

## Business transition: the issue at home and elsewhere Quebec's prosperity also relies on a strong, high-quality next generation

With population ageing, as is occurring in Quebec, many entrepreneurs are getting ready to retire. At that point, the problem of handing the business on arises. Quebec is not the only economy facing population ageing, so the issue of business transition is arising elsewhere in the world, too. How do those in other countries interpret and handle the issue and what can we learn from them? This analysis, one of a series of publications from Desjardins Group's Economic Studies, attempts to answer these questions.

### SUPPORTING BUSINESS CREATORS, THOSE PASSING THEM ON, AND THE NEXT GENERATION

There are two ways to secure the next generation of entrepreneurs: promote the creation of new businesses, and facilitate the handing on of existing businesses. Both approaches are equally important. The entrepreneurial fabric must be renewed constantly: weaker businesses must be replaced by new businesses that are more dynamic and innovative, in keeping with Schumpeter's concept of "Creative Destruction." This is why we must support and encourage entrepreneurs with promising plans who want to start a business from scratch.

However, it is just as important to provide for the survival of successful businesses. Strong, well-established small and medium-sized businesses (SMBs) play an active role in the economy. They create high-quality, well-paid jobs. Once they have proven themselves, it is easier for them to get financing and ensure growth than it is for new companies. As a result, they can aspire to become big corporations one day.

Also, the fact that a large cohort of entrepreneurs is getting to retirement age could have severe repercussions for investment and therefore for Quebec's economic growth and productivity. When entrepreneurs contemplate exiting their businesses, they are more inclined to seek to provide for its survival than its growth. With a view to getting the most out of its assets, they try to decrease its debt level and

increase liquidity. In doing so, they decrease its productive investments.<sup>1</sup> Proper business transfer could curb or even eliminate these impacts.

### 1. SITUATION IN QUEBEC

#### 1.1. Surveys and studies of business transfer

The issue of business succession became a concern in 2005, when the Canadian Federation of Independent Business (CFIB) released the results of a survey of its members. They said that, as baby boomers reached retirement age, 71% of Canadian SMB owners planned to exit the business world in less than 10 years. However, two thirds of respondents had no succession plan, pointing to issues with business transfer.<sup>2</sup> Several other surveys have since confirmed that a large percentage of entrepreneurs were thinking about retiring in the near future, and that few had succession plans.<sup>3</sup>

<sup>1</sup> République française, Ministère de l'économie, de l'industrie et du numérique (2015), "Favoriser la transmission d'entreprises en France: Diagnostic et propositions," page 13.

<sup>2</sup> Canadian Federation of Independent Business, "Succession Can Breed Success," June 2005, page 1. In 2012, the CFIB conducted another survey on succession planning: "Passing on the Business to the Next Generation," November 2012. The survey showed that more than 50% of small and mid-sized business owners had no succession plan; more than three quarters of those with a succession plan intended to retire within the next 10 years.

<sup>3</sup> See: BMO Wealth Institute, "Boomer retirement will not put small business out of business," 2009; CIBC, In Focus, "Inadequate Business Succession Planning – A growing macroeconomic risk," November 13, 2012; Raymond Chabot Grant Thornton, "La relève entrepreneuriale: un enjeu de taille pour l'avenir économique du Québec," November 2013.

In 2008, using a quantitative method, the Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec (MDEIE) estimated that there would be too few new entrepreneurs to fill the shoes of retiring Quebec business owners. The number of entrepreneurs could be expected to decline 13.9% in Quebec between 2008 and 2018.<sup>4</sup> Note that the MDEIE study did not pinpoint a business succession issue, but rather an issue with the next generation of entrepreneurs, broadly speaking. In other words, the department thought that more businesses would close than start up in the coming years, creating a business deficit.

In 2010, based on the results of a survey, the Fondation de l'entrepreneurship (FE) estimated that Quebec would eventually face a deficit of a 149,000 business successors, including 38,000 between 2010 and 2020.<sup>5</sup> The FE study focused on people who planned to become entrepreneurs by taking over an existing business, not starting one from scratch.

