

# Successful succession planning and company succession | Reasons for succession

## Why is a succession plan important?

### Succession planning at an early stage

To ensure that the company continues successfully in the future, it is important to start succession planning at an early stage. This not only involves finding a suitable successor, but also the legal and tax aspects that need to be taken into account during a handover. A careful analysis of the company's situation as well as a realistic assessment of the market and the industry are essential here. Early familiarization of the potential successor and the creation of a corresponding basis of trust are also of decisive importance. The earlier succession planning is started, the better the necessary steps and decisions can be prepared and implemented. Successful [succession planning](#) is therefore of great importance not only for the future of the company, but also for the outgoing entrepreneur.

### Risks of a lack of succession planning

A lack of a [succession plan poses great risks for companies](#), because in the worst case, situations can arise that threaten their very existence. Without a clear regulation, disputes can

arise within the family or among the shareholders. This can lead to important decisions not being made or even to unprepared successors having to take the helm. There may also be a risk that the business will have to be sold to a buyer who does not share the same vision and goals. Another risk is that there will be no suitable successor and the company will eventually have to be liquidated. It is therefore essential to make a succession plan in good time and to review and adjust it regularly. Only in this way can the company be continued in the long term and the employees and customers are permanently secured.

## **Company succession from the point of view of the successor**

Company succession is a very important phase in the life of the successor. This may involve a family [business that is to be continued](#) over several generations. But succession can also play a decisive role in the takeover of another company. The successor must be prepared for many challenges and bear a great responsibility. In addition to maintaining and expanding the company, employees and customers must continue to be satisfied. Good [planning and clear communication](#) are therefore crucial for a successful company succession. The successor should also deal with the various issues such as legal and tax aspects as well as financing at an early stage. Only in this way can a [smooth handover be ensured and the company successfully](#) continued.

## **Secure life's work and make retirement provisions**

It is important to safeguard one's life's work and make provisions for retirement at an early stage. Comprehensive planning can help assess financial resources and develop a

strategy. This includes evaluating insurance, investments and savings measures. It's worth consulting experts to discuss the various options and find a customized solution. A long-term perspective is critical to achieve retirement goals while ensuring a reasonable quality of life during your working life. A clean set of books and a budget help keep track of income and expenses and identify any gaps. It makes sense to start early and adjust plans regularly to respond to changes. With careful planning, the future can be approached in a calm and relaxed manner.

## **Successful succession planning as part of the business model**

Successful succession planning is an essential part of a company's [business model](#). The course for this should be set early on to ensure the continuity of the company. Good planning and preparation are essential to ensure that the successor is able to successfully continue the company. All relevant aspects of succession should be considered, such as the choice of successor, financial security, legal arrangements and the social aspects of the transition. [Succession planning plays an important role for family businesses](#) in particular, as here the handover takes place from generation to generation. To avoid conflicts and uncertainties, succession should be planned in good time and transparently. A successful [succession plan](#) is thus an important building block for the long-term stability and development of a company.

## **What forms of succession planning are there?**

# Family-internal and family-external business succession

Company succession can take place either internally within the family or externally. In the case of internal family succession, a family member takes over the company from another family member. The prerequisite for this is that the company is family-run and the successor has the necessary qualifications and experience. Family-internal succession offers the advantage that the company remains in family hands and continuity is guaranteed.

Non-family succession, on the other hand, is achieved by selling the company to an external successor. This can lead to changes in the company, the corporate strategy and the corporate culture. One advantage of non-family succession, however, is that external succession is often accompanied by new impetus and the company often benefits as a result. In any case, it is crucial that the succession is planned carefully and in good time to ensure a smooth transition.

## Prospective buyers and potential successors

When looking for a suitable successor or potential buyer for one's own company, thorough research and pre-selection are of the utmost importance. Both personal and [business requirements should be formulated for the potential](#) buyer or successor. A successful handover requires careful planning and coordination with the successor or buyer. The latter should have in-depth knowledge of the company and be prepared to take a close look at the business processes. The financial situation of the potential buyer or successor should also be checked to ensure a solid basis for the continued operation of the company. Here, expert advice from an experienced succession specialist can be helpful in ensuring a smooth handover.

# Management buy-out and other succession solutions

A management buy-out (MBO) is one of the most common succession solutions, where a company is taken over by its senior executives or a management team. This option can be attractive to companies as it ensures continuity in the management of the business as well as providing a smooth transition period. Alternatively, a management buy-in (MBI) option may be considered, in which external managers or investors join the company. Other succession solutions include transferring the business to family members, selling the business to another person or company, or even closing the business. Careful planning and implementation of the succession solution is essential to minimize potential legal, financial and tax risks. [Professional advice](#) can play an important role in ensuring a successful handover of the business.

# Company valuation and purchase price

A [business](#) valuation is an important process in a business purchase. It refers to the estimation of the value of the [company to be acquired](#). Various methods are used for this purpose, such as the [discounted cash flow](#), market or multiplier method. The purchase price is then determined based on the determined value as well as other factors such as the location of the business, the condition of the assets and the competitive strength of the business. It is also possible to take into account a negotiation margin between the negotiating parties. A high-quality [business valuation is key to a successful acquisition](#), as it helps buyers make an informed decision about whether or not the price is appropriate.

# **Legal form and tax aspects**

In Germany, various legal forms are available for companies, such as the GmbH, AG, sole proprietorship or partnership. However, the choice of legal form not only affects the liability of the entrepreneur, but also the tax burden of the company. When choosing the legal form, therefore, the tax aspects should also be taken into account. For example, limited liability companies can benefit from a lower tax burden than sole proprietorships. The type of income tax, corporate tax, sales tax or trade tax may also vary depending on the business form. It is therefore important to look into the tax aspects of the various legal forms before setting up a business and, if necessary, seek professional advice. After all, the choice of legal form and the associated tax burden can have a major impact on the success of the company.

