers, on the other hand, are interested in micro enterprises. In these cases the preparation of the owner is especially important for a successful transfer.

In the transfer of small enterprises it is not only the businesses themselves that are at stake but also the employment that they provide, their know-how and the social and economic equilibrium in the area in which they are located. Therefore, business transfers have become a priority for the public authorities, who have adopted a series of measures, including the law of 1 August 2003 for the economic initiative, the law of 2 August 2005 for the benefit of SMEs and finance laws. Thus, fiscal advantages have been created for sellers of businesses, especially in terms of the increase of a company's value, stamp duties and income tax issues²⁵.

In addition to these financial advantages there are measures that improve the hand-over process from transferor to transferee, especially a system of tutoring that creates work exemptions for pensioners and a premium for the transferor if he undertakes some tutoring of the transferee.

Several years ago, the “**Bourses d’opportunité (BOA)**” was created on the initiative of a network of advisors in order to match the demand and supply of transferable enterprises. Today, this tool is being modernised and is changing into a regional portal, which also includes accounting experts and legal advisors. The most important and longstanding databases provided by

²⁵ In particular, the advantages consist of more tax exemptions for increases in the value of a business, exemptions regarding fees payable on changes in the company statute (total exemption if the business is taken over by an employee), exemptions for gift taxes limited to 30,000 euros, gifts to children, grand-children, nephews or nieces and those used for the start-up of an enterprise, reduction of income taxes equal to 25% of the interest for a loan used to finance the acquisition of an enterprise.

the chambers of commerce and industry are PMI-Contact for the transmission of industrial enterprises and Transcommerce-Transartisanat for the transmission of retail businesses and crafts:

- PMI Contact (www.pmicontact.net) for the regions Champagne-Ardenne, Centre, Bourgogne, Massif central, Aquitaine, Midi-Pyrénées, Languedoc- Roussillon.
- Transcommerce/Transartisanat (www.transcommerce.com) for the regions Auvergne, Basse Normandie, Bourgogne, Centre, Haute Normandie, Limousin, Nord-Pas-de-Calais, Pays de la Loire, Poitou-Charentes, Rhône-Alpes.

Apart from the above two databases there are also:

- Cible (www.ccible.fr/utilisateur/carte.asp) for the region Rhône-Alpes;
- Reprendre in Bretagne (www.reprendre.bretagne.org/index.jsp);
- Transmettre for Nord-Pas-de-Calais (www.transmettre-ndpc.com);
- ACT Contact (www.actcontact.net) in the Aquitaine, Midi-Pyrénées, Languedoc-Roussillon, Provence Alpes and Côte d'Azur regions;
- CCI Relais in Provence-Alpes Côte d'Azur;
- Passer le relais (www.passerlerelais.fr) for the Ile-de-France region. The way in which Passer le relais operates is edescribed in more detail as an example for other databases.

In general, consulting the advertisements in these databases is free of charge (with the exception of Nord-Pas de Calais). Sometimes, however, users have to pay for more detailed information or for the organisation of contacts. All bourses offer mentoring services, although the detailed procedures differ from one to another. Regarding the placement of advertisements, there are three possibilities:

- Either only the intermediary (consultant) can launch an advertisement for a buyer or seller after he has made an initial diagnosis of the individual case on the basis of a personal meeting,
- or the seller/buyer can place an advertisement himself after an intermediary has checked the advertisement and, if necessary, made changes before it is put online,
- or the network partners place the advertisement.

In order to further improve the transfer market, the public authorities asked the OSEO group (agence de financement et d'accompagnement des PME) to establish a national portal via a special website which brings the various initiatives under one umbrella. Another task of this website will be to raise quality standards and provide tutoring services for buyers and sellers.

After initial experiences in 1995 (on minitel) the four chambers of commerce and industry of Paris-Ile de France united in 2001 in the network "Passer le Relais" (<http://www.passerlerelais.fr>) in order to pool their resources and

their know-how to develop the tutoring of sellers and buyers and to increase the success of their transfer markets.

"Passer le relais" is more than just a marketplace. It is integrated into a comprehensive tool for awareness raising and the provision of guidance. In addition to offering transferable companies, the website also provides:

- Technical information on transferring/buying and enterprise,
- Practical fact-sheets that can be downloaded,
- News on rules and regulations, events, publications etc.,
- Contacts with transfer experts provided by the Paris Chamber of Commerce and Industry,
- A guide to awareness raising.

The editorial content of the website is provided by the advisers, the chambers of commerce and industry and the network partners.

The BOA lists advertisements using a standard format and provides the following search possibilities:

- Economic sector (5 main groups and 57 special activities),
- Size of the enterprise: turnover (9 possibilities) or staff (11 possibilities),
- Location of the company,
- Asking price,
- Date when the advertisement was put online (advertisements of the week /month)

Consulting the advertisements is free once one is affiliated to the network (annual cost €190 for potential buyers and €600 for potential sellers) in order to receive more detailed information (key financial indicators for the past three years, clients and history of an enterprise etc.). Joining the BOA gives access to privileged parts of the internet portal, allows you to save interesting advertisements and receive information about new advertisements that correspond to user-defined criteria via an email alert. It also creates the possibility to change one's own co-ordinates (i.e. postal address, telephone, email), to download presentations by enterprises/buyers and ask for contacts to be arranged. Joining the BOA also creates the opportunity for individual consultation, participation in information sessions and the right to receive the network's newsletter (5 copies per year).

In order to guarantee better consultation of sellers and buyers, the information on the client collected by the counsellors is more detailed than would be necessary for drafting an advertisement (activity, asking price, location, assets, key business figures etc.). It includes the history of the enterprise, the organisation of the staff, the capital structure, means of production, outlets, etc.

For the counsellors of the network, the database offers the following possibilities:

- To have access to standard information about their members (information regarding the seller, the enterprise ...)
- To monitor their members (follow-up of meetings, establishment of contacts, follow-up of achievements)
- To follow their activities (Activity indicator table, tools for managing invoices, tools for managing non-payers etc.)
- To measure the degree of satisfaction of clients (by means of a survey the results of which are processed automatically)
- To have access to an observatory of the network. It provides an automatic calculation of the buyer and seller profiles and the transfers made within the "Passer le relais" network.

Like all users, the partners have access to all advertisements. Moreover, they have access to complimentary information regarding the members of the net (the same access as the members).

Apart from the distribution of advertisements from buyers and sellers, for which they themselves have the responsibility, partners can also directly place online information that they want to be displayed by the portal.

Every year more than 1,000 contacts are organised between potential buyers and sellers and more than 100 transfers are accompanied by the counsellors from "Passer le relais". This means that the buyer and the seller have been monitored by a counsellor and have met each other only through this means. Apart from this, numerous sellers and buyers are guided in setting up their projects by the "Passer le relais" network, but the transfer itself takes place outside the network.

A service known as "commerces et services de proximité" is currently being tested on the basis of similar principles and with the same tools.

While the chambers of commerce alone finance these tools, the Ile-de-France Region, the Caisse des Dépôts et Consignations, the FSE and the external partners are requested to co-finance the common activities (events, guides etc.).

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3.5 Borsa delle Imprese (Italy)

More than 3 million Italian entrepreneurs are aged 50 or older and at least 480,000 Italian companies are facing a transfer over the next 8-10 years (about 50,000 each year).

In 1999, Unioncamere - the national Union of Chambers of Commerce - conducted a feasibility study to analyse the key success factors of a potential future marketplace for business transfers, including information on existing pilot experiences all around Europe. The main results of the study were:

- the need for a critical mass to ensure a suitable marketplace activity (i.e. minimum a regional level);
- the need for the marketplace owner to be above the individual parts (i.e. a governmental or quasi-governmental body);
- the need to recognise the structural difference between automatically transferring micro and simple businesses by means of a marketplace system, and transferring a more structured company, which requires accompanying support measures.

After the pilot study the national system of chambers of commerce was the official partner in the e-content EU funded “Eipcot” trans-national feasibility project, in co-operation with national chamber networks in France and Spain. This work, lasting about two years, resulted in a European pilot portal, called Eurotransbiz (www.eurotransbiz.com).

Following up on these activities, in 2005 the Italian Industry Ministry set up a national round table for business transfer and organised a national seminar to facilitate the transfer of businesses. As a result, the Ministry formally appointed the national chambers system to disseminate information on business transfer consistently all over the country. The marketplace tools are included in this national plan, starting from the existing, specifically regional experiences, built up over these years. In this way, Italy is trying to build on experiences and best practices from other European countries. In addition, the specific Italian element in promoting transfer is offering an optional tutorship to small businesses. This is seen as a key means of support, aimed at safeguarding the assets of micro and small businesses at a time when they are particularly at risk.

Borsa delle imprese (inside the website www.generazionimpresa.com) is the first practical example of a regional database for business transfers. It has been hosted by the Bologna chamber of commerce/Emilia Romagna since 2000. In 2005 the database was visited approximately 1,000 times per month. At the moment, it contains about 150 advertisements, and has a success rate of 30%.

The service is designed as a classic virtual marketplace, where business supply and demand meet. The Borsa delle Imprese database contains either

offers of businesses for transfer/sale (for short-and medium-term) and demands for "businesses wanted". The service is divided into two parts:

On-line services: access to the database of the business transfer market;

Off-line services: consultancy and assistance provided by business transfer experts for both buyer and transferor/seller.

The aims of the Borsa are to:

- Assist enterprises in the process of transfer by creating a meeting point of demand and supply;
- Inform transferors who are going to leave their businesses without natural successors about the opportunities to ensure the enterprise's continuity;
- Inform potential "continuers", aiming at those seeking new business opportunities through the takeover of existing businesses;
- Offer consultancy and professional assistance (optional tutorship) in order to help the business actors during the transfer process.

The main target group for the Borsa are micro (especially), small, and medium-sized enterprises.