In 2014, the Board of Trade of Metropolitan Montreal (BTMM) tried to estimate the number of businesses that might have to close their doors in the next 10 years due to a lack of succession, and the resulting cost in terms of

the economy and jobs.<sup>6</sup> The BTMM's estimates are partly based on the results of the 2010 FE survey.

The principal estimates from the three studies mentioned above are summarized in table 1.

### 1.2. Is there a shortage of successors?

Of the three studies, only the FE studies estimates the eventual shortfall of successors in numbers. The methodology the FE used in establishing its estimates is based on assumptions that could overestimate the shortage. On one hand, the FE underestimates the successor potential, deeming that they must be future entrepreneurs. In fact, a current business owner could well consider acquiring another business and thus become the successor for an owner who wants to pass on his or her business. On the other hand, the study overestimates the transferors, insofar as its estimates only exclude self-employed people with a single client; many self-employed workers have more than one customer.<sup>7</sup> The FE excluded self-employed workers because it found that "too many tended to shut down rather than trying to pass on their business, considering it too personal or judging that it was essentially based on their expertise"<sup>8</sup>. We could wonder why self-employed workers with more than one client would think otherwise.

**Table 1 – Studies that offer estimates regarding the business succession problem**

Year	Institution	Estimates
2008	MDEIE	The number of entrepreneurs will decline 13.9% in Quebec and 5.3% in Canada between 2008 and 2018
2010	FE	Quebec shortfall of 38,000 successors between 2010 and 2020, with 111,000 more after 2020 (no horizon given)
2014	BTMM	Between 5,700 and 10,000 businesses could close between 2014 and 2023 8.2 to 12 billion dollars in lost GDP between 2014 and 2023 79,000 to 140,000 jobs lost between 2014 and 2023

Sources: See footnotes 4, 5 and 6.

<sup>4</sup> Ministère du Développement économique, de l'Innovation et de l'Exportation, "Le renouvellement de l'entrepreneuriat au Québec : un regard sur 2013 et 2018," page 5.

<sup>5</sup> Fondation de l'entrepreneurship, "La relève est-elle au rendez-vous au Québec ?" November 2010, page 7.

<sup>6</sup> Board of Trade of Metropolitan Montreal, "Le transfert des entreprises à la relève: un enjeu majeur pour l'économie du Québec et la pérennité des PME," 2014, page 32.

<sup>7</sup> Fondation de l'entrepreneurship, "La relève est-elle au rendez-vous au Québec ?" November 2010, page 6.

<sup>8</sup> Ibid.

Moreover, data from the Centre de transfert d'entreprise (CTEQ) directory suggest that the shortage lies with the transferors instead.<sup>9</sup> The directory contains many more potential successors than potential transferors. For example, on November 23, 2015, there were 162 transferors, and 2,122 successors. The number of transferors could be low because the business owners are reticent to publicize the fact that they plan to sell their business, even though the CTEQ guarantees their anonymity. Such an announcement could have an adverse impact on their clientele and employees. The gap could also be due to a mismatch between supply and demand for businesses. There could be surplus demand in some industries, but a shortage overall. In any event, the figures suggest the problem does not only lie with the successors, as we might be tempted to believe: “the phenomenon of too few transferors ultimately proceeding with a business sale or transfer, or who do so inadequately, goes a long way toward explaining the lack of business transfer in Quebec, much more so than the difference between the number of new entrepreneurs and the number of owners who want to retire”<sup>10</sup>.

Demographics also factor into these analyses. It is a matter of the health of ageing transferors. Life expectancy at birth has risen substantially over the years; overall, health after 60 has improved during this time. In a context of very low interest rates, ageing entrepreneurs may think they can keep adding value to their business by staying at the helm rather than selling immediately and not getting much return

on their investment. The concern about retirement income is greater because Quebecers are living longer than they used to. This consideration may factor into the transferors' thinking when they decide not to rush into the search for a successor.

In other words, there is a lot of uncertainty as to the shortage of successors. However, it is a proven fact that a large number of SMB owners are coming up to retirement, and many do not have a succession plan. Accordingly, while it is important to stimulate the next generation, it seems more urgent to put the emphasis on transferors at this point. They need to be made aware of the importance of succession planning, and given the appropriate tools and support for that process.