## **How does the succession process work?**

### **Handover duration and handover process**

When handing over a project or work order, it is important to consider both the handover duration and the handover process. Handover duration refers to the time frame in which the project or job is handed over from one person to another. Here, it should be ensured that enough time is planned for a thorough handover and that all relevant information and documents are handed over. The handover process itself describes the process and steps that are carried out during the handover. Here, it is important that both parties communicate clearly and can discuss any questions or problems that may arise. A clear and structured handover helps to ensure that the recipient of the project or order is well

informed and can continue the project successfully. A poor handover, on the other hand, can lead to errors and delays. Therefore, the handover process should not be underestimated.

## **Supporting measures for successful succession planning**

A successful succession plan must be well prepared to ensure a smooth transition. Various supporting measures can be helpful here. One of these is the early involvement of potential successors in the company. In this way, they can gain experience and familiarize themselves with the processes and structures. Another measure is to hold training courses and seminars to prepare them for taking over the management position. Here, for example, topics such as employee leadership, financial [management and risk](#) management can be covered. Creating a clear succession plan that includes tasks, responsibilities and timetables, among other things, can also facilitate succession planning. In addition, aspects such as tax and legal issues should be taken into account to eliminate potential stumbling blocks. Professional advice from experts can provide support and security.

## **Ensuring a suitable successor**

To ensure that a suitable successor is found for a position, a comprehensive and systematic process should be carried out. This includes identifying candidates within the company as well as looking for external candidates who have the required skills and experience. An important step is to create clear job descriptions and job specifications to ensure that the requirements of the position are known and that candidates can be evaluated accordingly. It is also important to assess candidates for their fit with the company's culture and their ability to lead and develop employees. A structured selection process that includes assessments by employees, managers and

outside consultants can help ensure an informed decision is made. Developing and training potential successors is another important aspect of ensuring they are ready and able to take over when needed. A successful succession process can help ensure the continuity and stability of a company.

## **Transfer of ownership and financial security**

Transfer of ownership is an important step in purchase or sale contracts. As a rule, it is carried out by handing over the property in return for a payment. A public notarization is often necessary here to fix the ownership in writing. However, not only the transfer of ownership, but also the financial security is essential. Here it is important to find out about various options, such as construction financing or real estate insurance. For many people, construction financing is the only way to purchase their own home. The focus here is on financial security, so that one can keep the property in the long term. Real estate insurance, on the other hand, protects the property from damage caused by natural disasters or human error. Comprehensive financial protection gives the owner the necessary security and creates freedom for relaxed use of the home.

## **Enterprise value and selling price**

Enterprise value and selling price are of immense importance for every entrepreneur. The enterprise value is the value of the entire company, including all assets and liabilities. This value is usually determined by a comprehensive valuation of the financial and non-financial factors of the business. The selling price, on the other hand, is the amount the business owner would like to obtain for the sale of his or her business. The selling price thus depends heavily on the value of the business, but also depends on other factors such as

current market conditions or the industry. A realistic assessment of the value of the business as well as the selling price is crucial for the successful sale of a business. It is advisable to seek professional help in order to obtain an accurate assessment of the company's value and to set the selling price accordingly.

## **Who is affected by a succession plan?**

- Entrepreneurs and businesswomen
- Individuals with ownership in a company
- Potential buyers and successors

## **Perspective of different stakeholders in the business succession process**

Company succession affects different stakeholders such as family members, employees, customers, suppliers and investors. The view of family members is often shaped by emotions and it is [about the continuation of the company](#) as a family business. Employees are concerned about their jobs and their future prospects. Customers and suppliers want security and continuity to continue their business relationships. Investors are looking for a profitable and long-term investment and want to know how the succession is arranged. The various stakeholders have different expectations and interests that must be taken into account in the succession process. Open communication and transparent processes as well as the involvement of all stakeholders are essential to ensure a successful company succession.

# Special features for Swiss SMEs

Swiss SMEs (small and medium-sized enterprises) have some special features compared to other countries. An important role here is played by Switzerland's geographical location, which promotes a high density of SMEs. In addition, there is a high number of family businesses in Switzerland, which often exist over generations and are thus very long-term oriented. Another aspect is the strong networking between companies, which promotes cooperation and exchange. The high level of innovation and quality awareness are also hallmarks of the Swiss SME landscape. One drawback, however, is that the cost of wages and means of production is relatively high, which can limit competitiveness. Overall, however, the diversity, quality orientation and innovative strength of the Swiss SME landscape contributes to a stable economy.

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## **Successfully selling the company: Company sale and succession planning in Switzerland.**

The decision for entrepreneurs to sell their own company is a significant one, made for a variety of reasons. It is a decision that often involves a lot of thought and the careful development of strategies, especially in the context of SMEs in Switzerland. In this extended article, we comprehensively explain the aspects of selling a company, succession planning for SMEs, and buying a company.

# Why should I sell my company?

## Reasons for selling

Companies, large or small, are often the result of years of hard work and dedication. Therefore, the decision to sell a company is not to be taken lightly. The reasons can be many and varied: A desire to retire, the pursuit of new challenges, or even the prospect of lucrative sales proceeds. Regardless of the reason, the sale process is often complex and requires thorough preparation.

## Advantages and disadvantages of selling a company

Many advantages can be enjoyed when selling a company. Financial benefits, in particular, are enticing: a successful sale can generate a significant amount of money that can be invested or spent elsewhere. In addition, a sale can help establish or [grow the company name](#).

However, there are drawbacks to selling a business. It can be difficult to find a buyer who is willing to pay the asking price and successfully [continue the business](#). The [selling process itself can be time](#) consuming and stressful.

## Prospective buyers: Who might buy my company?

There are many potential buyers who might be interested in purchasing a company. These include private investors, other companies, or [potential buyers interested in growing their own business](#). The type of buyer you want to attract depends on the type of business you are selling.

For example, at 23.investments we consider ourselves a

sustainable private investor focusing on [digital transformation opportunities](#).

## **How and where do I quickly find buyers for my company?**

There are numerous channels that can be used to reach potential buyers. Social media platforms, industry associations and local networks are just a few. Another effective method is placing advertisements in relevant trade publications and media.