Information about the Borsa delle Imprese is provided mostly by the chambers of commerce. The service is based on the data available on the web site of GenerAzionImpresa and is managed by the chamber of commerce of Bologna (www.generazionimpresa.com).

For the time being, the initiative covers the Emilia-Romagna regional area. However, the system is intended to be used nationwide, and co-operation actions with other chambers of commerce and with different organizations (associations, institutes, private or public organisations, as potential support tutors) are going to be developed. In view of this development, the Cuneo chamber of commerce in the Piemonte region (North-Western Italy) started a similar project in 2005 called "Successione di impresa", and the Macerata chamber of commerce, in the Marche Region in the centre of Italy, has started a new marketplace project to be implemented in 2006.

The operating procedures of the Borsa delle imprese database are different for "transferor" and "buyer":

Transferors: The entrepreneur/transferor interested in the service can apply to the agency, association or institutions. The contact can be made either directly or via internet (by filling in a form on-line) and it is followed by an in-depth interview with the "generation replacement advisor".

Each partner is the only one to have the list of its own customers/users, complete with all personal data and confidential information concerning the enterprise. The partner organizes the database according to a common

pattern. The files are then down-loaded on a centralized database, where the transferor's personal data and confidential information will be automatically encrypted. The transferors are identified by a code, formed by the acronym of the partnering agency/association having a connection with him/her and a serial number. The centralized database is publicly available: it can be accessed and consulted both by network operators and internet users. On the basis of these data, the network operators can make the match with a prospective buyer and identify the connection between the project partner and the transferor.

Buyers: By participating in the transferee's list the acquirer's search criteria are placed in the searchable database of "businesses wanted." If a seller has a business that meets the criteria of the buyer s/he can contact the buyer via the service. Prospective buyers can be registered either by contacting the adviser or via internet by filling in a form, which is a preliminary, guided self-assessment in order to make an initial selection based on aptitude for entrepreneurship.

Afterwards, during an initial first arranged meeting with the prospective buyer, the advisor verifies the probity and reliability of the application (this process is part of the services offered off-line – against payment). Personal data can be viewed only by the partners via password-protected access. It is up to the advisor of the organization which received the application to identify a suitable proposal for the demand/offer and then contact the identified counterpart's advisor. Maintaining privacy is important, which is why the personal data of the buyer and the acquirer will not be revealed to anyone using the Borsa.

Registration and access to Borsa delle Imprese is free of charge.

The assistance provided by the business transfer experts can be different for "transferor" and "transferee". The cost therefore depends on the service requested and the provider of the assistance.

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3.6 Bourse d'entreprises (Luxembourg)

Around one third of the craft enterprises in Luxembourg will have to undergo a transfer over the next decade. In order to facilitate this process the chamber of crafts (Chambre des Métiers)²⁶ established a bourse for enterprises in which all persons or enterprises enrolled in the crafts register can register for the purpose of transferring a business (*cédants*). In order to register for taking over a business (*repreneurs*) a person needs to have the necessary craft qualifications or be in the process of obtaining them.

Since it was established in 2000, more than 300 clients have been registered with the bourse and around 1,800 contacts between potential transferors/*cédants* and potential transferees/*repreneurs* have been organised. The estimated success rate of the bourse is around 10%. Use of the bourse is free of charge. A *cédant* can be removed from the database (*répertoire*) at any moment and without notice being given.

In order to register and become part of the chamber's "répertoire" of transferable businesses, the owner has to fill in a relatively detailed form (*fiche signalétique*) stating the type of business, its location, its legal form, number and qualification of employees, language used in the business, size of the business premises etc.). However, this detailed information is not published, since in a small country like Luxembourg most businesses would be easily identifiable on the basis of this kind of information. It is used in the matching process (to avoid arranging contacts between buyers and sellers that are clearly pointless).

The chamber continuously publishes the complete set of detailed advertisements (sector, region, size) in the repertoire on the internet, and an extract of the detailed advertisements is also published in its regular publication ("d'Handwierk") at regular intervals.

Interested persons or enterprises have to get in touch with the chamber. If both parties agree, the chamber will then organise an initial meeting between the potential partners. The chamber will mediate these meetings and will also give free advice on legal and financial matters etc.

While the situation of craft industry in the Grand-Duchy broadly reflects an apparently overall European trend, the conditions are different for traditional trading activities. Furthermore, while craft is characterised by small to medium-sized ventures (50 % in and around the construction business) that are mainly the fruits of the specific craft skills of independent entrepreneurs, the share of traditional "independent" trade is constantly shrinking and is set to be dominated by franchises or shops affiliated to large groups. The

²⁶ In the past there was also a separate transfer bourse organised by the chamber of trade and industry. This bourse is being re-launched soon

Chamber of Commerce (CCL) estimates that more than 50% of some 14.000 retailers are linked to some form of business cooperation based on the transfer of know-how. Such activities based on licensing or on affiliation to large groups normally do not entail a business transfer, as the licensor simply recovers his rights at the end of the term. Moreover, the largest proportion of the remaining “independent” trade consists of micro or very small enterprises that often rely solely on the person of the entrepreneur. These businesses in fact lack transfer opportunities. The same applies to restaurants and bars. On the other hand, entrepreneurs from the neighbouring countries of the so-called “Wider Region” are attracted by what they consider to be a real opportunity compared to the offer in their own local markets.

With this in mind, a decade ago the Chamber of Commerce set up a business exchange platform, listing businesses for sale and applicants looking for businesses to buy. Corresponding notices and arrangements for participation can be consulted on the Chamber of Commerce’s web site at www.cc.lu/bourse.php. They are also published in the monthly journal “Merkur”.

The functioning of the CCL’s business exchange is much the same as that of the Chamber of Crafts platform. The CCL’s business exchange registers some 250 prospective sellers and about 100 prospective buyers. The estimated success rate is around 1%.

In conjunction with other Chambers of Commerce in the “Wider Region”, the Luxembourg Chamber has recently launched a cross-border business exchange that will be accessible on the following websites at the end of June 2006: www.bourse-entreprise.lu or www.bourse-entreprises.org. In addition to persons wishing to sell or take over businesses (users), the cross-border exchange seeks to involve professional intermediaries within their territorial jurisdiction in take-over proceedings, provided that they are approved beforehand by the Chamber. The prospective buyer can freely access the exchange and carry out an anonymous personal search, or register with the exchange by providing identification and browse from a personal space. A comparable business exchange will be set up within the “Wirtschaftsportal” project that encompasses the SaarLorLux region. The latter is deemed to cater for the German speaking parts of the “Greater Region” whereas “bourse-entreprises” applies to the French-speaking region.

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3.7 Ondernemingsbeurs (The Netherlands)

In 2003 there were around 748,100 entrepreneurs in the Netherlands, 21% of whom were aged over 55. It is estimated that in the next ten years there will be a transfer potential of 18,000 businesses per year. Several initiatives have been taken to support the transfer of businesses, including:

- Fiscal adjustments (e.g. extension of the exemption of inheritance and gift taxes, deferment of payment of individual income tax, transfer of individual income tax from seller to buyer (silent transfer), possibility of using generic finance measures for transfers)
- An awareness campaign: a transfer toolkit is available for all entrepreneurs aged over 55 with a company which has fewer than 20 employees.
- “Transfer Month”: entrepreneurs can have individual counselling from banks, tax experts and accountants at the Chambers of Commerce
- Subsidies for the “Ondernemingsbeurs” marketplace.

There are more than 60 marketplaces for the transfer of business with a total of approximately 9,000 profiles. Most of the marketplaces are small and operated by intermediaries. The three largest sites are:

- “Ondernemingsbeurs” 1,800 profiles (www.ondernemingsbeurs.nl)
- MKBase 2,500 profiles: www.MKBase.nl
- Horecasite 1,400 profiles: www.horecasite.nl (bars, restaurants, hotels)

MKBase and Horecasite are private initiatives. The “Ondernemingsbeurs” which has been in operation since 2002, is hosted by the national Chambers of Commerce, of which businesses are obliged to become members.

“Ondernemingsbeurs” contains a total number of 1,800 entries, of which 1,100 are transferors. The bourse has around 400 registered intermediaries (see below) and 34.000 visitors per month. There are currently 11,000 registered searchers in the bourse and each advertisement leads to an average of 11 contacts (despite the fees, see below). The rate of database entries that lead to a transfer or at least serious negotiations is not known exactly, but is estimated at 25% - based on feedback from intermediaries.

Each Internet user can search the “Ondernemingsbeurs”. It is possible to create a search profile with an email alert service which notifies the user of a profile matching his search. The user can search by:

- sector,
- branch,
- sub-branch,
- turnover,
- region,
- size (employment).

However, not all information on transferable companies is made available. For more detailed information, e.g. on exact numbers for employees, the searcher has to register with the bourse first.

Ads cannot be placed by prospective sellers themselves but only by intermediaries. These intermediaries are banks, consultancies etc. The intermediaries check whether a business is actually transferable and should be put into the database; at the same time, intermediaries guarantee the anonymity of the information provided by potential sellers. Profiles are kept in the database for 6 months and there is a possibility of prolongation.

The chamber checks the correctness of the ads by comparing their details with public registers. It looks in particular at whether the company really exists, if it is correctly named, whether it has filed for bankruptcy, whether the reported turnover and the number of employees are correct and whether an ad for the same company has already been placed by another intermediary.

“Ondernemingsbeurs” is partly financed by a grant from the Ministry for Economic Affairs. However, in order to be cost-effective and also to confine the use of the bourse to serious clients, the following pricing policy was introduced:

- Placing an ad: €49 for 6 months;
- High volume offer: €495 unlimited participation;
- Contact fee: €12.50 per ad.

The matching is organised by the intermediaries.

