

# SME Business transfers in Flanders

Promoters of the research carried out with the support of the Agentschap Ondernemen:

Prof. Eddy Laveren (Antwerp Management School)

Prof. Dr. Tensie Steijvers (Hasselt University)

# Business transfers in Flanders

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## Introduction

Based on the Belgian VKBO database we have calculated that in 2014:

- There are in Flanders **78 897 micro-enterprises (< 10 employees) and SMEs (from 10 to 250 employees)** older than 20 years where a CEO , business leader or Managing Director older is than **50 years**
- There are in Flanders **44 553 micro-enterprises and SMEs** older than 20 years with a CEO, business leader or Managing Director older than **55 years.**
- In 13 434 of the 78 897 companies (17%) the CEO , business leader or Managing Director is older than **65 years.**

# Business transfers in Flanders

## Introduction

Assessment of the economic importance of the companies with a CEO, business leader or Managing Director older than 50 or 55 years

	<b>+ 50 year</b>	<b>+ 55 year</b>
<b>Number of companies</b>	78.897	44.553
<b>Sum of net value added</b>	13,805 billion €	8,186 billion €
<b>Sum of total assets</b>	71,266 billion €	45,147 billion €
<b>Sum of number of employees</b>	496.079	297.903

# Business transfers in Flanders

## Who was surveyed?

a) First postal survey sent to 4100 CEOs or Business Leaders:

Table 0.2: number of useful and timely completed forms		
	Number of firms	In terms of percentage
Micro-enterprise (< 10 employees)	259	47,6%
SME (from 10 to 250 employees)	285	52,4%
<b>Total</b>	544	100%

b) Second (online) survey to ask some questions from the owners, sent to 380 owners and completed by 155 owners.

## 2. Transfer of the position of CEO or Business leader

### 2.1. Term and age for companies with business leader, older than 50

	Number of	In terms of percentage
<b>Younger than 60 years</b>	26	5,6%
<b>Between 61 and 65 years</b>	196	42,0%
<b>Between 66 and 70 years</b>	92	19,7%
<b>Older than 70 years</b>	18	3,9%
<b>For the rest of my life</b>	13	2,8%
<b>Up to a certain event occurs</b>	53	11,3%
<b>No idea</b>	69	14,7%
<b>Total</b>	467	100%

## 2. Transfer of the position of CEO or Business Leader

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**Table 2.2. : Expected term of transfer of CEO**

	Number of	In percentage of
<b>0-2 years</b>	83	17,3%
<b>3-5 years</b>	177	36,9%
<b>6-10 years</b>	140	29,2%
<b>&gt; 10 years</b>	23	4,8%
<b>Unknown</b>	57	11,9%
<b>Total</b>	480	100%

## 2. Transfer of the position of CEO or Business Leader

**Table 2.3 : Degree of planning of transfer of leadership and the term of withdrawal**

	Dates of withdrawal of CEO:									
	0-2 year		3-5 year		6-10 year		>10 year		unknown	
	N	%	N	%	N	%	N	%	N	%
<b>Not yet working</b>	6	9,8%	34	22,5%	49	38%	7	33,3%	24	49%
<b>First steps launched</b>	5	8,2%	19	12,6%	25	19,4%	6	28,6%	6	12,2%
<b>Plenty of working on it</b>	44	72,1%	94	62,3%	53	41,1%	8	38,1%	17	34,7%
<b>Fully completed</b>	6	9,8%	4	2,6%	2	1,6%	0	0%	2	4,1%
<b>N = 411</b>	61	100%	151	100%	129	100%	21	100%	49	100%

## 2. Transfer of the position of CEO or Business Leader

**Table 2.4 : Planning of a transfer of leadership and age of business leader**

	Age of CEO:							
	50-55 year		56-60 year		61-65 year		Older than 65 year	
	N	%	N	%	N	%	N	%
<b>Not yet working</b>	18	41,9%	63	33,3%	31	24,4%	10	17,5%
<b>First steps launched</b>	10	23,3%	30	15,9%	18	14,2%	5	8,8%
<b>Plenty of working on it</b>	15	34,9%	94	49,7%	73	57,5%	35	61,4%
<b>Fully completed</b>	0	0%	2	1,1%	5	3,9%	7	12,3%
<b>N = 416</b>	43	100%	189	100%	127	100%	57	100%



## 2. Transfer of the position of CEO or Business Leader

Micro enterprises versus SMEs: transfer of leadership, within less than 5 years

**Table 2.5 : Degree of planning of transfer of leadership and business size**

	Business size:			
	Micro-enterprise		SME	
	N	%	N	%
<b>Not yet working</b>	29	31,9%	11	9,1%
<b>First launched</b>	13	14,3%	11	9,1%
<b>Plenty of working on it</b>	46	50,5%	92	76%
<b>Fully completed</b>	3	3,3%	7	5,8%
<b>N = 212</b>	91	100%	121	100%