### 1.3. A large array of support programs

Planning for a business succession is no small task. It involves a number of phases, each of which involves weighing many factors. The first phase, selecting a successor, for example, is a good illustration of how complex the process is. Table 2 summarizes the main succession options available to SMB owners. They can pass the business on to one or more family members, who will run it or turn to a professional; they can sell it internally, to one or more employees, a minority shareholder or business partner; they can sell to an outside buyer, i.e. a competitor, third party, or a business with which it will merge.

**Table 2 – Business transmission options**

Family successors		Non-family successors	
Family	Partly family	Internal sale	External sale
Ownership and management stay in the family	Ownership stays in the family, but management is handled by a professional	<ul style="list-style-type: none"> <li>➢ Sale to one or more employees</li> <li>➢ Sale to employees organized as a cooperative</li> <li>➢ Sale to one or more minority shareholders</li> <li>➢ Sale to one or more business partners</li> </ul>	<ul style="list-style-type: none"> <li>➢ Sale to a competitor</li> <li>➢ Sale to a third party</li> <li>➢ Merger with another business</li> </ul>

Sources: Ministère de l'Économie, de l'Innovation et des Exportations, “Les enjeux de la relève, Préambule : Le transfert des entreprises en contexte de PME”, pages 21 to 29.

<sup>9</sup> The CTEQ's directory makes it possible to bring together transferors and successors in a given industry or region. See: <https://ctequbec.com>.

<sup>10</sup> Board of Trade of Metropolitan Montreal, “Le transfert des entreprises à la relève: un enjeu majeur pour l'économie du Québec et la pérennité des PME,” page 11.



Each option in table 2 must be considered while weighing its advantages and drawbacks.<sup>11</sup> It is not easy: more than half of SMB owners, or 56%, think that identifying the right successor or buyer is an obstacle to succession.<sup>12</sup>

The other phases of the transmission process are also complex: assessing the business's value, financing the transfer, preparing the successor, etc. This is a difficult exercise for SMB owners, especially those who head up small businesses. Yet, there is no shortage of support programs, for both transferors and successors. The BTMM includes an exhaustive list of them in its study on business transfer, breaking them down into five categories: public federal and provincial programs, regional programs, independent and private initiatives, some examples of financial institution services for business transfer, and programs for farm succession.<sup>13</sup> A simple glance shows that there are many, diverse programs to help with business transfer.

## 2. SITUATION ABROAD

Many countries had baby booms after the Second World War and are now seeing many business owners retire. Table 3, appended, provides a panoply of quotes on the matter taken from international publications.

In most countries, there is a concern, as in Quebec, about the possibility that a huge number of retiring baby boomers will cause many businesses to close because of a lack of succession or lack of owner preparation for passing on their business.

The sections below briefly describe how the issue is viewed in the United States, Europe and Japan, as well as the solutions put forward to deal with it.

### 2.1. The issue in the United States

Note that, in the United States, the concern is not so much business closures but rather a drop in their value. The worry is that mass retirements will bring on a big increase in the number of businesses for sale, putting downside pressure on their prices. Existing businesses could buy, allowing them to expand at a good price.<sup>14</sup> From this perspective, a company is a product whose price fluctuates in accordance with supply and demand. Trust is placed in market forces: strong businesses will find buyers and others will close.

This is no doubt due to the fact that U.S. Government bodies offer little support to firms in passing on their business.<sup>15</sup> On the other hand, the private sector provides abundant services for planning a business transfer or connecting with potential buyers. The private sector seems to have grasped the opportunity provided by entrepreneur ageing in this sector.

