



LAND
BRANDENBURG

Ministerium für Arbeit, Soziales,
Gesundheit und Familie



Qualified Assistance for Corporate Succession



European Union
European Social Fund

Preface

Dear Reader,

Obviously, companies are responsible for ensuring that they stay competitive with their products on the world market and that they do not go broke. This entails, among other things, that they keep looking ahead and also make long term arrangements for stable management in the future. For, sooner or later, even the best boss will have to hand over the rudder to somebody else. In the past, most companies were taken over by a son or daughter. Today, that is changing and more and more companies, especially small and medium sized businesses, are unable to find a satisfactory successor.

There are more than 63,000 companies in Brandenburg. Almost 53,000 of these companies are family companies. Every year, about 2,000 of them are faced with the question of succession. If this question is not answered in time, if the children cannot or do not wish to take over, then, in the worst case, the company will be faced with extinction with the result that know-how, capital, and, most importantly, jobs will all be destroyed. Thus there are many reasons for arranging for a suitable successor in time. We are called on to support this process as best we can because it is much better to keep existent jobs in place than to create new ones from scratch.

There are many courageous men and women in Brandenburg who would like very much to go into business for themselves. This brochure has been written to encourage everyone who intends to take such a step to think about taking over such a company. This may well be a drawn-out process, and it might not proceed smoothly. Determining a successor is often an emotionally laden matter because it takes effort to disengage from one's life's work and make way for younger people. Unfortunately, the decision is often postponed in this way until it is too late.



Long term preparation and timely reconciliation of interests are indispensable for a transfer of ownership that is satisfactory for both sides. An exact economic analysis is just as important as advice tailored to the situation at hand and provided by someone with appropriate qualifications. This analysis is also just as important as precise knowledge of the objectives and values of all the persons involved in the succession process. For reasons such as these, we have been subsidizing corporate successions with about 600,000 euros annually drawn from the EU's Social Fund (ESF) and funds of Land Brandenburg. We also serve as a companion to company transfers who provides advice, qualifications and individual coaching. In the pilot projects which we completed in 2006, we were able to initiate 150 corporate successions so that a total of 1,500 jobs will definitely be retained in these companies. This is a way which we must undoubtedly also take in the future. We shall be continuing our activities in this area for the coming years.

It is also of especial importance to persuade more women to take this step. Almost one third of the companies in the pilot project were transferred to women. This encourages us to increase the proportion of transfers to women, for there are more and more well educated women with proper professional experience, leadership abilities and their own equity capital who should not only be attracted to start-ups of their own but also to the opportunities provided by taking over a company that already exists. On the other hand, current owners need to be encouraged to accept women as successors.

The procedure for transferring and accepting a company is complicated and expensive. Our competent advisory offices in the regions of Land Brandenburg would be glad to help you to cut the time required for this process and to protect the interests of everyone involved. Knowledgeable moderators accompany you during this time, also arranging for external advisors and financial support. This brochure explains the approach for this process and presents examples of successful company transfers that can encourage you to accept this challenge. I wish you much success.



Dagmar Ziegler
Minister for Labour, Social Affairs, Health and Family
of the State of Brandenburg

Are you thinking of transferring a company?

You have been leading your company for a long time and have been successful. You have experienced the ups and downs of your company's existence. You have every reason to be proud of your performance. Now you feel that the time is coming for you to place your life's work in other, trusted hands. Maybe you also don't want to retire altogether for the time being. You still want to guarantee a comfortable existence for your family and yourself or take on some other challenge.

You know how much time it took for you to build up your company to its present size and value. You feel it will also take much time to prepare a successor to assume control. The jobs of your employees should also be secure in future.

Many things should be kept in mind when you retire from your company. Here is a list of questions which you should first answer for yourself before turning over responsibility.

- When should you think about corporate succession?
- Do you wish to withdraw from the company altogether or just in part? Could you really "let go" of the company?
- Who should take over the company? Should operations be turned over to a member of your family, to one of your employees or to some third party?
- If the company is to be turned over to a family member, are there other persons such as children who are entitled to inherit and should be considered financially?
- How much is the company worth? How will the value of the company be computed?
- Can the proceeds from selling the company suffice to provide for your old age?
- What are the legal forms in which a company can be transferred to somebody else?
- Which legal form should be used for the transfer: should transfer be effected as a sale, a gift, or in some other way? Which effects will the form selected have on you in regard to taxation, given that you are the person transferring the company?

Are you thinking of taking over a company?