## 2. Transfer of the position of CEO or Business Leader

**Table 2.6 : Discussion with potential successors and term of withdrawal**

	Dates of withdrawal of CEO:									
	0-2 year		3-5 year		6-10 year		>10 year		unknown	
	N	%	N	%	N	%	N	%	N	%
<b>Not discussed</b>	14	<b>36,8</b> %	38	<b>44,7</b> %	44	53,7 %	7	70,0%	16	66,7 %
<b>Is already mentioned</b>	10	26,3%	34	40,0 %	30	36,6 %	2	20,0%	8	33,3 %
<b>Discussed in detail</b>	14	<b>36,8</b> %	13	15,3 %	8	9,8%	1	10,0%	0	0%
<b>N = 239</b>	38	100%	85	100%	82	100%	10	100%	24	100%

## 2. Transfer of the position of CEO or Business Leader

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### What after the succession?

- 60.7% of business leaders would like to continue to perform a professional activity (advisor, PR, Board member,...)
- 12.7% just want more free time recording
- 26.6% do not know yet

### 3. Transfer of ownership

#### 3.1. age - for companies with at least one shareholder, older than 50

Table 3.1. Retention of ownership of the company

	N	In %
Younger than 60 years	29	6,6%
Between 61 and 65 years	126	28,5%
Between 66 and 70 years	56	12,7%
Older than 70 years	17	3,8%
For the rest of my life	25	5,7%
Up to a certain event occurs	58	13,1%
No idea	131	<b>29,6%</b>
Total	442	100%

### 3. Transfer of ownership

#### 3.2. Term More uncertainty about the dates of transfer of ownership

**Table 3.2. : Expected term of a transfer of ownership of more than 50% of the shares**

	N	In %
0-2 year	65	13,5%
3-5 year	107	22,3%
6-10 year	86	17,9%
>10 year	27	5,6%
unknown	195	<b>40,6%</b> (t.o.v. 11,9%)
Total	480	100%

# 3. Transfer of ownership

## 3.3. Degree of planning

**Table 3.3. : Degree of preparation transfer of ownership and business size**

	Business size:			
	Micro-enterprise		SME	
	N	%	N	%
<b>Preparation for transfer of ownership:</b>				
<b>Not yet working on it</b>	109	46,0%	87	35,8%
<b>Awareness is there, but no idea how to get started</b>	42	17,7%	34	14,0%
<b>Starting at short notice with the preparations</b>	55	23,2%	73	30%
<b>Fully completed</b>	31	13,1%	49	20,2%
<b>N = 480</b>	237	100%	243	100%

### 3. Overdracht van eigendom

**Table 3.4. : Degree of preparation of transfer of ownership and term of transfer**

	Term transfer of more than 50% of the shares:									
	0-2 year		3-5 year		6-10 year		>10 year		unknown	
<b>Preparation of transfer of ownership:</b>	N	%	N	%	N	%	N	%	N	%
<b>Not yet working on it</b>	5	7,9%	18	17,3%	32	37,6%	11	40,7%	119	66,5%
<b>Awareness is there, but no idea how to get started</b>	3	4,8%	19	18,3%	22	25,9%	7	25,9%	21	11,7%
<b>Starting at short notice with the preparations</b>	28	44,4%	52	50%	22	25,9%	7	25,9%	17	9,5%
<b>Fully completed</b>	27	42,9%	15	14,4%	9	10,6%	2	7,4%	22	12,3%
<b>N = 458</b>	63	100%	104	100%	85	100%	27	100%	179	100%

### 3. Transfer of ownership

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#### Barriers in the planning of the transfer of ownership

Both **family reasons** (e.g., children do not match, successor not yet ready, young age of the children, equal rights for the children) and **adverse financial and market conditions** (including bad business climate, future is uncertain) are obstacles when planning a transfer of leadership and of ownership.

**Financial reasons**, however, are the **main obstacle** when planning a transfer of ownership. Respondents frequently refer to the high acquisition prices and the lack of resources and funding (e.g. to pay the other children, payment of inheritance tax)

**Other reasons:** the search of a suitable successor, to make the company ready for a transfer (e.g. fiscal restructuring, ensure profitability), lack of knowledge of the transfer process



### 3. Overdracht van eigendom

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#### Intentions on business transfer

Table 3.5. : Intentions on business transfer		
N = 421	N	In %
Family transfer	223	<b>53%</b>
External sales	164	<b>39%</b>
Liquidation	34	8%
Total	396	100%

### 3. Transfer of ownership

Breakdown by company size:

**Table 3.6: transfer of ownership (family, external sales, liquidation) and business size**

	Business size:			
	Micro-enterprise		SME	
<b>Transfer of ownership:</b>	N	%	N	%
<b>Family transfer</b>	<b>96</b>	<b>49,2%</b>	<b>131</b>	<b>63,3%</b>
<b>External sales</b>	69	35,4%	72	34,8%
<b>Liquidation</b>	<b>30</b>	<b>15,4%</b>	<b>4</b>	<b>1,9%</b>
<b>N = 402</b>	195	100%	207	100%

### 3. Transfer of ownership

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A lot of family businesses think of an external sale.