## **Succession planning for SMEs in Switzerland**

[Succession planning is an important aspect of selling a business](#), especially for SMEs in Switzerland. It ensures that the company is successfully continued after the sale and helps the seller to retire with peace of mind. A successful [succession plan](#) offers many benefits, including a smooth handover of the business from one owner to the next and ensuring the continued existence of the company and its employees.

Handing over the business after it has been sold is usually done in stages so that the new owner has time to become familiar with the business, employees and customers. It is important to have a clear timeline for the handover and to ensure that all necessary legal steps are followed.

## **What else should be considered in a succession when the company is**

# **sold?**

When a company is sold, there are still a few things to consider. Especially in the case of a succession in the form of a GmbH or AG, there are additional challenges. Here, it is not only [about](#) the legal and tax aspects, but also about the internal organization and employee management. As the owner of a company, you should not be discouraged by this, but rather see it as an opportunity. With careful planning and implementation of the succession, you can successfully continue your company and also master future challenges. For example, the transfer of business shares and the involvement of all relevant persons must be taken into account. It may also make sense to strategically position the [company and adapt it to changing market conditions](#). It is important that you actively deal with this and, if necessary, seek professional support. After all, a successful succession requires a lot of time, energy and, above all, a positive attitude. See the opportunities and approach the changes with confidence.

## **Company valuation: How much is my company worth or how do I arrive at the purchase price?**

An accurate valuation of the business is critical to the sales process. There are several methods for valuing the value of a business, including the [multiples method and the discounted cash flow](#) method. It is important to determine the values of the [company's various assets](#) and ensure that all debts and liabilities are adjusted before the valuation is made.

The sale price depends on many factors, including the financial condition of the company, the potential demand, and industry dynamics. It is important to ask for a [fair and marketable](#) price so that the company can be successfully sold.

# What are the valuation options when selling or succeeding a business?

As an entrepreneur, it is important to be aware of the various [valuation options when selling a business](#). After all, you want to get the best possible price for your business, so you know that valuation is a critical factor in doing so. There are several methods to determine the value of your business, including the capitalized earnings method, the [net asset value](#) method, and the market comparison method. Each method has its advantages and disadvantages, depending on the type and size of your business. Therefore, it is advisable to use a combination of several methods to obtain a realistic valuation. Be brave and don't be fooled by con artists who try to convince you of an inflated valuation. When you have a realistic valuation, you can price your business on a reasonable basis and focus on the sales process. [Learn more how we are different in this perspective](#). With the right valuation option, you will be able to attract potential buyers and conduct eye-to-eye negotiations. Weigh your options carefully and make a decision that fits your business and gives you the best possible price. In summary, a thorough valuation is key to [successfully selling your business](#). Seek expert advice and familiarize yourself with valuation options to maximize your chances of a successful sale.

## Preparing for the sale: what do I need to do?

The preparation phase for the sale involves gathering all the necessary documents needed to value and sell the business. This includes [balance sheets](#) for the last few years, a list of all assets, a detailed list of employees, and a business plan. It is also important to clean up the company to make sure it is saleable and the process goes smoothly.

# The sale process and transaction: how do I sell my company discreetly?

The sale process involves several steps, from finding a buyer to the letter of intent (LOI) to negotiations to [due diligence](#) and signing the contract. A specialist from 23.investments with years of experience in business sales can help cover all aspects of the sales process and successfully sell the company.

The most important documents needed for the sale are the purchase agreement and a comprehensive [due diligence](#). Other important documents may include a company presentation, business plan and recent financial reports.

## Conclusion

Selling a business, especially a Swiss company, is a complex process that requires careful planning and preparation. From the decision to sell the company, to the search for a buyer, to the successful transfer of the company to the new owner, there are many steps to consider.

Although the process can be challenging, successfully selling a business can be a rewarding experience!

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## Unlocking the Secrets of SMB

# Valuation: A Comprehensive Guide to Understanding Company Value

*By analyzing each company's unique business model, we can better understand the underlying drivers of value and provide a more accurate valuation that reflects the business's true potential.*

*Lukas Hertig*

[Tweet](#)

## 1 Introduction

### 1.1 The Critical Role of Accurate Valuation in the SMB Landscape



Determining the accurate value of a small or medium-sized business (SMB) is essential for various reasons, such as selling or buying a business, securing financing, attracting investors, and for estate planning purposes. However, the valuation process can be complex, mainly due to the unique

characteristics of SMBs. This guide will provide an in-depth look at various valuation methods and factors, enabling business owners and investors to understand better how to determine a company's value accurately.

## 1.2 Key Valuation Methods and Factors: An Overview

Before diving into the specific methods and factors that play a role in SMB valuation, it's important to provide a general understanding of the key methods and factors. The most commonly used methods include the Net Asset Value Method, Capitalized Earnings Methods (Simple Capitalized Earnings and [Discounted Cash Flow](#)), Mean Value Methods, and Market Value Methods. Each method has its advantages and limitations, which we will explore in detail throughout this guide. Additionally, the role of company size, industry, business model, and owner's profit will be examined, as they significantly impact the valuation process.

## 2 Valuation Methods in Brief



Before diving into the specifics of each valuation method, it's crucial to have a basic understanding of the most popular

approaches used in SMB valuation. These methods provide a framework for determining a company's worth, considering various financial and operational aspects. Each approach has unique features and limitations, so selecting the method that best suits your business's specific circumstances is essential. In this section, we will offer a concise overview of the following methods:

- Net Asset Value Method
- Capitalized Earnings Methods
- Simple Capitalized Earnings Method
- Discounted Cash Flow Method
- Mean Value Methods
- Market Value Methods
- Impact of Industry, Business Model and other considerations
- Companies with no or even negative value

In the subsequent sections of this guide, we will explore these methods in greater detail, discussing their applications, advantages, and limitations.

### 3 Net Asset Value Method



## 3.1 Definition and Application of the Net Asset Value Method

The [Net Asset Value](#) (NAV) method is a widely used valuation approach that calculates a company's worth by subtracting its total liabilities from its total assets. In essence, the NAV method represents the net value of a company's assets, assuming all debts are paid off. This method is particularly suitable for businesses with significant tangible assets, such as real estate, machinery, or equipment.