Would you like to take over your parents' company? Have you already been an employee in a company for a number of years and has the owner offered to pass the company on to you? Or, have you been thinking for some time about the possibility of taking over a company and been looking for a company that would be suitable for you? Or even found this company and spoken with the owner because you would like to go into business for yourself?

As with a company start-up, you will need certain skills and knowledge if you are to lead a company that already exists. You know that your future employees should accept you so that they will work with you on the success of the company. You should ask yourself the following questions when taking over a company.

- Which abilities do you need to lead the company in question?
- How do you intend to finance the project. Do you have enough equity capital?
- Which legal form should be used for the company transfer? What are the advantages and disadvantages of a sales contract, a tenancy agreement or a gift? What will the effects of taxation be for each of these forms?
- Do you wish to run the company alone or in a team?
- How can you ascertain the actual company value and price? Does the company still have any old liabilities?
- How can the existent stock of customers be retained?
- Do you want to leave the company as it is or do you wish to change it in certain areas?

Be sure to get some good advice!

The advisory offices supported by the Ministry for Labour, Social Affairs, Health and Family (MASGF) of the State of Brandenburg are available to you on all matters related to corporate succession.

These offices are continuing the project „Decide on Company Succession Now Safeguard Jobs in Brandenburg“, which is sponsored by the MASGF and has been successful in the past.

A Real Case

My father founded a construction company in 1990. I have worked there from its very beginning. We had a clear division of work. His primary job was to look after the construction sites and the customers in the field, while I stayed in the office and looked after general company organisation. We didn't work by the principle that my father was the boss and that I, although I was his daughter, was still just one of his employees. It never felt that way to me. We each had our areas of responsibility and always exchanged information very well. One cannot run a company any other way. Communication must always be just right. Since we understood each other very well, good communication was a matter of course.

Three years ago we reached the point at which my father wanted to give me the company because of his age. During the following one and a half years, we were able to prepare the transfer of ownership with the assistance of a company consultant from the Rationalization Association of the German Economy (RKW–Rationalisierungskuratorium der deutschen Wirtschaft), who worked as part of the project "Decide on Corporate Succession Now Safeguard Jobs in Brandenburg". Back then the RKW came to us because they had heard through the Chamber of Skilled Crafts in Frankfurt an der Oder (HWK–Handwerkskammer) that we were planning a succession. We were very much in need of such support. For example, we did not have to look into the question of which subsidy programs would be suitable for us; rather, our consultant even prepared the application forms for the RKW. We also needed legal advice because we wanted to change our company's legal form from a limited partnership (Kommanditgesellschaft) to a partnership in which the personally liable partner is a limited liability company (GmbH Co. & KG). Of course, there were questions of taxation which we clarified with our tax consultant. And then at the engineering and handcrafts chambers there were questions of industrial law, including licence, craftsmen's card and entry in the skilled trade register.

Actual succession, i.e. transfer of my father's company shares to me and formation of the limited liability company (GmbH) took place at the notary's office. Fortunately, I did not have to worry about financing because we had agreed to a gratuitous transfer. Most of the costs for consultations and assistance were financed with the help of the RKW through the follow-on project of Land Brandenburg.



What changed as a result of the succession? My father was relieved that he no longer stood under the constant pressure of responsibility. Nevertheless, he continues to work as he did before and is at my side in respect to all important questions. Beyond that, I was also very glad because there is no ready substitute for 30 years of experience. Of course, as managing director I now also visit the construction sites. That is not a technical problem because I am a graduate engineer for construction.

Of course, when one takes over such a company, one asks oneself questions like: What do I want to change? What might I be able to do better? But since my father and I had taken all decisions jointly in the past, these questions were not of any great importance for me. The important thing for us is that through this transfer of ownership we have been able to secure the jobs of our employees. As for further development, it is clear that an entrepreneur must keep abreast of developments in any case. We have done that during the past few years. As long as my father comes to work, we shall continue to take decisions together.

Dörte Frahm
Baugesellschaft Frahm GmbH & Co.KG
www.frahm-bau.de

A Real Case



Originally it was my mother who received the offer to take over the digital printing company from her boss. He himself wanted to retire. My mother had already been working there for twelve years and had all the strings in her fingers, so to speak. She knew her way around completely and had a great relationship with all nine employees as well as good connections with the customers. Thus she was quite the right successor. But then everything turned out differently.