### 2.2. The issue in Europe

The approach in Europe contrasts with the United States': governments have been concerned about the problem for a long time. In 1994, the European Commission published a recommendation on small and mid-size business transfer.<sup>16</sup> The Commission had observed that many businesses shut down due to problems with transfer, leading to substantial economic losses. Moreover, the Commission judged that: "this loss of jobs and economic activity is all the more regrettable for not being caused by market forces, but by insufficient preparation for succession and the inadequacy of certain aspects of Member States' law, especially concerning company law, inheritance law and fiscal law."<sup>17</sup>

<sup>11</sup> Here, the publications of the Ministère de l'Économie, de l'Innovation et des Exportations, "Le transfert des entreprises en contexte de PME" (Préambule et carnets A à F) are very useful. See: [https://www.economie.gouv.qc.ca/.../transfert\\_entreprise\\_contexte\\_pme.pdf](https://www.economie.gouv.qc.ca/.../transfert_entreprise_contexte_pme.pdf)

<sup>12</sup> Canadian Federation of Independent Business, "Passing on the Business to the Next Generation," November 2012, page 5.

<sup>13</sup> Board of Trade of Metropolitan Montreal, "Le transfert des entreprises à la relève: un enjeu majeur pour l'économie du Québec et la pérennité des PME," pages 53 to 68.

<sup>14</sup> Source: Carey McMann, SME Research LLC, 2012, *Baby Boomer Business Owners: Will There Be A Mass Sell-Off?*, page 2.

<sup>15</sup> The U.S. Small Business Administration (SBA) is the U.S. Government agency tasked with helping, advising and protecting the interests of small businesses. In terms of selling and passing on a business, the SBA provides a little information and offers information sessions.

<sup>16</sup> European Commission (1994), "Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises," Official Journal of the European Community, 94/1069/CE, 4 pages.

<sup>17</sup> Ibid, page 1.

The European Commission's recommendation primarily focused on the entrepreneur with the following goals:

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

The issue of business transfer in Europe was therefore addressed before the phenomenon of the ageing entrepreneur population put it centre stage. That being said, the measures the European Commission put forward to deal with it are similar to the ones advanced in Quebec, but they focus exclusively on transferors: make business people aware of the importance of preparing for the transfer of their business, giving them the financial tools they need to do so, adopting taxation favourable to transmission, etc.

In 2010, Belgium, Denmark, Germany, Spain, France, the Netherlands and Austria had implemented at least 11 of the Commission's 13 recommendations, while 15 other European nations had introduced 7 to 10 of them. Whether these measures have worked is not known, however. No studies have been done on the matter and, as no data is available on the number of business transfers in European nations, it is impossible to verify if there is a correlation between the regulatory framework and the number of transfers.<sup>18</sup>

France, one of the countries that has implemented many of the European Commission's recommendations, has just released a report with recommendations for streamlining business transfers.<sup>19</sup> The report contains about 30 proposals in six areas, with measures for both successors and transferors:

- Raising awareness among transferors and potential takeover entrepreneurs;
- Early targeting of potential transferors well before retirement;
- Development of coaching for transferors and takeover entrepreneurs;
- Organization of the training path for the takeover;
- Planning and development of national and local financing;
- Ongoing streamlining for entrepreneurship, particularly for transfer and takeover.

### 2.3. The issue in Japan

In Japan, population ageing is at the heart of the business transfer issue: "Many aspects of enterprise operations at SMEs and micro-enterprises depend on the management skills and enthusiasm of their presidents. For these businesses, therefore, the aging of their presidents and a lack of successors are direct factors behind poorer earnings and business closures. Therefore, it is critical to find successors so that the technology, know-how and other precious management resources of SMEs and micro-enterprises are not lost. And to ensure that the business succession is smooth, a systematic effort needs to begin early to make medium to long-term preparations."<sup>20</sup>

The Japanese government has instituted numerous measures to streamline business transfer. Business transfer assistance services have been set up in 47 Japanese prefectures. These services provide entrepreneurs with information and advice on business transfers. Among other things, the government has set up business succession support centres across the country. Centre experts act as intermediaries for firms that

<sup>18</sup> European Commission (2011), "Business Dynamics: Start-ups, Business Transfers and Bankruptcy: The economic impact of legal and administrative procedures for licensing, business transfers and bankruptcy on entrepreneurship in Europe," Brussels, page 110.

<sup>19</sup> République française, Ministère de l'économie, de l'industrie et du numérique, op. cit., page 1, note 1.