In addition to the database or matching, there are mediation services offered by intermediaries. It is possible to look for an intermediary by region and type of expertise.

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3.8 Nachfolgeboerse (Austria)

According to the Austrian Institute for SME Research, around 51,500 Austrian SMEs²⁷ will have to face a transfer between 2004 and 2013. This corresponds to 23 % of all Austrian businesses. Almost two thirds of potential transfers concern companies with fewer than five employees, 17% concern companies with up to nine employees. Thus, a total of 82% of the potential transfer cases will be micro enterprises and 16% small enterprises; only 3 % will be medium-sized enterprises.

Of the different economic branches, crafts, transportation and trade enterprises will be concerned in above-average numbers. Construction and related companies, bakeries, butchers and hairdressers will be affected in particular. With some exceptions (e.g. textiles) the share of transfers in the industrial sector will be comparatively low (20 %). In the fields of information and consulting the share of companies to be transferred is even lower than in the industry sector (14 %) owing to the fact that the entrepreneurs in this sector are on average between 2 and 5 years younger than those in other sectors.

If the challenges of business transfers are successfully overcome in the next decade, about 438,000 jobs might be safeguarded - this corresponds to one quarter of total employment in the industrial economy. About 37 % of the personnel likely to be affected work in the craft sector, another quarter in trade and 16 % in tourism.

In recent years a series of measures have been launched which directly or indirectly facilitate the business succession process. These concern both the general conditions laid down in legislation and "soft aid". Special attention should be drawn to the latest laws amending the NEUFÖG and the AVRAG²⁸ (in force since 2002). The amendment of the NEUFÖG exempts business transfers from various administrative fees (e.g. registration fee for the companies register) and taxes in connection with the acquisition of company shares and sites involved in the transfer. The AVRAG regulates liability for severance payments in the case of transfers – an amendment which considerably relieves the pressure on the previous entrepreneur.

The succession bonus of the AWS (Austria Wirtschaftsservice), the Austrian Federal Economic Chamber and the Austrian Länder is a measure designed

²⁷ One-person-companies are not included because they were deducted as with this kind of enterprises a business transfer has to be seen as a start-up due to the strong linkage between the company and its owner.

²⁸ NEUFÖG stands for Neugründungs-Förderungsgesetz (New Business Creation Assistance Law), AVRAG stands for Arbeitsvertragsrechts-Anpassungsgesetz (Employment Contract Legislation Adaptation Law).

to support entrepreneurs and SMEs which are near to take-over. Based on the start-up bonus model (formerly known as start-up saving) which has been in existence since 1996, the succession bonus is now being offered specifically for take-overs to support equity capital. Saved capital (2-6 years) which is then used for a new start-up or take-over is eligible for a non-repayable State bonus of 14 %.

In the area of “soft aid”, the Succession Initiative constituting a network of experts was founded. In addition to providing advice, this network also performs public relations work. This merits particular mention, as it contributes significantly to a higher level of public awareness. Vocational and further training activities were also intensified (e.g. workshops and seminars). Many events are organised by the Austrian Federal Economic Chamber at national and regional level throughout Austria. The purpose of such events is to offer potential transferees and transferors a platform where they can meet, as well as to enhance the awareness of business transfers as a possible form of business creation.

There are two main marketplaces²⁹ for business transfers in Austria initiated by public organisations:

- www.nachfolgeboerse.at initiated by the Austrian Federal Economic Chamber.³⁰
- www.nachfolgeboerse-wien.at initiated by the Viennese Economic Chamber.

The “Nachfolgebörse (NFB)“ database was set up in 1999 (and re-launched in an improved format in 2003) by the Business Start-up Service and Junior Chamber of the Austrian Federal Economic Chamber (Junge Wirtschaft Österreich/Gründer Service).

Currently the bourse contains more than 1,000 offers of transferable companies and more than 300 applications by candidates looking for an eligible business. Since March 2003 approximately 603,000 visitors have used the “Nachfolgebörse” to gather information on transferable businesses.

Use of the database is not restricted to members of the Austrian Federal Chamber of Economics; it can also be used by non-members. It is free of charge.

²⁹ Apart from these two places, business transfer offers can also be found on websites of consulting and accountancy firms but as a rule not in the form of interactive databases:

³⁰ Links to the bourse can also be found at the following addresses: <http://meinmarktplatz.wko.at> and <http://www.jungewirtschaft.at/businessportal>.

Anyone can use the bourse to search for businesses to be transferred or for candidates who want to take over an enterprise. The search profile offers the following possibilities:

- region
- sector
- turnover
- number of employees
- size of the business (in m²)
- type of business acquisition (by rent/ by lease/ by buying/ life annuity)
- (official company) location
- keywords

In order to place an advertisement – either offering a transferable business or looking for one – registration is necessary. On registration the users must indicate their name, business and contact details. These data are not published and users can remain anonymous if they so wish..

Usually the advertisements are placed directly by the users and become immediately online (users without internet access can send their ads by fax.). There is no systematic screening of ads and the “Nachfolgebörse” does not check the correctness of the ads placed by the users; however, obviously inappropriate entries (e.g. advertising for products or services) are removed by the administrators. The length of the advertisement can be decided by the user. However, the following minimum information is obligatory: the type of business acquisition (by rent/ by lease/ by buying/ life annuity), title and description, turnover. Ads can be changed at any time. It is the users’ responsibility to keep the ads up-to-date. The user can also predefine an expiry date, but there is no time limit for ads.

“Nachfolgebörse” does not provide a matching service. In order to establish contact, a registered user can send a message to an advertiser’s mailbox. The latter will be informed by email that someone has tried to contact him (occasionally this might also be done by a phone call from a NFB manager; contacts might also be organised by fax). The first contacts between members of the bourse can remain anonymous; only user IDs are revealed in the exchange.

In addition to the electronic system there is also the possibility of personal assistance from the NFB managers (e.g. counselling).

The “Nachfolgebörse Wien“ (<http://www.nachfolgeboerse-wien.at>) is hosted by the Vienna Chamber of Economics. A database had existed for 15 years, but it was re-launched in 2004. Currently the bourse contains more than 430 active offers and more than 1,000 active requests per year

Use of the database requires prior registration, which is possible both for members of the Vienna Chamber of Economics and for non-members. The bourse is free of charge.

“Nachfolgebörse Wien” offers the following search possibilities:

- district
- street
- shopping area
- size of the business (in m²)
- turnover
- sector
- type of business acquisition (by rent/ by lease/ by buying/ life annuity)

The database contains only advertisements of transferors-transferable businesses, but no ads from persons looking for a business. Advertisements can only be placed by the host organisation. The minimum information that must be provided by a potential transferor is the sector and the type of business acquisition; all other information, including the identity of the transferor, can remain anonymous. It is possible to set a user-defined expiry date. Otherwise, advertisers are contacted by the NFB Vienna managers every 12 weeks to keep the ads updated

The database offers no matching service. If an ad is anonymous, potential transferees can contact the NFB Vienna managers direct to get in touch with transferors and also to be informed about transfer possibilities. The role of the NFB Vienna managers is to bring both parties together and to support the transfer from the outset (e.g. by being present at a first meeting between the parties concerned).³¹

In addition to the database service there is also the possibility of personal assistance from the NFB Vienna managers (e.g. counselling).

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³¹ Note that the installation of additional searching, screening and matching tools is planned for 2006.

3.9 Yrittäjät (Finland)

Between 60,000 and 80,000 of the 230,000 companies in Finland, 95% of which are SMEs, are facing a transfer over the next 8-10 years. A quarter of these businesses believe that they have a successor, 15% will simply wind up, and around 60% have no plans as yet for the transfer. The need for business transfer is greater in traditional industries - such as metal engineering, retailing - and smaller in “new industries” such as IT, many service industries etc.

In Finland, the number of entrepreneurs over 50 years of age has increased steadily, reaching over 67,000 in 2004. According to studies, a change of ownership within the next five years is expected in some 40,000 SMEs. These generation and ownership changes are estimated to affect more than 100,000 jobs in Finland.

Many information meetings on the preparation for generation and ownership changes have been organised in co-operation with the development organisations of associations and companies in Finland. Furthermore, the Ministry of Trade and Industry has developed and introduced various development services designed for generation and ownership changes in co-operation with the Employment and Economic Development Centres (TE Centres).

The TE Centres provide SMEs with, for example, the Passing the Baton service for the planning of a business transfer either within a family or to a new owner. The purpose of Passing the Baton is to ascertain the situation and expectations of the people transferring and taking over the business, and to clarify issues related to taxation and legal questions and alternative forms of financing. The social objectives of the programme include promoting the continuation and development of business activities and maintaining employee skills and jobs. Furthermore, the TE Centres organise various training and development services for businesses undergoing a change of generation, including those carrying on a business, with the objective of improving business skills and developing companies.

There are also various kinds of financing channels in Finland to finance changes of generation or ownership. The most common type of financing is a bank loan. In addition to banks, the specialised financing company Finnvera plc has a financial instrument called Yrittäjälaina (‘entrepreneur loan’), which is suitable for financing ownership arrangements, changes of generation, and business acquisitions.

In Finland, expert services in respect of legislative details, company value determination, and taxation are offered by consultants, lawyers, accountants, and notaries. There are a number of these experts and their regional availability is good.

In addition to the above support measures, attention has also been paid to finding a suitable successor or purchaser, as this is often a key challenge for companies. In Finland, there are several company marketplaces, maintained regionally and open to everyone, and the national Yrityspörssi ('Enterprise Exchange') by the Federation of Finnish Enterprises, website www.yrittajat.fi/yritysporssi. Yrityspörssi is maintained by Sypoint Oy of the Federation of Finnish Enterprises.

In 2005, there were around 400 advertisements placed in Yrityspörssi. Nearly 90% of the advertisers wanted to sell their enterprise and only a few wanted to buy a business or were looking for financing. Most of the sales advertisements concerned companies in the retail, industrial, manufacturing, and service sectors. Those with an advertisement for purchasing were mainly interested in service enterprises, especially in accountancy.