First I thought the idea was great and of course I helped my mother to assemble all the documents required: balance sheets, business and economic appraisals, income statements, employment contracts, etc. Everything which one needs to form a picture of the income and assets situation of the company. This was not hard for me, it being that I had studied economics and had also completed training as a banker. On the other hand, my mother was not familiar with these commercial questions. And that, in the end, was the crux of the matter. She just wanted to keep her job the way it was, rather than assume responsibility for management of the company as a whole. As I dealt more intensively with the preparations, I asked myself, "Why not"? I think my mother's heart was relieved of a heavy burden.

We then spoke with the owner and he agreed. And then the action started in earnest. While a student, I had already learned how to write a business plan. Nevertheless, in order to really answer all the important questions which are related to a company, one needs the support of an experienced practitioner. The contact to the Chamber of Industry and Commerce (IHK – Industrie- und Handelskammer) in Potsdam was helpful, and even more so the contact with the bank for suretyships (Bürgschaftsbank). Also, my contacts at the university put me in touch with competent advisors. The support of the project "Decide on Corporate Succession Now Safeguard Jobs in Brandenburg" was super. They provided a subsidy of 80% of all the costs incurred by me and the former owner of the printing company for all legal and tax consultant services for which a fee is due.

Of course, a decisive question was that of how high the sales price should be. The basis for this is, as always, appraisals of the company, which in our case were carried out by the IHK and the Bürgschaftsbank. The owner and I agreed on a price on the basis of these appraisals. Now it was "just" a question of financing the sales price, which was not easy, although I had received a promise from the Bürgschaftsbank for a guarantee and, as a trained banker, was already familiar with the procedures in credit institutes. Not until I had discussed the financing with several banks did it actually go through.

Last but not least, as an external successor I had to become familiar with the company and learn the ropes of its executive management. The two months introductory phase by the owner was exactly right. Moreover, I continue to have a good relationship with him. And everything else has worked well too. I see it that we have enough orders and that the company continues to develop well. And my mother, as before, looks after company operations and personnel. By the way, in addition to our original nine employees, we are now, for the first time, also training an apprentice. Everything looks just great.

Ronny Kuß
Koebcke GmbH Repro Center
www.koebcke-potsdam.de



What, in particular, do the advisory offices offer you?

When you visit one of the advisory offices for company succession, you will find experienced moderators who act as impartial companions to the process of transferring a company to a successor. They always keep their eyes fixed on the goal of a successful transfer. They mediate between the various points of view, objectives and wishes of the persons involved and maintain a proper distance when conflicts arise.

The Advisory Offices

- offer an individual initial consultation regardless of the sector of industry or occupational status,
- propose suitable successors (women as well as men),
- prepare a company check to determine whether a given company is suitable for transfer to another person,
- offer you, during the entire transfer process, consultation and qualification services which are characterised by discretion and trust,
- arrange for contacts to qualified tax consultants, management consultancy companies, law firms and other experts as required,
- can go with you to necessary meetings with banks.

Services for persons transferring a company

- Consultation and qualification during the company transfer process as well as
- individual coaching for up to 11 days at a cost of up to 750 euros, of which 80% is subsidized.

Services for the Entrepreneur

- Consultation and qualification during the company transfer process as well as
- individual coaching for up to 7 days at a cost of up to 750 euros, of which 100% is subsidized.

Which conditions must you meet?

If you want to transfer a company in Land Brandenburg:

- you must be operating a financially sound company with business seat in Land Brandenburg,
- you must be willing to work and cooperate single-mindedly on implementation of the transfer which is planned, and
- you must not be being assisted and or have been assisted by other funds of Land Brandenburg or the federal government for the same purpose.

If you want to take over a company in Land Brandenburg:

- you must have appropriate technical and business management skills as well as knowledge of the field of activity in question and
- you must not be being assisted by other funds of Land Brandenburg or the federal government for the same purpose.