## 3.2 Advantages and Limitations of the Net Asset Value Method

### Advantages:

- **Simplicity:** The NAV method is relatively straightforward to calculate, primarily involving the company's [balance sheet](#) data.
- **Tangible assets:** This method is suitable for asset-heavy companies, where most of the company's value is derived from its physical assets.

### Limitations:

- **[Intangible assets:](#)** The NAV method often overlooks intangible assets, such as intellectual property, brand value, and customer relationships. This can lead to undervaluing companies with significant intangible assets.
- **Future earnings potential:** NAV does not consider the company's future earnings potential or growth prospects, which are crucial factors for many investors.
- **Limited applicability:** This method is less suitable for companies in industries that rely heavily on intangible assets, such as technology or services businesses, as it

does not adequately capture their value.

- Static view: The NAV method provides a static snapshot of a company's value, which may not be the best representation of its worth in a constantly changing business environment.

In contrast, the EBITDA multiples method discussed later, considers both tangible and intangible assets and reflects a company's future earnings potential. This makes it a more comprehensive and accurate approach to valuation, particularly for SMBs that often have significant growth prospects and intangible assets.

## **4 Capitalized Earnings Methods**

### **4.1 The Simple Capitalized Earnings Method**



The Simple Capitalized Earnings Method, also known as the Capitalization of Earnings Method, is an income-based valuation approach. It calculates a company's value by dividing its annual earnings (usually normalized to account

for fluctuations) by a capitalization rate, which represents the required rate of return for an investor. The capitalization rate typically considers factors such as industry risk, [market conditions](#), and the company's growth prospects.

## 4.2 Discounted Cash Flow Method

The Discounted [Cash Flow](#) (DCF) Method is another income-based valuation approach that projects a company's future cash flows and discounts them back to their present value using a discount rate, which reflects the investor's required rate of return. The DCF method considers the [company's future growth potential](#) and provides a more dynamic view of its value.

## 4.3 Advantages and Limitations of Capitalized Earnings Methods

### Advantages:

1. Income-based: Capitalized Earnings Methods focus on a company's earnings potential, making them suitable for valuing businesses with solid revenue streams and growth prospects.
2. Consideration of risks: The capitalization [rate and discount](#) rate account for various risks, such as industry risk and market conditions, making these methods more comprehensive.

### Limitations:

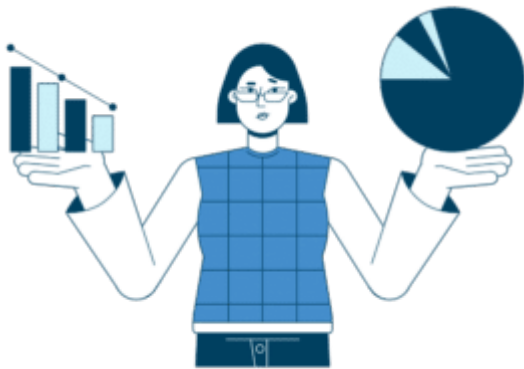
1. Dependence on assumptions: The Simple Capitalized Earnings Method and the DCF Method rely on assumptions, such as projected earnings or discount rates. The valuation may be inaccurate if these assumptions are incorrect or overly optimistic.
2. Complexity: The DCF method, in particular, can be

complex and time-consuming to calculate, requiring extensive financial modeling and forecasting.

In comparison, the EBITDA multiples method offers a more streamlined approach to valuation, using a widely accepted metric that captures both the company's earnings potential and operational efficiency. This makes the EBITDA multiples method a more practical and accurate choice for SMBs looking to determine their value in a dynamic market.

## 5 Mean Value Methods

### 5.1 Company Value (net) Formula



The Company Value (net) formula is a mean value method that combines the results of multiple valuation approaches to derive an average company value. The formula is as follows:

$$\text{Company value (net)} = \frac{x \times \text{capitalized value (net)} + y \times \text{asset value (net)}}{x + y}$$

In this formula,  $x$  and  $y$  are predetermined weights assigned to capitalized and asset values, respectively. Using a weighted average, the Company Value (net) formula aims to balance the strengths and weaknesses of different valuation methods to arrive at a more accurate and comprehensive valuation.

## 5.2 Swiss Method (also known as “practice method”)

The Swiss Method is another mean value method that specifically combines the capitalized value (net) and asset value (net) to determine a company's value. The formula for the Swiss Method is:

$$\text{Company value (net)} = 2 \times \text{capitalized value (net)} + \text{asset value (net)} / 3$$

The Swiss Method places more weight on the capitalized value (net), reflecting the belief that a company's earnings potential is a more important determinant of its value than its net assets.

## 5.3 Advantages and Limitations of Mean Value Methods

### Advantages:

**Comprehensive approach:** Mean Value Methods combine multiple valuation methods to provide a more balanced and comprehensive assessment of a company's value.

**Flexibility:** By adjusting the weights assigned to different valuation methods, the formulas can be tailored better to suit the specific characteristics of a company or industry.

### Limitations:

**Subjectivity:** Assigning weights to different valuation methods can be subjective, which may introduce bias into the final valuation.

**Complexity:** Mean Value Methods require calculating multiple valuation methods, increasing the complexity and time required to complete the valuation process.

While Mean Value Methods can offer a balanced approach to valuation, the EBITDA multiples method has several advantages that make it more suitable for SMB valuation. By focusing on a widely accepted and comprehensive financial metric, the EBITDA multiples method provides a straightforward and accurate approach that can better reflect the unique dynamics of SMBs in a constantly evolving market.

## 6 Market Value Methods

### 6.1 Introduction to Common Multiples



Market Value Methods utilize multiples to determine a company's value based on various financial metrics. These methods compare a company's financial performance to similar businesses within the same industry or market.

Common multiples used in valuations include:

1. Turnover multiple (very rare)
2. EBITDA multiple
3. EBIT multiple
4. Net profit multiple

These multiples are derived from historical data and industry benchmarks, providing a relative valuation that accounts for the market context.