Advertisements in Yrityspörssi are placed on the website for six months at a cost of €60 + VAT. The advertisements can also be published in the Federation of Finnish Enterprises' magazine and the business newspaper, Kauppalehti; two advertisements in each cost €95 + VAT, and they can be submitted by e-mail, post or fax.

Yrityspörssi has had more than 21,000 visitors interested in the subject and some 9,000 miscellaneous visitors each month. The number of advertisements and responses, as well as visits to the Yrityspörssi website, is on the increase.

A follow-up of transactions taking place via Yrityspörssi was launched in autumn 2004. The follow-up is based on a questionnaire, which is sent to the advertiser four months after the publication of the advertisement. The questionnaire can also be completed on the Yrityspörssi website. Over a period of one year, there were 126 answers, 8% of which announced that the firm has been sold and 23% which reported that negotiations were still going on. The respondents estimated that they received some 3.5 potential replies through Yrityspörssi. According to the follow-up data, 37% of those who used Yrityspörssi regarded the service as "very useful" and 56% as "fairly useful".

The operation of regional enterprise exchanges is also visible in the advertisements published in Yrityspörssi. Some of the advertisers wish to submit their advertisements to the regional exchanges, which have a co-operation agreement with Yrityspörssi: the websites of Yrityspörssi and the regional exchanges are linked so that customers can find the desired exchange easily through the same website.

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4 DESIRABLE FEATURES OF MARKETPLACES FOR BUSINESS TRANSFERS

In this chapter the relevant preconditions and factors for a transfer database to work successfully will be discussed. Naturally, the success of a marketplace will depend on various factors and framework conditions such as legal requirements, attitudes towards specific business activities or support services etc. The following list should therefore be seen as a compilation of “must haves” and not as an exhaustive description of the features of successful databases. Moreover, some of the aspects described are closely interlinked and in practice cannot be considered in isolation.

4.1 Critical Mass, integrated markets and financing

The main purpose of databases for business transfers is to provide a “discovery service”, i.e. to ensure that potentially matching buyers and sellers learn of each other’s existence. In order to ensure the greatest number of potential matches, databases should be as comprehensive as possible.

While it has to be admitted that simply putting together completely unconnected markets in a single database or internet platform is unlikely to solve the critical mass problem (a carpenter looking for a business might not be interested in advertisements for restaurants), the question is to what extent markets really are unconnected. With the liberalisation of crafts, for example, the traditional boundaries between different trades become less important and it is more interesting for potential transferees to get information from different sectors.

Moreover, the marginal costs of enlarging a market or a database to become an all- encompassing tool are sometimes very low, or even zero, especially if there is an umbrella organisation like a chamber of commerce that can organise it.

Apart from the risk that potential buyers and sellers do not find each other in fragmented marketplaces, there is also a typical critical mass dilemma for every marketplace. If the marketplace/database is small, it is not attractive to join the database, and if joining the database is not attractive, it will remain small.³²

Therefore, to create the necessary critical mass to make a marketplace attractive, entrance costs for the first users should be low; this will require

³² See. e.g. Wellmann (2004), Online Marketplaces, in: Singh, M.P. (ed.), Practical Handbook of Internet Computing, also available at: <http://ai.eecs.umich.edu/people/wellman/pubs/phic04.pdf>.

some up-front investment by the creators of the database. Only when the database has reached a certain size might it be possible to finance it by means of fees from the users.

In order to create a large stock of transferable companies in one database, a European transfer market could also be considered. However, it is doubtful whether such a solution would have a significant added value. At the present stage it appears more realistic to aim for a certain convergence of national databases through an exchange of good practices. Host organisations of national databases should, however, consider systematically providing links to the databases in other countries, in particular to bordering countries.

4.2 Impartial host organisation

The existence of an impartial and trustworthy organisation that could become the host for a comprehensive database is a key factor for the success of transfer databases. In some countries the host function can be fulfilled by the chambers of commerce, of trade and industry and/or craft chambers. (This works especially where membership in a chamber is mandatory.) If the host service is fulfilled by such an organisation, this will also increase the transfer of the database service, since such organisations are very likely to be approached by potential transferors and transferees/successors.

Even where there is no mandatory membership, large business organisations (business federations, employers' federations) can host transfer databases where the market (i.e. commercial agents, banks etc.) does not offer adequate solutions to the problem of matching supply and demand for business transfers, as is often the case for small companies.

Where membership and financial contributions to an organisation (e.g. a chamber) are mandatory, the database services could be provided free or for a very small charge as the database could be financially supported by the host organisation. This depends, however, on whether the database service is understood to be part of the core business of the organisation or whether it is offered as an additional service for which fees have to be charged in order to ensure its long-term sustainability. In any event, charges might be considered necessary in order to deter users who are not seriously interested in selling or buying a business.

Especially where databases are (fully or partly) publicly funded and/or financed by mandatory contributions, it is important to ensure the systematic follow-up of contacts organised by the database service and the contribution that the database makes to ensuring business transfers. A "success rate" could be defined annually as the ratio between the businesses advertised in the database and the number of transfers and serious transfer negotiations initiated by the database per year. A regular publication of such figures could increase public acceptance for the database (especially when there is public funding).

4.3 Awareness, publicity and transparency

Generally, micro and small businesses are characterised by a low level of awareness of business support measures, which results in a limited participation rate. Small companies, especially, say that finding out about relevant services is a major problem for them.³³ This is also true of marketplaces for business transfers. In many countries these marketplaces are not transparent in the sense of being known to a large number of transferors and successors. This holds true even for tools that are web-based, and therefore generally accessible. In order to increase transparency of transfer databases several measures can be taken, such as:

- Using an internet domain name that is short simple and suggests itself for the purpose;
- Dissemination of leaflets and other printed information at relevant events (seminars for entrepreneurs, trade fairs, exhibitions etc. Note that “relevant event” should not be understood in too narrow a sense, e.g. as an information session on transfers).
- Advertisements and “word-of-mouth” as a result of excellent service provision.
- Low technical and administrative barriers for users.

4.4 Information provided/Search Possibilities/Database structure

In order to balance information asymmetries between the buying and the selling side and in order to attract more potential transferees and transferors, a minimum standard is required with respect to the degree of detail of the information presented. Since it is impossible to predict what kind of information is most important to users of the database, the information on individual businesses and potential successors contained in the database should be structured in such a way that it can be searched according to the various kinds of information that are available.

Naturally, a database should be split into advertisements of those who offer a business and those who are looking for one. For businesses on offer, the most common search possibilities are:

- Sector or industry (often based on the NACE classification)
- Geographical area (e.g. regions, cities, postal codes)

³³ See e.g. Sheikh, S.; Pecher, I.; Steiber, N.; Heckl, E. (2002), Support Services for Micro, Small and Sole Proprietor’s Businesses, Austrian Institute for Small Business Research.

- Size (e.g. number of employees and/or turnover, defined as size classes to avoid businesses being easily identified)
- Type of intended business acquisition (rent, lease, sale ...)
- Intended date/period of transfer
- Special requirements for successors (licences, qualifications etc.)
- Price (range)

For potential successors the following information could be provided:

- Sector or industry (often based on the NACE classification)
- Most preferred location
- Most preferred size
- Most preferred type of acquisition
- Most preferred date of takeover
- Willingness to be involved in a longer transfer and hand-over process
- Price range
- Other relevant personal information (licences, qualifications etc.)

Preferably these search criteria can be used in any user-defined combination. Moreover, a user should also have the possibility to select the option “all” for any of the criteria if he does not want to limit his choice. Another generally useful tool is a keyword search.

4.5 Protection of anonymity and organisation of contacts

The protection of anonymity is a key issue, especially for potential transferors.³⁴ If clients learn that a business is about to be sold, they might be inclined to discontinue their relations with the business for fear that the business will soon disappear or change. Thus, the transfer value of the business could be reduced.

Businesses will therefore almost always be advertised in a way that does not allow them to be easily identified. Depending on the individual situation (size of a country or region, number of businesses of a certain size and nature) the descriptions in the advertisements have to be somewhat vague. Potential buyers should therefore have the possibility to contact either the business itself and/or an intermediary in order to learn more about the business. In order to receive the desired information, the potential buyer will usually have to reveal his own identity so that the owner of the business that is for sale can be sure that he is not dealing with a client or competitor.

³⁴ Apart from the new database in the Walloon region which will also ensure full anonymity of potential buyers, the marketplaces presented in this report put more emphasis on the protection of the anonymity of sellers.

4.6 Technical aspects (matching, duration, quality)

A complicated matching of advertisements of potential buyers and sellers is not a prerequisite for a successful database. However, it is convenient if buyers can leave a search profile and be informed (e.g. by email) if a company that fits their profile has been entered into the database.

Some databases limit the period during which an advertisement can remain in the database in order to avoid an accumulation of old advertisements that are no longer valid in the database, which frustrates users trying to establish contact with a company that is no longer on offer. Given that transferring a business is usually a time-consuming process, the duration of ads in the database should not be too short: the minimum time for the databases presented in this report is 6 months. In most cases there is also the possibility of a prolongation.

Generally, some kind of quality control and maintenance by the host organisation in order to guarantee that the information provided is valid and conforms to certain minimum quality standards is regarded as useful.

4.7 The importance of mediation and other services

A business transfer will often be preceded by a long negotiation process touching on difficult issues such as the price, how it is paid and in which way the business is handed over. If a potential buyer and seller have found each other via a database the most difficult part of the transfer is still to come. Therefore, providing additional mediation services will in many cases be helpful.