Addresses of the Information Centres for corporate succession

Kammerbezirk Cottbus

Handwerkskammer Cottbus in cooperation with the
Industrie- und Handelskammer Cottbus

Project leader: Dr. Manfred Haaken

Altmarkt 17

03046 Cottbus

Mo. and Fr. 8.00 to 16.00 hours

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We. 8.00 to 13.00 hours

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Kammerbezirk Potsdam

Industrie- und Handelskammer Potsdam in cooperation
with Handwerkskammer Potsdam

Project leader: Andreas Lehmann

Breite Straße 2 a–c

14467 Potsdam

Mo. to Fr. 8.00 to 17.00 hours

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Fax: 0331 2842921

E-Mail: lehmann@potsdam.ihk.de

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Kammerbezirk Frankfurt (Oder)

Handwerkskammer Frankfurt(Oder) – Region Ostbran-
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kammer Frankfurt(Oder)

Project leader: Sylvia Seelig

Bahnhofstraße 12

15230 Frankfurt (Oder)

Mo., We. and Th. 7.30 to 16.00 hours

Tu. 7.30 to 18.00 hours

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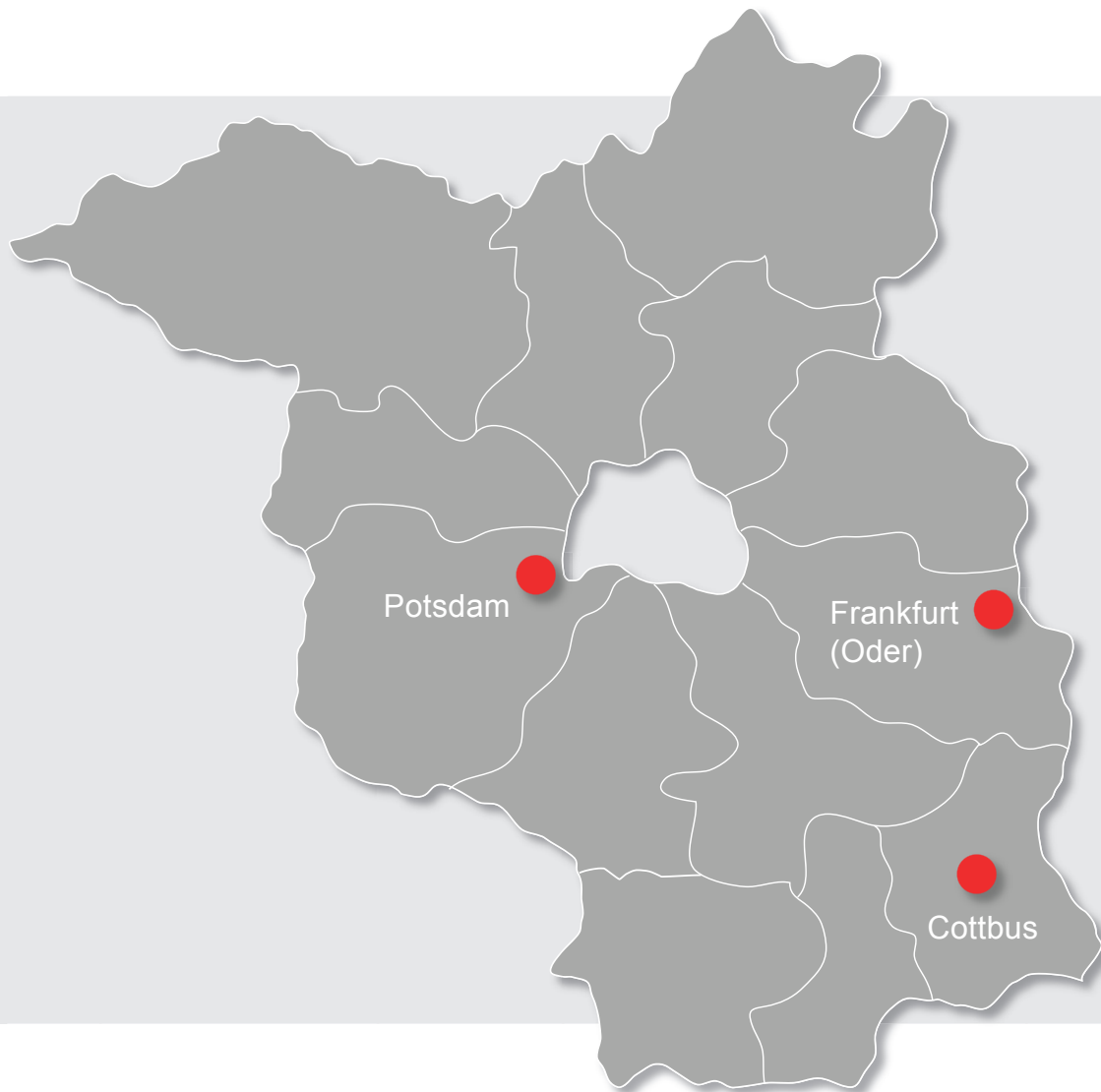
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Seat of the Information Centres for corporate succession



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