## 6.2 Calculating Company Value Using Multiples

To calculate a company's [value using market](#) multiples, you multiply the chosen financial metric by the relevant multiple. For example:

- Company value (gross) according to turnover multiple = Turnover × turnover multiple
- Company value (gross) according to EBITDA multiple = EBITDA × EBITDA multiple
- Company value (gross) according to EBIT multiple = EBIT × EBIT multiple
- Company value (net = [equity](#) capital) according to pure-profit multiple = Pure profit × net-profit multiple

## 6.3 Advantages and Limitations of Market Value Methods

### Advantages:

1. Market context: Market Value Methods consider the industry and market dynamics, providing a more accurate valuation compared to other companies in the same sector.
2. Versatility: Multiple financial metrics can be used to calculate the company value, allowing for a more comprehensive business analysis.

### Limitations:

1. Dependence on comparable data: Market Value Methods rely on the availability of comparable data from other companies within the same industry, which may be limited or difficult to obtain, especially for niche businesses or rapidly evolving industries.

The EBITDA multiples method is a Market Value Method that has proven particularly effective for SMB valuation. The EBITDA multiples method offers a practical and accurate approach to determining a company's value within the broader market context by focusing on a comprehensive financial metric that accounts for both earnings potential and operational efficiency.

## **7 The Role of Company Size in Valuation**

### **7.1 The Difference Between Smaller and Larger Companies in Valuation**



Regarding company valuations, the size of the business can significantly impact the perceived value and the valuation multiples applied. Larger companies tend to have more stable revenue streams, significant market share, and extensive customer base. This stability and market presence can lead to higher valuation multiples than smaller businesses.

On the other hand, smaller companies often face more significant risks and uncertainties, which may result in lower valuation multiples. These risks can include fluctuations in revenue, a narrower customer base, and a higher dependency on specific clients or suppliers. Smaller companies may face challenges in scaling their operations or adapting to market

changes, further affecting their valuation.

## 7.2 Challenges Faced by Smaller Companies in Finding Buyers or Succession

Smaller businesses, especially those in the SMB space, can face unique challenges in finding buyers or [planning for succession](#). Some of these challenges include:

- **Limited pool of potential buyers:** Smaller businesses may have a smaller pool of potential buyers due to their niche markets, geographic location, or specific industry requirements.
- **Difficulty in securing financing:** Buyers of smaller businesses may need help in securing the necessary financing to complete the transaction, which can hinder the sales process.
- **Owner dependence:** Smaller companies are often highly dependent on their owners, making it difficult for potential buyers to envision a successful transition and maintain the same level of business performance after the sale.
- **[Succession planning](#):** Many SMB owners do not have a clear succession plan, which can create uncertainty and complications during the sales process.

In light of these challenges, SMBs must carefully consider the most appropriate valuation method for their business, considering their unique circumstances and potential hurdles. In many cases, a rather fair valuation rather than an inflated valuation (for example created by a broker) might reach your exit target expectations faster. Even if they might be slightly lower.

# 8 The Real EBITDA Multipliers

## 8.1 Explaining EBITDA Multipliers and Their Role in SMB Valuation



EBITDA Multipliers represent different tiers of valuation multiples applied to small and medium-sized businesses (SMBs) based on their performance, size, growth potential, and other vital factors. These layers help investors and business owners understand the value of a company within the context of the broader market, as well as the potential returns and risks associated with an [acquisition](#) or investment.

The EBITDA Multipliers range from lower multiples for smaller, owner-operated businesses with less growth potential, to higher multiples for larger, professionally managed businesses with solid growth prospects, established market positions, and significant barriers to entry.

## 8.2 Key Factors That Affect EBITDA Multipliers

Several key factors can influence the EBITDA Multipliers of a business, including:

1. **Business size:** Smaller businesses with lower revenues and earnings may be assigned lower EBITDA valuation multiples than larger businesses with higher revenues and earnings.
2. **Industry of the business:** Different industries have unique growth prospects, market dynamics, and risk factors that can affect the valuation multiples applied to companies within that sector.
3. **Growth potential:** Companies with strong year-over-year growth and promising market opportunities may receive higher valuation multiples.
4. **Management, operations, and owner dependency:** Businesses with professional management, well-defined niches, and operational optimization may attract higher valuation multiples. High owner dependency may result in a lower valuation.
5. **Barriers to entry and intellectual property:** Companies with significant barriers to entry, such as proprietary technology or intellectual property ownership, may be valued at higher multiples.
6. **Seller motivation:** A motivated seller who is eager to sell their business may accept a lower valuation multiple, while an unmotivated seller may demand a higher multiple.

Understanding the real EBITDA Multipliers can help SMB owners and investors make informed decisions about business valuations, considering each company's unique dynamics and characteristics. By selecting the EBITDA multiples method for valuation, businesses can better capture their actual value and potential within the market.

# 9 The Impact of Industry and Business Model on Valuation

## 9.1 The Influence of Industry on Company Valuations

The industry in which a company operates can significantly impact its valuation. Different industries have unique growth prospects, market dynamics, and risk factors that can affect the valuation multiples applied to companies within that sector. For example, in the SMB space, technology-based businesses may attract higher valuation multiples due to their potential for rapid growth. In comparison, traditional brick-and-mortar retail businesses may receive lower multiples due to market saturation and slower growth prospects.

## 9.2 The Role of Different Business Models in Valuation



The business model a company adopts can also play a crucial role in its valuation. Some examples include:

- Asset-light businesses: These [companies require minimal investment](#) in physical assets, often resulting in higher valuations due to lower capital requirements and higher scalability.

- **Asset-heavy businesses:** These companies rely on substantial investments in physical assets, such as manufacturing plants or equipment. This can lead to lower valuations because of higher capital requirements and potentially lower margins.
- **Subscription-based businesses:** Subscription models with predictable, recurring revenue streams can attract higher valuation multiples due to their stability and potential for customer retention.

## **9.3 Key KPIs and Their Importance**

Key performance indicators (KPIs) play a crucial role in company valuations, providing insights into the business's performance, efficiency, and growth potential. Some important KPIs to consider include gross margin, customer acquisition cost, and lifetime value.