Apart from such mediation services, the host organisation could provide other services such as consulting services (e.g. concerning the technical and legal aspects, valuation etc.) In this respect, a network of business consultants in the widest sense and other relevant institutions for transferors and successors (e.g. tax consultants, accountants, lawyers, notaries, chambers of labour and commerce, social security, tax office, interpersonal mediators, psychologists etc.) is likely to be welcomed by the clients of the marketplace. Particularly for the smallest companies, being provided with “a list of relevant names” might result in major savings in time, money and effort.

Other services could tackle the issue of cooperation with other marketplaces for business transfers, e.g. by linking up to them or by integrating/networking parts of the service with different public or private

hosts (see above). In this context, cross-border cooperation would be an intriguing prospect and could further add value to the marketplace.

The additional services of a marketplace for business transfer might go so far as to cover the provision of relevant information on a range of industries (in terms of giving an indication of the future potential of specific industries) or general information on the main issues to look out for before, during or after the transfer.

4.8 Internet portal solution

In some countries, commercial agents and private sector organisations have developed significant buying/selling databases already, some with an industry sector or geographic (e.g. regional) focus. For example, in the United Kingdom, two existing databases, operated by Daltons and „businessesforsale.com“, have over 34,000 businesses advertised for sale at any given time. As a result, market failure may be more related to effective signposting to these existing databases than to creating new databases.

In these circumstances, it is important that a government-sponsored Internet portal exists, potentially providing access to a broad range of business support advice, including clear signposting to these databases, in part encouraging additional interest and use, particularly from potential buyers.

OVERVIEW: DESIRABLE FEATURES FOR TRANSFER MARKET DATABASES

- The fragmentation of national databases (e.g. for different economic sectors, trades and crafts and regions) should be avoided. If a comprehensive national database cannot be established, then at the very least a national portal for all such databases should be considered. National databases should also provide links to well-established databases in other countries.
- A neutral and trustworthy host organisation is a key factor for the success of a transfer database. Natural candidates for this function are chambers of industry and commerce and chambers of crafts and similar organisations.
- Marketplaces must be made well known among their potential users. Awareness of their existence can be raised by a suitable domain name, by advertising, by an awareness-raising campaign and by the distribution of information in related contexts (e.g. chamber seminars on other topics).
- As a minimum, potential buyers of enterprises should have the possibility to search the database according to the criteria of economic sector and trades, geographical situation (region or even city) and size (indicated by size classes of employees and/or turnover). Additional useful search criteria are price (range) and the envisaged date of the transfer.
- Anonymity is of central importance for most potential transferors (and also for some potential buyers). Contact details or descriptions that would reveal the identity of a company may only be published with the authorisation of the person placing an advertisement. Contact queries could be directed to an anonymous mailbox. More security is provided if contacts are organised by the database host organisation or by intermediaries.
- It is advisable that the host organisation ensures a certain quality of advertisements. As a minimum this should include a regular check to ascertain that advertisements are still valid. Assistance in drafting advertisements is often useful too. Moreover, an ex-ante check of companies before putting advertisements into the database could be considered.
- A transfer marketplace will be more successful if it is not restricted to a database with a discovery service alone. Useful additional services include information about transfer issues, mediation services during negotiations and tutoring.
- In order to adjust and improve marketplaces and to account for public funds that might be used to support them, a systematic follow-up of the success of the transfer (e.g. in the form of a “success rate”) and the factors that determine that success is advisable.

ANNEX I : THE SITUATION IN OTHER COUNTRIES PARTICIPATING IN THE PROJECT

Bulgaria

Statistical data for the last four years show a growing number of both start-ups and enterprises as a whole in Bulgaria. Most of the Bulgarian enterprises were established after 1989 and therefore are relatively young. Small and medium enterprises account for 99.8% of all enterprises.

According to a survey conducted in 2001³⁵, about 23% of the SME owners are 50 year or older, about 68% are between 30 and 49 years old and about 7% are aged up to 29. During the period 1995-2002 the age level of newly registered entrepreneurs shows a smooth downward trend, with the relative share of the lowest age (up to 30 years of age) increasing at the expense of the share of entrepreneurs from the upper age bracket (50 and over).³⁶

There are no data at present on business transfers which are carried out in Bulgaria annually. Taking into consideration that enterprises are relatively young, a high level of business transfers cannot be expected in the near future. Moreover, buying an existing enterprise is much more expensive than starting a new one. These are some of the reasons why the majority of the business organizations do not rank the issue of the transfer of enterprises high on their agenda. It is obvious, however, that in the next ten years the importance of the transfer of enterprises will grow significantly, and therefore appropriate actions should be taken now and use should be made of the accumulated experience and best practices on organized markets for the transfer of enterprises in a number of Member States.

The Ministry of Economy and Energy and the Bulgarian Agency for Small and Medium-Sized Enterprises are together considering conducting a wide-ranging discussion with the business organizations and NGOs which support SMEs, as well as other initiatives, the main purpose of which will be raising awareness among entrepreneurs on the issue of transfer of enterprises.

At present there is no organized marketplace for business transfers in Bulgaria. One of the aims of the planned wide-ranging discussion on the transfer of enterprises will be to formulate advice to the government on which institution is best suited to run an organized marketplace for enterprises in Bulgaria.

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³⁵ Report on Small and Medium-sized Enterprises 2000-2002, Agency for Small and Medium-sized Enterprises, Sofia, 2002, p.65.

³⁶ Annual Report on the Condition and Development of SMEs in Bulgaria for 2004, Ministry of Economy and Energy, Sofia, 2005, p. 55.

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The Czech Republic

Small and medium-sized enterprises (SMEs – firms and individuals engaged in business) are a crucial part of the economy of the Czech Republic. SMEs play a decisive role in the creation of new jobs, and more generally as a factor of social stability and economic development. Functioning and performing SMEs are one of the essential conditions for the full integration of the Czech economy into the European Economic Area.

Table: The Share of SMEs in some selected macroeconomic indicators

Indicator	1997	1998	1999	2000	2001	2002	2003	2004
Businesses	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.9
Employment	59.8	56.4	59.1	59.5	59.7	60.9	62.2	61.5
Performance	52.9	51.7	53.3	52.9	51.4	52.0	52.0	52.1
Value added	57.4	51.4	53.0	52.6	51.3	52.7	52.1	52.9
Labour costs	*	*	54.7	54.7	55.7	55.5	56.2	55.7
Investment	*	*	41.7	40.6	37.8	44.5	49.6	50.6
Exports	36.4	36.3	36.5	36.2	35.7	31.2	34.0	34.3
Imports	48.0	48.8	50.7	49.4	47.1	50.3	49.8	52.5
GDP	*	*	34.8	31.7	31.1	32.2	35.2	34.9

Sources: The GDP indicator is taken from the data of the Czech Statistical Office, the other shares are calculations of the Ministry of Industry and Trade with the use of the CSO data ; *) the indicator for SMEs was not established by the CSO. Labour costs without OPC.

As in other EU countries, support for small and medium-sized enterprises in general is provided with the objective of maintaining and enhancing their competitiveness. Support is provided both directly and indirectly. Indirect support helps to create a favourable environment for SMEs by simplifying administration and alleviating possible adverse impacts of new legislation on SMEs, facilitating access to information, training and consulting. Direct financial support is represented by instruments facilitating access by SMEs to funding to carry through their investment plans or by reducing the costs of SMEs. This involves a wide range of programmes carried out by the Ministry of Industry and Trade (MIT) and the Ministry for Regional Development (MfRD) financed from the state budget, EU funds and financial market funds.

The Government of the Czech Republic is well aware of the necessity to improve the overall business environment in order to promote and improve the transfer of business as one of the important preconditions for a healthy and successful SMEs sector.

Yet, the transfer of businesses in the CR has certain specific features resulting from the very short history of private business. Private enterprise was, after a forty-year interruption, renewed on the territory of the Czech Republic in the beginning of 1990s. Existing experience confirms that the small and medium-sized **entrepreneurs are much more interested in establishing a new business than in taking over an existing one.** Apart

from the indisputable higher cost burden of the business takeover, it is assumed that there is also a kind of a psychological barrier connected with taking over responsibility for a business that was established by another entrepreneur. That is why, so far, the problems connected with transferring businesses in general, and especially as a result of the generation change, have not been perceived as being as urgent in the Czech Republic as in some other EU member states, where the entrepreneurs have owned their businesses for many years and have had to solve their own problems concerning business transfers.

At present there is no marketplace for transfer of business organized by a public or a private institution in the Czech Republic. The existing support to business transfer is an integral part of the Government SME Support Policy via the SME Support Programmes, in particular the START and CONSULTING programmes carried out by the Ministry of Industry and Trade and its subsidized organizations. The support provided under these programmes can undoubtedly make business transfer easier and reduce the risk of closing the firms as a result of transferring ownership to a new owner. The legal regulation of tax favouritism connected with business transfer is included in the laws on income tax, VAT, inheritance tax, gift tax and real estate transfer tax.

So far no survey has been conducted on the age profile of entrepreneurs or their intentions to transfer or to take over a business. However, we estimate that a small percentage of SMEs have already faced the problem of transferring their business and already sought advice and support on this matter, particularly from advisers or consulting companies and chambers. For this reason and in order to make further use of the data so collected, the Ministry of Industry and Trade has already included a set of questions concerning the transfer of business in some surveys in progress. Other specialised surveys will follow in the near future.

It is expected that the Czech Republic will have to deal with a problem of successful transfer of business in the near future in order to maintain and support the economic potential of SMEs. Thus, the EU initiatives to share best practices on fostering the transparent marketplace for the transfer of business are welcome and considered as highly beneficial to the future policy measures in this field.

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Greece

Greece believes that all issues relating to the transfer of business of small and medium enterprises are of vital importance both for the economy and for enterprises *per se*. The transfer of businesses is targeted as a priority action of Greece's entrepreneurship policy.