<sup>20</sup> Small and Medium Enterprise Agency Ministry of Economy, Trade and Industry, 2013 *White Paper on Small and Medium Enterprises in Japan: Dynamic and Self-transformative SMEs and Micro-enterprises*, Tokyo, p. 125.

want to pass on the business and assist them in reaching an agreement. Taxation of estates and gifts has been improved. Measures have been taken to facilitate financing for transactions and make them less expensive. Lastly, the tax regime has been amended to expand the tax advantages associated with a business transfer to all successors, family or not; previously, they had only benefited family members.<sup>21</sup> The rationale for the latter measure is that transferring a company to a family member, although still the most frequent option chosen by Japanese entrepreneurs, is on a downtrend, while internal (to the company's managers or employees) and external sales are on the rise. By amending the tax regime to not discourage the sale of companies to third parties, the Japanese government wants to foster the transfer of businesses over a shutdown.

### 3. LESSONS ON BUSINESS TRANSFER TO BE LEARNED ABROAD

Overall, the business transfer initiatives and support programs implemented internationally are similar to those found in Quebec. However, there are some lessons to be learned from the international experience, and some original initiatives are worthy of mention.

#### 3.1. Gathering reliable, detailed data

Regardless of the issue, reliable data is required to assess the situation accurately and evaluate the efficiency of the support programs and public policies instituted to respond to the situation. The business transfer issue is no different. Here, Japan has an array of national statistics, collected through surveys or taken from the public administration's database.<sup>22</sup> This is how Japanese authorities realized that the transfer of businesses to family members was trending down and responded by amending the tax system.

Like most European nations, France does not have detailed statistics on business transfers. This is a gap that France's Ministère de l'Économie, de l'Industrie et du Numérique recommends closing: "The regular collection, analysis and publication of sector and regionalized data, the definition of an annual program of surveys on the SINE survey model carried out every year for business creation, and the production of monographs on transfers and takeovers are a necessary condition for the institution of effective, coordinated action".<sup>23</sup>

In Quebec, the business transfer issue was identified based on estimates and data from independent survey organizations, such as the FE, CFIB and BTMM. Statistics Canada releases data on business entry and exit rates by industry for the country as a whole. It also issues rates by province, but does not produce business transfer statistics. Data on the transfer method (family member or not, merger, sale to employees), the age of the business owner at the time of the transfer, reason the owner sold or transferred the business (retirement or other) is information that would help put together a better picture of the situation.

#### 3.2. Improve collaboration among the players in the area of business succession

One observation that comes out of the BTMM's meetings with business transfer stakeholders is a lack of concertation among the various actors. It also emerged that the professionals (financial advisors, lawyers, accountants, etc.) consulted by entrepreneurs for support in the transfer of their businesses did not always have the training required to support them in a process that, among other things, involves tax, financial and legal aspects, as well as psychological ones. Accordingly, the BTMM recommends harmonizing and coordinating the programs of organizations working in the area of business succession and transfer.<sup>24</sup>

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<sup>21</sup> Ibid., page 171

<sup>22</sup> The Japanese surveys and databases that provide statistics on business transfer include: SME and Micro-Business Management Conditions, Business Succession Questionnaire Survey, Database of results of surveys into credibility and reliance and Database of enterprises' essential data. See: *Small and Medium Enterprise Agency Ministry of Economy, Trade and Industry*, page 6, note 20.

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<sup>23</sup> République française, Ministère de l'économie, de l'industrie et du numérique, op. cit., page 1, note 1 (page 34). The SINE (Système d'information sur les nouvelles entreprises, or new business information system) survey makes it possible to track new businesses over time.

<sup>24</sup> Board of Trade of Metropolitan Montreal (2014), op. cit., page 4, note 13 (page 47).