**Main motive** for an external sale:

**I want to obtain the financial return of my many years of commitment by selling the company (57.5%);**

Other motives:

- Children/family are not motivated to take over the company (32.5%);
- Children/family can not accept for the sake of the high company cost (17.5%);
- I don't want to transfer the company to the children/family (17.5%);
- The children/family cannot take over the company due to lack of capacities (12.5%).

### 3. Transfer of ownership

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-40% of the companies find it difficult to find a suitable buyer/successor. We found also that 71,5% of the companies that consider an external sale found it difficult to find a buyer/successor.

-It's hard to bring together seekers and providers of a corporate transfer. Less than 10% of respondents do know the existence of 'Matching platforms'.

About one-fifth of the companies that plan an external sale in the future, consider using one of the existing '**matching platforms**'.

- About one-fifth of the companies has no idea of the value of their company

## 4. Level of information collection on business transfer

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We provided a list of 11 information sources that companies can use or consult.

About 60% of the companies say to have consulted no information source or at most 2 different sources of information.

## Main findings on business transfer in Flanders

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**Finding 1: The problem of business transfers is potentially present in a large group of companies.**

**Finding 2: A lot of companies that plan a transfer of leadership or ownership within a period of 5 years do have too little planning and preparation of the transfer**

**Finding 3: Many companies expect difficulties with the financial aspects of the business transfer**

**Finding 4: 53% of businesses think of a family succession, while 39% of companies in an external sale of the shares is considered.**

**Finding 5: 15% of the micro enterprises remember to liquidate over 2% of the larger SMEs.**

**Finding 6: It is difficult for many companies to find a buyer**

**Finding 7: Many entrepreneurs make too little use of existing information and advisory opportunities**

## Main findings on business transfer in Flanders

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### **Finding 1: The problem of business transfers is potentially present in a large group of companies.**

Business transfer is a complex process, involving both emotional and practical challenges that need to be addressed.

The multitude of attention points requires that a transfer is prepared on time. Companies with a business leader older than 50 or 55 years will shortly face a transfer.

On the basis of data of the Belgian VKBO database, there are 78897 SMEs in Flanders (older than 20 years) where a business leader or Managing Director works which is over 50 year old and 44553 SMEs with Business Leader or Managing Director older than 55 year.



## Main findings on business transfer in Flanders

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### **Finding 2: A lot of companies that plan a transfer of leadership or ownership within a period of 5 years do have too little planning and preparation of the transfer**

We found that 46% of micro-enterprises were not concerned with the planning of a transfer of leadership or had taken only a first step, whereas in 64% of the micro enterprises no actions were taken with respect to planning of a transfer of ownership or one does not well know how to get started.

In the companies where a transfer within a period of 5 years is expected, we found that 1 in 3 businesses is still not doing some planning of transfer of leadership or ownership or they have taken only a first step.



## Main findings on business transfer in Flanders

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### **Finding 3: Many companies expect difficulties with the financial aspects of the business transfer**

Financial reasons turn out to be the main obstacle when planning a transfer of ownership.

The firms referred frequently to the high acquisition prices that must be paid and to the lack of money (financing) (e.g. other children that must be paid or to pay succession taxes).

## Main findings on business transfer in Flanders

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**Finding 4: 53% of businesses think of a family succession, while 39% of companies in an external sale of the shares is considered.**

Quite a few family business leaders think to execute an external sales.

In addition to family reasons , nearly 6 in 10 owners cited that they want to be rewarded by an external sale for their many years of commitment.



## Main findings on business transfer in Flanders

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### **Finding 5: 15% of the micro enterprises remember to liquidate over 2% of the larger SMEs.**

We found that especially the micro-enterprises with at most 2 employees and companies from the service sector and construction industry who think about liquidation.

It is possible that the owner-manager attached to liquidate the business do not have children or that they find it difficult to pass to a successor their specific knowledge and professional experience.

## Main findings on business transfer in Flanders

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### **Finding 6: it is difficult for many companies to find a suitable buyer**

Nearly 4 in 10 companies indicate that it is difficult to find a suitable buyer. It is difficult to bring seekers and providers of a transfer into contact with each other.

71% of the companies which consider an external sales indicate that it is difficult to find a buyer.

Not to find a suitable buyer in time can also cause that one thinks of liquidation.

## Main findings on business transfer in Flanders

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### **Finding 7: Many entrepreneurs make too little use of existing information and advisory opportunities**

Almost six out of ten companies state that they consulted no or at most 2 information sources.

Even 2 out of 3 companies with a business leader older than 65 years indicate no information or advisory resources.

However 60% of the companies state that the consulted information and advisory capabilities were very useful.

Since almost 16% of companies indicate not good to know how to start the planning process of the transfer of ownership, it is good that they will register on time to get informed and advised about the various aspects of the transfer process.