It is estimated that during the next decade approximately 2.5% - 3% of the registered enterprises in Greece will change hands each year. However, there are strong indications that this percentage might be even higher. According to the General Secretariat of the National Statistical Service of Greece, in 2002 there were 878 846 SMEs in Greece and 22 202 of these were transferred.

Almost 90% of SMEs which changed hands were small family businesses employing up to 9 persons. The remaining 8.2% of the enterprises which changed hands employed 10 to 49 persons and 2.1% were enterprises which employed 50 to 249 persons. In particular, the share of companies in the primary sector that accomplished a business transfer was almost 2.2%. The share of transfers in the industrial (secondary) sector reached 16.42% and in the fields of information, consulting services, etc. (tertiary sector) the share of the companies that changed hands was 81% (table 1). The reasons for, and types of business transfers differ due to many factors, such as the size of companies (table 2) and their legal form.

Table 1: Number of SMEs transfers by sector and by size in 2002

Sectors of Economy	Size class of SMEs			
	Micro	Small	Medium	Total
Primary	435	46	0	481
Secondary	2.887	569	191	3.647
Tertiary	16.431	1.207	274	17.912
Others	155	7	0	162
Total Number	19.908	1.829	465	22.202

Table 2: Reason for SMEs transfers

Reasons of transfer	Size class of SMEs			
	Micro	Small	Medium	Total
Onerous cause (inheritance etc)	284	2	0	286
Gratuitous cause (Gift)	32	0	0	32
Concentration - Absorption	70	31	11	112
Merger	23	9	4	36
Split up	11	2	0	13
Change in company variables	9.073	1.187	384	10.644
Change in partners' data (Transfer of share capital, etc)	10.415	598	66	11.079
Total Number	19.908	1.829	465	22.202

Following an initiative by the Ministry of Development, a Steering Committee of representatives from the public and private sector started work in March 2006 and has submitted proposals to the Minister of Development. Actions are being developed in the following key areas:

- The identification and formulation of measures for facilitating the transfer of small and medium-sized enterprises, which can be financed by the 4th Community Framework Programme.
- Proposed measures in order to ensure the continuation of operations of the personal businesses in the case of obligatory transfer caused by the death of relatives or of one of the partners.
- The encouragement of the entrepreneur through suitable actions or measures to transfer his business to his successors, to business employees or to third party.
- The provision of suitable and adequate funding for the transfer.
- The sensitization of small and medium enterprises on issues related to obligatory hereditary transfers.
- Harmonization with European Union policies on the business transfers.

It is expected that, after thorough examination of the report, specific initiatives and action will be taken for Greece with regard to the policy and mechanisms needed to facilitate the transfer of business, to reduce the bureaucratic and administrative burdens and to organize a public marketplace for transfer of business.

At present there is no marketplace for transfer of business organized by a public or a primary institution in Greece. A lot of information work is being done through organizations such as chambers and federations, in order to inform interested businessmen about the importance of preparing themselves for the transfer of business and on the procedures to be followed for a successful transfer according to the Greek fiscal and legal environment. However, numerous commercial agents are involved in business transfer activity, such as legal advisers, notaries, consulting companies, etc.

It has to be underlined that the creation of marketplaces and transfer of business in Greece is regarded as a priority. We believe that the existing knowledge about structures and best practices derived from other European Union member countries will accelerate the creation of Greek marketplaces on solid foundations.

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Spain

In Spain there are around 3 million SMEs (with fewer than 250 employees), which account for 99% of the total number of enterprises. Although 1.57 million SMEs have no employees, this group still accounts for 12.9 million jobs (66.8% out of an active population of 19.3 millions).

Since no specific statistical survey has been conducted on business transfers, there are no official data available. However, according to estimates by the Chambers of Commerce, at least 650,000 businesses will change hands in the next 10 years (around 65,000 transfers a year), and almost 1.4 million jobs are likely to be at risk. These figures clearly show that this issue is highly relevant to the national economy.

The Spanish Government is well aware of the need to promote initiatives to improve and facilitate the transfer of business. However, at present, no public institution is specifically responsible for following up and supporting business transfers in a uniform and properly organised manner at national level.

In fact, the existing support to business transfer is part of the SME Support Programmes developed by DGPYME (Dirección General de Política de la Pyme, at the Ministry of Industry, Tourism and Commerce), that provides SMEs with information of interest, monitors enterprise creation, cooperation between enterprises, statistics, European issues, databases, entrepreneurship research and other aspects; see <http://www.ipyme.org>. In recent years, some programmes have been developed to support the business creation process, including relevant administrative simplification. These actions will also have a positive impact on the business transfer processes.

The Chambers of Commerce have also set up some projects in this area; there are local databases supported by local Chambers (Madrid, Valencia, etc), which include “Business Opportunities advertisements”. Moreover, Chambers of Commerce have conducted a feasibility study (in the framework of e-Content EU Program) for business transfers between France, Italy and Spain via a cross-border internet portal (see <http://www.eurotransbiz.com>). In the area of business creation, the Ventanilla Única Empresarial (VUE) (one-stop shop for business creation), working in more than 30 Chambers, also gives support to the transfer process. INCYDE (Institute of Chambers of Commerce for Business Creation and Development) has undertaken a very large number of local actions focused on entrepreneurship. Some other Chambers of Commerce are helping to assess the economic and market value of transferred business, commercial stock value, shares and options, but without common methods, tool kits or procedures.

The marketplace for business transfers in Spain is fragmented, and often has a local or regional scope. But there are some interesting initiatives - both in

the public or quasi-public and in the private sector - that could be the seed for a future integrated system.

Some businesses organizations (such as the Instituto de Empresa Familiar, focusing on the family business transfer process), universities and business schools are offering some specific training programmes and services to business. There are also some private initiatives for supporting business transfers in Spain: private accountants, consultants, banks, financial advisors, and other specialists are offering support at the local level. And, in the internet environment, there are a few private web sites dedicated to business transfers (i.e. www.buyacom.com with more than 4.500 buy/sell offers - in Spanish and English language - or www.bizalia.com with 2.500), but these databases have not been in existence very long (no more than 2 years), they are not nationally significant or complete, and their business classifications are not standardised.

In the present situation, Spain is considering introducing some specific instruments to support the transfer of businesses, built on the previous public/private experiences and with an eye to the EU Best Practices. Some research and studies will probably be required (surveys to identify the number of business transfers, the future potential, the requirements of the transferors/transferees, their willingness to use online services for this process, and so on), as well as close cooperation between Government, Chambers and other agents involved.

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Hungary

The total number of enterprises in Hungary on 31 December 2004 was 872,000. There are no data concerning the age of the owners. It is known, however, that 77,000 private entrepreneurs out of 456,000 (16.9%) were of pensionable age, i.e. older than 62.

These figures show that Hungarian entrepreneurs, compared to the average of the EU countries, remain owners of their enterprises at a higher age. Probably one of the reasons is that before the change of regime in 1990 it was not possible for this generation to own enterprises and the ones that have been established since then now guarantee a good standard of living to their owners and family. Consequently, the entrepreneurs have both emotional and financial reasons for being unwilling to sell their successful enterprises. For this specific reason the number of successfully operating enterprises offered for sale will be relatively lower for the time being than in old EU member states.

While no specific statistical survey has been carried out concerning the number of business transfers over the next 10 years, the number of such transfers can be estimated at between 5 000 and 10 000 annually.

At present, two Hungarian private firms have their own website dealing with business transfers on a relatively large scale (a few hundred transactions per year). Their internet addresses are: www.topceg.hu and www.cegalku.hu. Apart from these firms, other business advisor firms and lawyer's offices occasionally facilitate such transactions. There is neither a uniform national database nor an organised market.

The support in Hungary is mainly directed towards projects aimed at development and investment. Yet, while there is no specific support for business transfers, enterprises can select from a wide range of type of support and there is nothing to prevent enterprises changing hands if the new owner takes over the previous owners' obligations.

Considering that the number of business transfers is likely to increase in the years to come, it will be important for owners of successfully operating enterprises to be able to sell their firms simply and quickly, and for potential buyers to be found easily. Therefore, Hungary is also interested in becoming acquainted with the practices of other EU member states and is considering the establishment of a transparent market for the transfer of businesses.

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Poland

Poland enjoys a relatively high rate of start-ups. Most of the new enterprises are established in sectors which do not need a high level of investment (e.g. retail outlets, restaurants, hotels, real estate, educational services) and which are characterized by low entry costs, strong competition and a high failure rate. The possibilities for these new companies to develop are thus limited. Other limiting factors are scarce sources of capital, high administrative costs, and limited infrastructure. On average a Polish company employs 2.5 employees³⁷, and the majority of companies are micro-enterprises employing a total of 3,367,000 persons.

There are no data available on how many business transfers take place in Poland each year. The Ministry of Economic Affairs, which is responsible for developing the SME sector, is considering conducting a survey on the issue in 2006. But since most of enterprises in Poland were established after 1989 when political and economic transformation was initiated, the great majority of entrepreneurs have not yet reached retirement age (see table).

Table: Age of entrepreneurs in Poland

	Share of all entrepreneurs in %		
	younger than 40	40-60	over 60
2000(1)*	26.29	67.33	6.38
2000(2)*	24.47	68.09	7.45
2001(1)	29.09	62.11	8.81
2001(2)	27.36	64.99	7.65
2002(1)	26.46	66.15	7.39
2002(2)	24.69	67.03	8.28
2003(1)	27.60	64.41	7.99
2003(2)	24.09	67.42	8.49
2004(1)	22.33	70.42	7.24
2004(2)	22.10	66.77	11.13
2005(1)	23.34	68.22	8.44

Source: Ministry of Economy. *The survey forms marked (1) were sent in the first half of the year.