To do so, Quebec could look for inspiration from the Transmettre et Reprendre network set up in March 2015 in France, which brings together the major business transfer players. It is a partnership between the government agencies involved in support for business transfer and associations of professionals such as lawyers, notaries and chartered accountants.<sup>25</sup> The Transmettre et Reprendre network's mission is similar to the CTEQ's, but it includes a facet that would deal with the BTMM's concerns about the quality of professional services in the area of business transfer: promoting common, transversal and tailored training to professionals.<sup>26</sup>

### 3.3. Adapting the tax system to the objectives

Taxation on the sale of a business varies from country to country, but there are many similarities, especially in the area of capital gains tax. Generally, some of the capital gains is tax exempt (in Canada, the amount is \$800,000 for small and mid-sized business, under some conditions) and a percentage of the capital gains is subject to income tax (50% of the taxable gain is taxable in Quebec).

### 3.4. Better tax treatment for the retiring leader

In France, if a business leader transfers a business due to retirement, the realized capital gains may be totally exempt from income tax, under certain conditions. This measure is intended to prevent business closings when a business leader retires.

### 3.5. Transfer retirement savings

An original fiscal proposal is included in the recommendations made by the French Ministère de l'Économie, de l'Industrie et du Numérique: creating "transfer retirement savings" for micro-business owners. Entrepreneurs who have done some structured pre-planning for transferring their business could invest the proceeds of the sale in a savings contract that comes under an advantageous tax regime. This type of contract would be an incentive to entrepreneurs for anticipating and planning the transfer of the business while planning for retirement.

### 3.6. More neutral tax treatment

Some countries give favourable tax treatment to transferring a business within the owner's family. Until very recently, that was the case in Japan, as mentioned earlier. Noting the downtrend in family transfers, Japan opted to expand the tax advantages to third-party business transfers.

Until last March, in Quebec, the opposite was true: the tax regime favoured sales of firms to third parties over family members. Because of the non-arm's length relationship with the buyer, the business owner could not take advantage of the capital gains exemption for the gain realized at the time of sale.<sup>27</sup> This situation has been rethought, given the desire to encourage business transfer. The government has taken note and made the tax provisions applicable to transfers of family businesses more flexible. However, only primary and manufacturing businesses will be eligible for the tax relief that came into effect on March 18, 2016.<sup>28</sup> The qualification for the capital gains exemption is now possible under certain criteria, however.

### 3.7. A more media-based outreach campaign

Quebec has many, diverse support programs, but they are underutilized, particularly by transferors. Entrepreneurs must therefore be made aware of planning for an eventual business transfer, and informed that support programs exist.

The outreach and information must use the channels that will get to the most possible entrepreneurs. France's Ministère de l'Économie, de l'Industrie et du Numérique proposed to develop a communications plan that would rely on the major media (print national and local press, social networks, radio) and the allied professional networks, such as banks, accountants, notaries and lawyers.

<sup>25</sup> More specifically, the network includes the Agence pour la création d'entreprises (APCE) (business creation agency), the Assemblée permanente des chambres de métiers et de l'artisanat (APCMA) (the standing assembly of trade and artisan chambers), Bpifrance (the public investment bank), CCI Entreprendre en France (French entrepreneurship), the Conseil national des barreaux (CNB) (national bar council), the Conseil supérieur du notariat (CSN) (high council of notaries) and the Conseil supérieur de l'ordre des experts-comptables (CSOEC) (high council of the order of accountants).

<sup>26</sup> <https://www.apce.com/cid152075/creation-du-reseau-transmettre-reprendre-pour-favoriser-la-transmission-et-la-reprise-d-entreprise.html?pid=337>

<sup>27</sup> For further details, see Raymond Chabot Grant Thornton (2010), "La transmission d'entreprise: problématique et pistes de solution," (December), 24 pages.

<sup>28</sup> Budget 2016-2017 – Additional information, pages A.38 to A.45.



### 3.8. More training?

Moreover, some professionals who work in the area of business transfer would benefit from furthering their knowledge in the area of the equity financing structure (development capital). There is little knowledge of this type of financial instrument. Both transferors and lenders could capitalize on this tool, which seems to be underutilized. Certain coaches sometimes want to wrap up an external sale of a business quickly when the company's financial situation would allow it to handle the transaction internally.