## **9.4 Product vs. Service Businesses**

Product-based businesses often require more significant upfront investments in inventory and production but can achieve economies of scale with higher sales volumes. Service-based businesses, on the other hand, may have lower upfront costs but require ongoing investments in personnel and training. The valuation of these businesses may be influenced by factors such as market demand, scalability, and competitive landscape.

## **9.5 Customer Lifetime Value**

## **(CLV)**

Customer lifetime value (CLV) is an essential metric in company valuation. It measures the net profit a business can expect to generate from a customer over the entire duration of their relationship. A higher CLV can lead to a higher company valuation, suggesting a greater potential for long-term revenue generation.

## **9.6 Customer Acquisition Cost**

Customer acquisition cost (CAC) is a critical metric for determining the efficiency of a [company's sales](#) and marketing efforts. A lower CAC indicates that the company can acquire new customers more cost-effectively, contributing positively to its valuation. Conversely, a high CAC may negatively impact the company's valuation due to increased expenses and potentially lower profitability.

## **9.7 Recurring Revenues**

Recurring revenues, such as those generated by subscription-based businesses, can positively impact a company's valuation due to their predictability and stability. A business with a high percentage of recurring revenues will likely be valued more highly than one with more volatile income streams.

By understanding the impact of industry and business model on company valuations, SMB owners and investors can make more informed decisions and better assess the true value of a business within its specific market context.

## **10 The Importance of Owners'**

# Profit

## 10.1 Definition and Role of Owners' Profit in SMB Valuation



Owners' profit refers to the income available to the business owner for investing in future growth, paying out as a salary, bonus, or dividend. In small and medium-sized businesses (SMBs), owners' profit plays a crucial role in determining the company's value. This metric provides insight into the financial health and performance of the business, considering the unique dynamics of an owner-managed company.

## 10.2 Calculating Owners' Profit on the EBITDA Level

To calculate owners' profit on the EBITDA level, start with the EBITDA (earnings before interest, taxes, depreciation, and amortization) figure from the company's financial statements. EBITDA is a widely used metric to assess a company's performance, as it is not influenced by financing structure or investment cycles.

Next, add back the gross salary of the owner, including social security contributions, and make any necessary adjustments for

other items affecting the owners' profit, such as non-recurring income or expenses. The resulting figure represents the owners' profit on the EBITDA level, which can be used to establish the company's value.

## 10.3 The Relevance of Owners' Profit in Small and Medium-Sized Companies

In the context of SMBs, owners' profit is significant for company valuation for several reasons:

- **Owner involvement:** SMBs are often closely tied to their owners, who may play a significant role in the company's operations and strategic decisions. Owners' profit is a proxy for the financial performance and value of the business under the current owner's management.
- **Personal expenses:** SMB owners may have their companies cover some of their personal expenses. Adjusting for these items in the calculation of owners' profit provides a more accurate reflection of the business's true financial performance.
- **Comparison with industry peers:** When calculated consistently across companies, owners' profit allows for more accurate comparisons between businesses in the same industry and market segment.

By considering owners' profit in the valuation process, [SMB owners and investors can better understand the business's actual value and make more informed decisions about potential acquisitions or investments.](#)

## 11 Other Considerations in SMB

# Valuation: Financial vs. Strategic Buyers and the Role of Debt

## 11.1 Financial Buyers vs. Strategic Buyers



When [selling a business](#), it's essential to understand the difference between financial and strategic buyers, as this can impact the company's valuation.

- **Financial buyers:** These buyers are typically [private equity](#) firms or individual investors primarily interested in the financial return on their investment. They may seek to improve the company's performance through cost reduction, operational efficiency, or other measures to increase profitability and ultimately sell the business for a higher price.
- **Strategic buyers:** These are usually other companies that see synergies or strategic advantages in acquiring the target business. They may be interested in the company's customer base, technology, intellectual property, or other assets that can enhance their existing operations or help them enter new markets.

## 11.2 Impact on Valuations

The type of buyer can significantly influence the valuation of a business. Strategic buyers may be willing to pay a premium for a company that offers synergies, competitive advantages, or other strategic benefits, leading to higher valuations. In contrast, financial buyers typically focus on the potential return on investment. They may be more conservative in their valuations, seeking opportunities for value creation through operational improvements or other measures.

## 11.3 The Role of Debt in Valuations

Debt can play a crucial role in company valuations. Businesses with higher debt levels may be viewed as riskier investments, which can negatively impact their valuation. Conversely, companies with low debt levels and strong [cash flows](#) may be valued more highly, as they have more financial flexibility to invest in growth opportunities or weather economic downturns.

When assessing a company's valuation, it's essential to consider its [debt](#) structure and overall financial health. This can provide valuable insights into the company's ability to manage its obligations, invest in growth opportunities, and ultimately generate value for the owner or potential acquirer.

By considering these additional factors in SMB valuations, business owners and investors can gain a more comprehensive understanding of the business's true value and the potential risks and opportunities associated with a sale or acquisition.

## 12 Understanding Companies with

# Zero or Negative Value and Turnaround Opportunities



Yes, In some cases, a company may have no or even negative value due to various factors such as financial challenges, legal issues, or an inability to generate future income.

Some situations that could lead to a company having no value include:

- More liabilities than assets
- No prospects for generating future income and liquidity issues in general, not being able to fund the needed [working capital](#) from revenues and profits
- Liquidation costs exceeding the value of the company's assets
- Legal or reputational issues affecting the company's viability

Although companies with zero or negative value may be poor investment prospects, some investors and firms, like ours, see potential in turnaround opportunities. Our firm carefully analyzes these opportunities, considering the potential for growth and the ability to [manage risks](#) associated with the distressed company.