The estimated number of business transfers in Poland is about 100,000 a year (these are entrepreneurs over 60 years old). Of this number, some enterprises will be transferred within the family, and some businesses will be closed. A rough estimate yields a market transfer volume of about 50,000 a year.

³⁷ There are no data available for 2004, but this number can be assumed to have increased slightly.

There is no uniform marketplace for business transfers organized by a public institution in Poland. However, fragmented markets for such services do exist. There are numerous commercial agents involved in such activities, e.g. legal advisers, notaries, real estate agencies, accounting and consulting companies. Some offers, especially those related to the real estate market, are presented on regional/local government websites or on websites of organizations cooperating with regional/local government. These offers of both public and private properties are presented as the so-called “investment potential of the region” (e.g. www.wmarr.olsztyn.pl). The organizations cooperating with regional/local government concentrate on contacting entrepreneurs who want to cooperate with each other, but they also help in sales transactions. Local chambers of industry and commerce also provide similar services. Furthermore, there are a number of advertisements placed in national or local newspapers offering businesses for sale. Advertisements of this kind are also placed on popular Internet websites such as: www.kupsprzedaj.pl.

In the present situation Poland will need to consider introducing some instruments to support the transfer of businesses. It could be particularly useful to conduct a survey to establish the number of business transfers, the reasons for those transfers and whether (and under what conditions) business owners would be willing to use a database for business transfers.

It appears that the natural host for running a central database would be Polska Agencja Rozwoju Przedsiębiorczości (PARP). The agency comes under the Ministry for Economic Affairs and the implementation of government programmes for SMEs and absorption of structural funds is within its field of responsibility. The Agency has a chain of regional and local cooperatives (National SMEs Services Network) which would be very helpful in promoting this new supportive measure for SME transfer.

Since starting a new business is cheaper than taking over an old one (and therefore the market for such transactions is quite limited in Poland), creating the database could also be a tool for supporting existing enterprises with some capital injections. This could also work as a tool for matching partners in business. The idea is similar to business angels (Polish Business Angels support investment in innovative sectors only) or private equity and venture capital, which support larger business projects.

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Romania

As a result of a rapid increase in the number of companies over the past few years, the majority of private enterprises in Romania, in particular SMEs, are still rather young.

Table: Number of SMEs, by size, in Romania

	2000	2001	2002	2003	2004
Micro	279,893	280,448	285,207	313,485	358,242
Small	29,417	31,249	32,010	34,883	36,080
Medium	6,864	7,455	7,989	8,342	8,674
Total	316,174	319,152	325,206	356,710	402,996

Source: The Annual Report on SMEs Sector in Romania, NASMEC 2005,
Micro: 0-9 employees, Small: 10-49 employees, Medium: 50-249 employees.

Yet, many of the owner-managers of these companies have reached the age where they are thinking about transferring their business. Apart from the general economic importance of business transfers, preserving traditional activities, especially within crafts and co-operatives, is also an issue. A recent survey, carried out by the National Agency for Small and Medium-sized Enterprises and Co-operatives (NASMEC) on the health and needs of Romanian SMEs showed that approximately 46,000 small enterprises out of the total of 403,000 (i.e. more than 11%) are owned by people older than 55. In addition, it has to be taken into account that, in the current context of structural changes related to European integration, the owner reaching retirement age is not the only reason for the transfer of enterprises.

Organising support for the transfer of business in Romania is still in an early stage. Some provisions have been established by law no. 346/2004 on stimulating the setting-up and development of SMEs (which took into account the European Commission's recommendation of 1994 on the transfer of business as a real alternative to start-up). Under this law, NASMEC will devise and administer a multi-annual programme through which the expenses in the form of fees and tariffs for the registration and modifications carried out by the Trade Registry National Office will be covered. This will also include costs related to administrative fees. The ultimate aim of the programme is to promote economic development through the transfer of businesses with growth potential and to apply the traditional practices and ideas from the founding owners to a new generation of entrepreneurs.

At present there are no organized marketplaces for the transfer of businesses in Romania. However, in 2006, an information portal will be created by NASMEC (www.animmc.ro) with the support of the EU Phare programme, in order to develop e-government instruments and establish an integrated platform for SMEs. Within the scope of services provided to SMEs, NASMEC intends to establish a database to facilitate the transfer of business

at national level. At the same time, a mix of soft support measures based on the best practices in some European States will be provided. Within these parameters, NASMEC has launched a debate on the relevance of business transfer through governmental factors, NGOs and business organisations and will conduct a survey to measure the scale of the process

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Slovenia

The promotion of small and medium-sized companies and entrepreneurship does not have a long tradition in Slovenia. After independence, the bulk of state funds was used to rescue large companies, while policies aimed at promotion of SMEs and entrepreneurship were changeable and indecisive in the 1990s. This situation began to change with the enforcement of the European Charter for Small Enterprises, with Slovenia joining the European programmes for the promotion of SMEs and with the adoption of several national acts aimed at improving the environment for entrepreneurship.

The following table shows that the majority of companies in Slovenia are micro enterprises with no or few employees. These enterprises employ around 27.1% of Slovenian employees, small enterprises employ 16.3% and medium-sized enterprises 20.6% of the workforce. Of the 606,811 employed persons in 2006 almost 36% were employed by large companies.

Table: Enterprises by size in Slovenia

	2002	2003	2004
Micro companies I (0-1)	53.154	53.106	58.347
Micro companies II (2-9)	35.530	31.814	28.968
Small companies (10-49)	4.862	5.074	4.898
Medium companies (50-249)	1.200	1.195	1.179
Large companies (250+)	324	316	305
Total	92.070	91.505	93.697

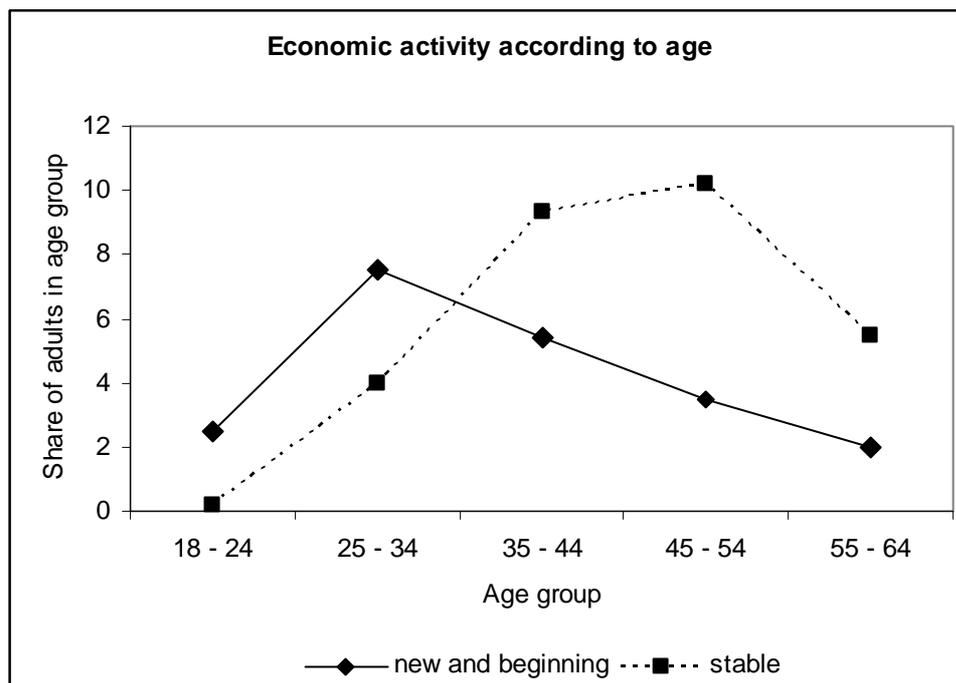
Source: Statistic Office of the Republic of Slovenia.

Most of the new entrepreneurs are in the 25 to 34 age. Most stable enterprises fall in the elderly age groups (see graph). In the 25 to 34 age group, 3.75% of adult residents of Slovenia are active owners or co-owners of a stable enterprise, and in the 45 to 54 age group the percentage is as high as 10.58%.

The overview of the entrepreneurship movement in Slovenia for the year 2005 shows positive trends. The share of the adult population intending to start entrepreneurship, or who have had their own company for less than three and a half years, has significantly increased. After the record decline to 2.6% in 2004, entrepreneurship rises to 4.4% in 2005, which means about 20.000 more individuals.

Existing experience in Slovenia confirms that small entrepreneurs are much more interested in establishing a new business rather than taking over an existing one. One of the main reasons is to avoid any kind of responsibility for negative obligations of a business that was established by another entrepreneur.

Graph: Economic activity according to age



At present there is no organized marketplace for business transfers in Slovenia. Part of the work is being done through chambers, commercial agents, legal advisers, notaries, consulting companies etc. So far, there has also been no survey looking at the age breakdown of entrepreneurs or focusing on their intentions to transfer or to take over a business. However, from the existing information we estimate that some SMEs have already encountered the problem of transferring their business.

The Ministry of Economic Affairs of the Republic of Slovenia is aware of the need to improve the overall business environment in order to improve the chances for business transfers, and is therefore considering setting up transfer marketplaces in Slovenia as a priority activity to be discussed during this year with business organisations, NGOs which support SMEs, and all other relevant partners. The main purpose will be to establish a partnership for creating the marketplace.

We believe that the existing EU initiatives sharing best practices on fostering a transparent marketplace for the transfer of business will accelerate the creation of a Slovenian marketplace.

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Sweden

As in other European countries, the business sector in Sweden is heavily dominated by SMEs. The total number of enterprises in Sweden is around 600.000. About 99 % of these businesses are SMEs i.e. have fewer than 250 employees. Around 94 % of SMEs have fewer than 10 employees and the share of enterprises with no employees is 60 %. Although the larger companies are few in number, they account for a large share of private employment. Enterprises with 250 employees or more account for 40 % of private employment in Sweden, while the SME sector accounts for 60 %.

