10 Suggestions to Support Business Transfer in the EU

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Business transfer is the process of passing a business to a new owner, often with new management. Once seen mainly as a retirement step, it is now recognised as a key stage that can occur anytime to ensure the continuity of a business as well as its scale-up and growth. The process heavily depends on a supportive environment for both senior and next-generation owners, sellers, and buyers.

Business transfers are key drivers of growth, competitiveness, and sustainable productivity. They protect jobs, secure tax revenue, foster innovation, and provide regional stability while ensuring European consumer choice. Additionally, they promote business scaling, strengthen local entrepreneurial ecosystems, encourage competition, and reduce dependencies on foreign industrial capacity and digital technologies. They enable the transfer of skills and tacit knowledge from one generation of business owners/managers/employees to another.

Recognising their importance, **Eurochambres**, **European Family Businesses**, **Transeo**, **CECOP**, **Cooperatives Europe**, **SMEUnited and AECM** have united to urge that business transfers receive the political attention they deserve in Europe's agenda.

Europe faces a demographic cliff as baby boomers, today's business owners, retire. This could lead to mass closures and job losses without systemic transfer mechanisms. The shifting demographics in Europe are evident within the business sector: each year, approximately 450,000 firms, employing 2 million people, are transferred across the continent. Alarmingly, it is estimated that approximately 150,000 businesses face the risk of unsuccessful transfers each year. Smaller firms, mainly, are the most susceptible to these transfer failures.

While we applaud the European Commission's efforts to support start-ups and promote venture capital, this must not divert attention away from the much-needed support for existing companies seeking continuity and growth within the Single Market. Transferring businesses to the next generation is becoming an increasingly significant concern for millions of employers, employees, and business ecosystems.

Historically, the European Commission first addressed the business transfer topic in 1994, followed by subsequent Communications throughout the years1. Thirty years on, a lack of political awareness persists, and there appears to be a continued reluctance to address this topic at the EU level. Supporting existing businesses throughout their life cycle must remain a top priority for policymakers as they drive innovation, jobs creation, and growth.

Business transfers are vital tools for continuity, scaling up, and business renewal. They are essential to maintaining local economic activity in all European regions, thereby benefiting Europe's economy and its social fabric.

Business succession also has a social and territorial dimension, which is crucial for preserving community cohesion. Business continuity through ownership transitions can help buffer local economies against external shocks and protect regional economic structures. Failed business transfers often result in the closure of otherwise viable companies, leading to the loss of capital, infrastructure, skilled jobs, and tax revenue. A systemic approach to business transfers can prevent this economic waste.

[1] SME Relief Package, Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions, September 2023.

[2] Assessment of the framework conditions for business transfers in the EU Member States - Overview of measures to facilitate transfer of business, The Network of SME Envoys, May 2024.

Moreover, business transfers are a crucial vehicle for supporting the digital and green transitions. Arguably, by facilitating business transfers, we also support sustainable growth, as these well-established companies, once taken over by a new generation or owner, can adapt their business models by implementing innovative technologies and sustainable practices, thereby ensuring continuity and resilience. In other words, supporting business transfer can help foster climate resilience because transferring existing businesses to owners of younger generations committed to green transitions can accelerate Europe's climate goals more efficiently than starting new green businesses from scratch.

In recent years, businesses and their support ecosystems have focused on navigating short-term uncertainties and operational pressures. Yet policy attention to the issue of business transfer has noticeably faded. Reinstating business transfers as a priority means embracing a long-term vision for economic sustainability, especially in rural and demographically fragile areas.

As such, the new EU Start-up and Scale-up Strategy and the Single Market Strategy must recognise and harness the significant potential of scaling up through business transfers. Encouraging SMEs to grow can contribute to creating a new generation of "Midcaps", boosting European open strategic autonomy and strengthening value chains globally.

The last assessment carried out by the European Commission2 concludes that EU Member States display diverse ranges of maturity in terms of measures to support business transfer (e.g., fiscal, legal/administrative, financial measures, data collection measures, etc.). The lack of a harmonized approach at the European level represents a significant barrier, hindering entrepreneurs' propensity to explore new markets and opportunities beyond national borders.