#### **SOME INSPIRATION**

Population ageing, which has intensified in recent years, is raising concerns about business transfers in Quebec. Ageing entrepreneurs may be underprepared for their exit from the business world, and a potential shortfall of successors could mean businesses would close. Many initiatives have been implemented to try to mitigate these issues.

The issue of business transfer exists elsewhere, but is perceived differently from country to country. On one hand, the Americans seem to trust the market in terms of the survival of strong companies. On the other, the Europeans have a long-standing concern with seeing many firms disappear due to a lack of planning by owners and inadequate regulatory and tax provisions.

The countries of Europe and Japan, whose approaches to smoothing the way for business transfers were reviewed in this analysis, have introduced policies and support programs that are, overall, similar to Quebec's. However, there are some proposals—particularly the important need for reliable data—and recommendations—on taxation, the harmonization of the many players in the area, and method for raising awareness of the issue—that Quebec could draw on to improve its own initiatives. Quebec's prosperity relies on the strength of its companies, which, in turn, is founded on their numbers, size and combativeness in the face of the competition: it would be too bad to let Quebec's entrepreneurial fabric erode.



**Table 3 –Business transfer is an issue in many industrialized nations**

Belgium	<p>Even greater attention is given to the issue of business transfer in Wallonia, where business leaders are ageing. The same applies in Flanders.</p> <p>In terms of preparation, two thirds of entrepreneurs (64.9%) who are contemplating passing their business on in the next five years still have no taker-over in view. A near majority (49.7%) have not taken any action to find one.</p> <p>Source: UCM National, “<i>Transmettre, le défi de la continuité!</i>” Enquête sur la transmission d’entreprise auprès des entrepreneurs francophones, Brussels, October 2013, pages 4 and 6.</p>
Europe	<p>Approximately 450,000 firms are being transferred each year in the EU, affecting 2 million employees. Every year, there is a risk of losing approximately 150,000 firms and 600,000 jobs due to inefficiency in transferring businesses. A transfer-friendly regulatory framework has been developed in many European countries, but firms do not take advantage of it due to lack of information.</p> <p>Source : European Commission, Enterprise and Industries, “<i>Business dynamics: start-ups, business transfers and bankruptcy: the economic impact of legal and administrative procedures for licensing, business transfers and bankruptcy on entrepreneurship in Europe</i>”, January 2011, pages 105-106.</p>
Finland	<p>The BSS trains business successors and assists retiring companies in organising the hand- over process. The initiative was started in recognition of the national need for business successors. In 2004, it was believed that 60 000 to 70 000 firms out of the 240 000 firms making up the total business stock in Finland, would close their doors by 2014 due to succession uncertainties.</p> <p>Source : OECD, “<i>Opening doors for youth : business succession in Finnish universities</i>”, <i>Shooting for the Moon: Good Practices in Local Youth Entrepreneurship Support</i> , page 36.</p>
Japan	<p>Business succession has become an urgent issue accompanying the advancing ages of business managers. In recent years, the ratio of “interfamilial succession” has dropped, while the ratio of “third-party succession” has risen, but many business managers are not adequately aware or prepared to face the issue.</p> <p>Source : National Association of Trade Promotion for Small and Medium Enterprises, <i>2014 White Paper on Small and Medium Enterprises in Japan</i> , page 3.</p>
Switzerland	<p>Every fourth company in Switzerland faces generation change over the coming five years. Indeed, a majority of them plan to hand over management of the business within the next couple of years.</p> <p>Source : Crédit Suisse, <i>Success Factors for Swiss SMEs, Company Succession in Practice</i> , June 2013, page 4.</p>
United States	<p>The popular press has taken note of boomer business owners and has been predicting a tsunami of wealth transfer as boomers retire. One popular book on the topic is even titled The \$10 Trillion Opportunity. But there is no agreement across these news reports regarding how many boomer businesses might actually be for sale over the next decade or so, with a variety of articles projecting anywhere from 700,000 to over 10 million<sup>5</sup> firms on the market.</p> <p>Source : Carey McMann, SME Research LLC, 2012, <i>Baby Boomer Business Owners: Will There Be A Mass Sell-Off?</i> , page 1.</p>