When exploring turnaround opportunities, we employ a strategic approach that includes:

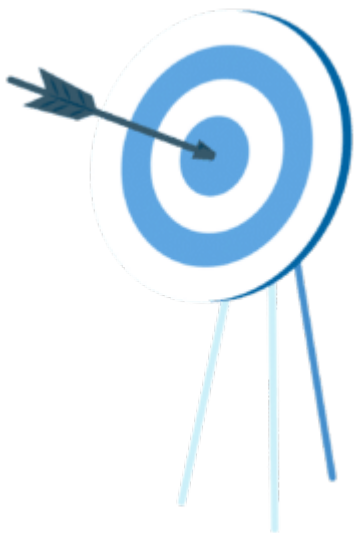
- Comprehensive [due diligence](#): Rigorously examining the company's financials, legal issues, industry position,

and potential for future growth.

- Risk management: Identifying potential risks and implementing measures to minimize or mitigate these risks during the turnaround process.
- Strategic planning: Developing a tailored plan for restructuring the company, focusing on its strengths and areas of opportunity for growth.
- Resource allocation: Ensuring the company has the right resources, including capital, management expertise, and operational support, to execute the turnaround plan effectively.

By taking this cautious and strategic approach, our firm can unlock the potential of companies with zero or negative value, turning them into successful, thriving businesses and secure both the employees and customers of this business.

## **13 The Rationale Behind Our Company's Focus**



At our company, we understand that each business is unique and requires a tailored valuation approach. To ensure accurate and insightful valuations, we focus on four key factors: EBITDA multiples, industry, business model, and company size.

## **13.1 EBITDA Multiples**

EBITDA multiples are widely regarded as one of the most reliable valuation methods. By using EBITDA multiples, we can accurately assess a company's performance without being influenced by financing structure, investment cycles, or differences in accounting practices. This allows us to generate consistent and comparable valuations for SMBs in various industries and stages of growth.

## **13.2 Industry**

We recognize that each industry has its dynamics, growth prospects, and competitive landscape, which can significantly impact company valuations. By considering the industry, we can tailor our valuation approach to the specific characteristics of each sector, allowing for a more nuanced understanding of the company's position within its market and the opportunities and challenges it faces.

## **13.3 Business Model**

A company's business model plays a vital role in determining its valuation. Factors such as asset-light or asset-heavy operations, subscription-based revenue, and customer lifetime value can significantly impact a business's value. By analyzing each company's unique business model, we can better understand the underlying drivers of value and provide a more accurate valuation that reflects the business's true potential.

## **13.4 Size of the Company**

Company size can also have a significant impact on valuation. Smaller businesses may need help finding buyers or securing succession, which can affect their valuations. Considering the

company's size, we can better understand the unique dynamics of SMB valuations and adjust [our approach](#) accordingly.

### **13.4.1**

## **Entrepreneurial Investors with Long-Term Focus**

As a financial buyer, we identify ourselves as entrepreneurial investors. This means that we invest capital into the companies we acquire and bring our entrepreneurial spirit, expertise, and experience to help drive growth and success. We see ourselves as long-term investors, committed to providing more scale and a better customer experience across omnichannel platforms by implementing the needed [digital transformation](#).

In conclusion, our company's primary focus on EBITDA multiples, industry, business model, and company size, combined with our entrepreneurial approach and long-term investment horizon, allows us to provide accurate, insightful, and tailored valuations for SMBs. By considering these key factors, we can better serve our clients and help them make more informed decisions about the value of their businesses and potential acquisitions or investments.

## **14 Conclusion**



Throughout this guide, we have explored the different methods and factors that play a critical role in determining the value of small and medium-sized businesses. By understanding the intricacies of various valuation methods, industry influences, company size, and the importance of the business model, you can make more informed decisions when it comes to assessing a company's worth.

We have also discussed the unique situations where a company may have no value or even negative value, and how our firm recognizes the potential in carefully selected turnaround opportunities. We aim to transform distressed companies into successful, thriving businesses by leveraging our expertise and adopting a strategic approach.

Whether you are an entrepreneur seeking to value your business, an investor searching for promising opportunities, or a business owner considering a merger or acquisition, having a comprehensive understanding of SMB valuation will help you make informed decisions that can lead to long-term success. Remember that the valuation process is as much an art as a science, and a deep understanding of the various factors and considerations will allow you to unlock the actual value of any business

*In a world where valuations can make or break deals, having a clear and accurate understanding of a company's worth is invaluable.*

*Lukas Hertig*

[Tweet](#)

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# The Ultimate Comparison: Selling Your SMB Company with 23.investments vs. Other Options

## Introduction

As an SMB owner, you've poured your heart and soul into building your company. Now, you're ready for the next chapter, and finding the right exit strategy is crucial for ensuring a smooth transition and securing your financial future. But with so many options out there, it can be overwhelming to choose the best fit for your needs. That's where we come in. This blog post will provide an ultimate comparison of 23.investments, a tailored solution for [selling your SMB company](#), with other popular alternatives such as Venture Capital, Private Equity, and Brokers. Our aim is to guide you through the key differences, using simple language and a touch of controversy to help you make an informed decision that best suits your business and personal goals.

In the following sections, we will delve into various aspects, such as valuation targets, the selling process, founders/owners commitment, legal terms, returns, cash-out options, and company culture preservation. By the end of this blog post, you will have a clear understanding of why 23.investments stands out as the superior choice for [SMB owners looking to sell their businesses](#) while maintaining their legacy and securing a prosperous future.

## Valuation Target: Realism vs. Inflated Expectations

A fair valuation is crucial when [selling your business](#), as it ensures that both the seller and the buyer enter a mutually beneficial transaction. In this section, we'll compare the valuation approach of 23.investments with that of Venture Capital, Private Equity, and Brokers.

### 23.investments

- Realistic valuations: 23.investments takes a comprehensive approach, factoring in the industry, market, unique advantages, company size, and profit multiples to determine a [fair value](#) for your business.
- Win-win transactions: By focusing on realistic valuations, 23.investments fosters a collaborative environment where both parties can reach a satisfactory agreement.

### Venture Capital

- Inflated expectations: Venture Capital firms are notorious for seeking huge valuations, often detached from the actual value of the company. This can lead to

overvaluation, which puts unnecessary pressure on the business and sets unrealistic growth expectations.