In October 2003, the Swedish Government gave the Swedish Agency for Economic and Regional Growth, NUTEK, the task of conducting a fundamental analysis of what effects can be expected from future successions of generations in companies. The report, entitled "Successions of generations in companies - an analysis of the problem", was presented in February 2004.

It concluded that there are about 45,000 to 50,000 enterprises within the transfer risk category, that is to say enterprises:

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

In total, enterprises in the risk category employ approximately 215 000 full-time employees. If enterprises with only one full-time employee (in most cases the company manager) were added, there would be an additional 65,000 enterprises in this category.

The survey of companies in the risk category revealed that 63% of their managers aim to resign as company manager within five years. One fifth of company managers aim to wind up the business when they retire. If company managers who see problems in finding a successor are added, as much as one third of the enterprises within the risk category are likely to cease trading when the company manager resigns. Enterprises likely to cease their operation are providing full-time employment for approximately 38,000 people.

There are indications in the study that forthcoming business transfers are not very well prepared. The survey of enterprises in the risk category shows that 63 % of their company managers have not taken action to facilitate a forthcoming change of ownership. Only half of the company managers believe that they know how to go about finding a suitable buyer for the company.

The conclusion of the report by NUTEK is that there are many business owners who will need to transfer their business in the near future and that the

majority of owners are not very well prepared for it. Potentially this may have significant employment and economic effects, and measures to help successful business transfers should be taken.

As a result of the study by NUTEK and the recommendations from the Transfer of Businesses Best Procedure project to implement measures to facilitate business transfer, NUTEK started a programme in January 2005 focusing on the transfer of businesses. The programme operates as a joint venture with ALMI Företagspartner (business partner), the Federation of Private Enterprises and the Confederation of Swedish Enterprise. The programme deals with topics such as information to create awareness, education and training for companies and consultants, advice and tools for the preparation of the business transfer, need for financial instruments and measures to facilitate the meeting of sellers and buyers.

At present there is no formal marketplace or national database for business transfers in Sweden that is publicly funded. However, there are a number of marketplaces for business transfer, such as:

- web based marketplaces commercially operated by agents/brokers with databases containing anonymous company profiles and offering a search engine. In Sweden there are two nationwide commercially operated marketplaces,
- web based marketplaces operated by consultants but otherwise resembling type 1 databases,
- general local and regional based marketplaces offering all kinds of merchandise, including small business
- Marketplaces run by accountants, banks, lawyers and consultants who offer services related to business transfers.

Two more publications have been published by NUTEK on the transfer issue, “Successions of ownership and leadership in companies – a more profound analysis” in cooperation with the Jönköping International Business School. This report presents the results of an extensive regional study of the opinions of 1 850 business owners on issues relating to generational shifts and transfers of ownership. The publication “Transfer of Business – What will you do with your business when you choose to do something else in life?” highlights the different phases during the transfer process. This publication is being distributed to all business owners in the target group.

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Turkey

Owing to their number and the large share of the workforce they employ, small and medium-sized enterprises (SMEs) play an important role in the Turkish economy. The government authorities have, for many years, carried out a wide variety of programmes to support these enterprises.

At present, no reliable data on the transfer of business are available. It would be important to collect information about the reasons for the transfer of business (changing markets; new products or distribution channels; incidents such as death, illness, divorce and personnel decisions, change of profession, retirement etc.) and to perform a detailed analysis in this area in order to shape a development strategy for SMEs.

In 2004, KOSGEB (Small and Medium Industry Development Organization) conducted a survey on the situation of Turkish SMEs, which included some business transfer indicators. The information obtained from approximately 43,000 SMEs (which account for one fifth of all Turkish SMEs) confirmed that 15,000 SMEs had been transferred; most of them were family businesses. In Turkey, retirement is not the main reason for business transfer. Other reasons are equally important and should be addressed in order to prevent unnecessary business closures in the SME sector.

KOSGEB made a diagnosis of the current situation aimed at improving the legal and tax environment, and a comprehensive report has been prepared covering current legislation and proposals to facilitate business transfers. In order to improve the tax legislation and fiscal rules on business transfers by taking into account all the key areas of the Commission's recommendation of 1994, working groups have been set up to bring together all interested parties and to initiate amendments of the legal, fiscal and administrative environment as part of a coordinated action.

To establish a database of the specialized trainers and consultants and to initiate awareness raising actions, a train-the-trainers programme focused on a small group of local trainers was conducted in 2004. Moreover, with the international short-term technical assistance covering their best practice examples on business transfer, two training events for local trainers were provided by Italy and Finland in December 2005 and January 2006. Public awareness-raising meetings, seminars and training courses on business transfer will be launched in 2006 to enable KOSGEB to create awareness for the problem and to provide assistance to entrepreneurs for possible transfers

Within the scope of the EU Administrative Co-operation Fund II, two study visits to Italy and Germany were used as a means of collecting information on tools for self-analysis by companies, especially family businesses (Italy, Studio Centro Veneto, August 2005) and on best practice examples regarding an information portal, marketplaces and the one-stop-shop for

business transfer (Germany, Federal Ministry of Economics, KfW, Erfurt Chamber of Commerce, November 2005).

In Turkey, there are no organized marketplaces at present but there are some initiatives to set up databases of buyers and sellers and to create a National Business Transfer Centre. The National Statistical Institute has completed the creation of Business Record Systems of Turkey in accordance with EU norms. In 2006, a new common project with the EU on business demography will be launched and business transfer indicators will become a part of the record system. In addition, some business transfer indicators have been introduced into the KOSGEB's SME database. It is planned to initiate a national host database for buyers and sellers at KOSGEB.

In 2005, KOSGEB prepared a project proposal for submission to the EU Financial Cooperation Fund to create the National Business Transfer Centre for providing and coordinating information, creating a contact mediation system for buyers-sellers, collecting data on transfer of businesses and also stimulating cooperation with the EU by linking up existing EU databases. This proposal has been discussed in the 2006 annual programme and will be evaluated in the 2007 programme.

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The United Kingdom

The most recent UK-wide Annual Small Business Survey (ASBS), for 2004/5, covers a sample of over 7,500 SMEs. Of the 4.3 million private sector enterprises in the UK (3.1 million without employees and 1.2 million employing staff) 59% have owner-managers aged 46 or older and 12% have owner-managers aged 60 or older. 71% of all SMEs and 64% of SMEs with employees consider themselves family-owned businesses.

The ASBS results contain information on business succession which shows:

- 25% of business owners intend to sell the business when they retire; 6% favour closing down and 27% a transfer within a family. However, 42% could not say what would become of their business.
- The intention to keep the business in the family was particularly strong in the primary sectors (including agriculture), in Northern Ireland and among minority ethnic group-led businesses.

18 per cent of businesses expected a transfer or closure of the business within the next five years, but only 4 per cent of businesses have a written transfer plan in place and 78 per cent of businesses are not aware of transfer planning processes. The data from the ASBS further suggest that around half of all businesses in the UK are transferred successfully. Considering only “viable” businesses, i.e. businesses where there is no closure for simple financial reasons, the ratio is higher, i.e. around 62%. On the other hand, this means that around 38% of all viable businesses fail in the transfer process and have to close down.

Business transfer issues are understood in the UK from a policy perspective, supported by the publication of a government-led report on the subject in November 2004.³⁸ Currently, a Steering Group of representatives from the public and private sectors, including specialist support organizations and professional bodies, is working on a detailed action plan. Actions are being developed in three key areas:

- Raising awareness, primarily with public and private sector intermediaries, who, in turn, would raise awareness in the SME community. Of particular importance is the need to plan for the transfer at the earliest possible stage.
- Definition and production of a toolkit for consistent use by the wide range of intermediaries. The toolkit will include both an online diagnostic, for both SME and intermediaries’ use, and a more comprehensive diagnostic for Business Adviser use in 1-to-1 relationships with SMEs.

³⁸ <http://www.sbs.gov.uk/content/services/passingthebaton.pdf>

- Identification of significant structural issues that restrict or distort the Business Transfer market. This area includes further research on buying and selling marketplaces in the UK, with a report due in mid 2006.

There are no formal marketplaces for business transfers in the UK that are supported by public funding. However, there are a number of Business Transfer Agents who, individually and collectively, advertise businesses for sale in the national press (e.g. the Sunday Times, Business section) and specialist buying/selling magazines (e.g. Daltons Weekly). These Business Transfer Agents tend to operate at the smaller/high volume end of the SME market, particularly in sectors such as retail business. Some trade/sector membership organisations offer an informal buying/selling matching service. Medium and large accountancy practices also offer selling services through their Corporate Finance groups, but these tend to focus on larger SMEs, with significant valuations.

A number of buying/selling databases already exist, provided by commercial organisations. The two largest, Daltons, and “businessesforsale.com”, contain over 34,000 businesses for sale, and are relatively well known as sources of business opportunity at the small/high volume end of the SME market. The UK government website and portal for all aspects of SME business support, www.businesslink.gov.uk, contains a large section on ‘buying and selling your business’. Included in this section are links to these commercial databases, thus allowing the government website to act as a signposting portal to commercially available services.

There is no natural host in the UK for a single government-funded nationwide service. Chambers of Commerce are commercial organisations and SMEs are not obliged to be members. In England (and there are similar networks in the other UK countries), the Business Link network has been publicly funded to provide a wide range of support to business. However, the current policy is to focus Business Links on the provision of Information, Diagnosis of the SMEs’ needs, and ‘Brokerage’ to an appropriate service provider. Service providers are more likely to be from the private sector and would charge the SME for the specialist service or advice provided. Based on this new Information, Diagnosis and Brokerage (IDB) model, there is no natural national service provider for organising the transfer marketplace, over and above the signposting service provided by the www.businesslink.gov.uk portal.

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