We must provide Europe's existing and aspiring entrepreneurs with the best opportunities, as well as the necessary flexibility to fail when exploring new career paths and new sectors of activity. To support both current and future entrepreneurial activity, we must simplify the regulatory, fiscal, and administrative environment by promoting business continuity and second chances.

The financial sector, particularly banks and investment funds, is crucial in facilitating smoother transitions. Mechanisms such as trust funds, employee buyouts supported by financial institutions, and dedicated investment vehicles could offer viable solutions. These tools should be encouraged nationally and promoted at the EU level.

To this end, we urge the European Commission to prioritize business transfers in the forthcoming Single Market Strategy and the EU Start-up and Scale-up Strategy.

Moreover, we ask the Commission to be proactive in promoting business transfers within all Member States with a new Recommendation, updating the one approved in 1994, and following up with coordinated policy actions, focusing on:

01 Recognition that all types of business transfers should be considered equally important, including transfers to third parties, intra-family successions, and transfers to employees.

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02 Asking Eurostat to undertake and coordinate a comprehensive data collection effort across EU Member States on all types of business transfers.

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03 Establishing an EU-wide business transfer barometer, which surveys the plans and needs of business owners regarding transfers and reports at regular intervals, providing essential data and impulse for evidence-based policy making.

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04 A strategy to prepare entrepreneurs for both taking over and handing over a business. These are distinct but equally important processes. Entrepreneurs should receive support in both the preparation phase and the post-transfer period. Knowledge about acquiring a business and succession planning should be integrated into entrepreneurial education. Initiatives aimed at facilitating the transfer of businesses to young entrepreneurs should be encouraged. This includes ensuring that young people become familiar with the opportunities and challenges of entrepreneurship while still in school, as well as promoting 'role model programs' where entrepreneurs engage directly with students.

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05 Creating new EU-funded projects and programmes to support entrepreneurs in close collaboration with business organisations directly involved in facilitating business transfers.

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06 Providing financial instruments and educational programmes to facilitate support for business transfers, such as guarantee programs from the European Investment Fund (EIF). Recognising the sole acquisition of shares resulting in full control of an undertaking, especially in the context of business succession or continuity, as an investment under Article 17 of the General Block Exemption Regulation (GBER), provided it results in the continuation, expansion, or revival of economic activity.

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07 Integrating business transfer support into the 2028-2034 Multiannual Financial Framework (MFF) discussions and the successor to the Single Market Programme, as the continuity of viable businesses directly impacts the EU's competitiveness.

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08 Encouraging and facilitating cross-border business successions/acquisitions to deepen the Single Market, improve capital mobility, and promote entrepreneurial dynamism across Member States.

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09 Promoting best practices in business transfers across EU Member States and raising awareness of the importance of early-stage assessments and strategies for business transfers.

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10 The European Commission should support the creation of a European business transfer expert platform/forum, drawing inspiration from the Finnish Business Transfer Forum (Omistajanvaihdosfoorumi) to identify and promote the exchange of best practices in business transfers throughout Europe. Concrete models and best practices exist at regional, national, and EU levels and can be shared with the European Commission.

Overall, successful business transfers – whether intra-family, a buyout by employees, or through a sale to third parties - present real opportunities for productivity growth and resilient competitiveness through innovation and the adoption of advanced technology while reducing dependencies on foreign industrial capacity and digital technologies.

By increasing its focus on business transfers, the European Commission should lead by setting clear policy goals and coordinating on what truly matters for productivity growth and competitiveness.

We believe the European Commission can also play a significant role in encouraging Member States to align their legal, administrative, and fiscal frameworks across the EU.

Signatories

EUROCHAMBRES

EFB EUROPEAN FAMILY BUSINESSES

TRANSEO EVERLASTING BUSINESSES

CECOP CICOPA Europe

cooperatives europe The European region of the International Cooperative Alliance

sme united CRAFTS & SMEs IN EUROPE

aecm