- Criticism: This approach can hinder a healthy transaction, as inflated valuations often deter potential buyers and may result in the business remaining unsold.

## Private Equity

- Maximum valuation for the fund: Private Equity firms tend to focus on maximizing their own fees and squeezing out the highest valuation possible, even if it doesn't accurately reflect the company's worth.
- Criticism: This can lead to an imbalance in the transaction, as the seller may feel pressured to accept an unfavorable deal just to meet the fund's expectations.

## Brokers

- Self-serving optimization: Brokers tend to prioritize their own commissions above the best interests of sellers and buyers, leading to less-than-ideal outcomes for both parties.
- Upfront commissions: These commissions are often charged upfront and may still apply even if the company is not sold in the end, leaving sellers at a disadvantage.
- Criticism: This approach not only wastes the seller's time and resources but also diminishes their chances of finding a suitable buyer, as unrealistic valuations deter potential buyers from making offers.

In conclusion, 23.investments offers a more realistic and balanced approach to valuation, taking multiple factors into

account to ensure a fair deal for both parties. In contrast, Venture Capital, Private Equity, and Brokers often set inflated expectations, which can hinder the selling process and result in an unsatisfactory outcome for the seller.

## **The Process: Efficiency and Simplicity with 23.investments**

The process of selling a business can be a daunting and time-consuming endeavor. In this section, we'll discuss how 23.investments streamlines the process for efficiency and simplicity, and compare it to the lengthy, complex procedures of Venture Capital, Private Equity, and Brokers.

### **23.investments**

- **Quick and efficient:** The process with 23.investments is designed for speed and simplicity, with an offer made in just 7 days, diligence completed in 30 days, and the deal closed in less than 60 days.
- **Seller-friendly approach:** By minimizing paperwork and expediting the transaction, 23.investments allows sellers to focus on their business operations and transition with ease.

### **Venture Capital**

- **Lengthy and complex:** Venture Capital firms are known for their extensive due diligence, which often takes 3-6 months to complete and requires a considerable amount of paperwork.
- **Criticism:** This prolonged process can cause unnecessary stress for sellers, who must juggle the demands of their business with the requirements of the Venture Capital

firm.

## **Private Equity**

- Time-consuming and complicated: Much like Venture Capital, Private Equity firms typically take 3-6 months to complete a transaction, with a heavy emphasis on paperwork and complexity.
- Criticism: The drawn-out process can lead to frustration and delays, potentially causing the seller to miss out on other opportunities or lose momentum in their business operations.

## **Brokers**

- Uncertain timeline: With brokers, the process can take up to 12 months or even longer, with no guarantee of a successful sale. In fact, only 1 in 20 companies listed with brokers actually sell.
- Limited marketing capabilities: Brokers often rely on traditional and outdated marketing methods, lacking the digital expertise needed to effectively promote and sell businesses in today's online-driven marketplace.
- Criticism: This highly unpredictable timeline can drain the seller's resources, making it difficult to plan for the future and resulting in a negative experience overall.

In summary, 23.investments offers a streamlined, efficient process that respects the seller's time and resources, making it an ideal choice for SMB owners. On the other hand, Venture Capital, Private Equity, and Brokers often involve lengthy, complex procedures that can hinder the seller's ability to manage their business effectively and move on to the next

chapter of their lives.

## **Founders/Owners                      Commitment: Flexibility for a Better Future**

One of the most critical aspects of selling a business is determining the future involvement of founders and owners. In this section, we'll discuss the flexibility offered by 23.investments in comparison to the rigid commitments required by Venture Capital and Private Equity, as well as the unclear plans provided by Brokers.

### **23.investments**

- Flexibility for founders/owners: 23.investments offers a variety of options for founders and owners, allowing them to stay, go, or choose a combination of both. This approach respects the preferences and needs of sellers, ensuring a smooth transition for everyone involved.
- Benefits: This flexibility allows founders/owners to make the best decision for their personal and professional future, whether that means [continuing to contribute to the business](#) or moving on to new opportunities.

### **Venture Capital**

- Rigid, long-term commitments: Venture Capital firms often require founders/owners to stay involved in the business for 5+ years, effectively locking them into an extended commitment.
- Criticism: This inflexible approach can be detrimental to the well-being and career aspirations of founders/owners, who may feel trapped or limited in

their ability to pursue other opportunities.

## Private Equity

- Fixed commitments with earn-out structures: Private Equity firms typically mandate a 3+ year commitment from founders/owners, often combined with performance-based earn-out structures that can tie their financial [success to the business's](#) future performance.
- Criticism: This arrangement can be stressful for founders/owners, as their financial future becomes dependent on the company's success even after they have transitioned away from daily operations.

## Brokers

- Unclear plans: When working with Brokers, the future involvement of founders/owners is often ambiguous, leaving them uncertain [about](#) their role and responsibilities post-sale.
- Rudeness and inflexibility: Some brokers can be dismissive of potential buyers, focusing only on proof of funds and showing little interest in crafting a win-win [deal structure](#) that benefits both the buyer and the seller.
- Conflicting interests: The business model employed by brokers inherently creates a conflict of interest between their own needs, the needs of potential buyers, and the needs of SMB sellers, ultimately hindering the possibility of a successful transaction.
- Criticism: This lack of clarity can be unsettling for sellers, who may feel unsure about their future and struggle to make informed decisions about their personal and professional lives.

In conclusion, 23.investments stands out for its commitment to flexibility and the well-being of founders/owners, allowing them to choose the level of involvement that best suits their needs and aspirations. In contrast, Venture Capital and Private Equity options impose rigid, long-term commitments that can be stifling, while Brokers often fail to provide clear plans for the future involvement of founders/owners.

## Returns: A Win-Win Partnership with 23.investments

When selling a business, the potential returns play a significant role in shaping the outcome for founders/owners. In this section, we'll explore the realistic deal structures proposed by 23.investments, expose the pressure for high returns and risks associated with Venture Capital, and discuss the short-term focus and disregard for long-term success prevalent in Private Equity and Brokers.

### 23.investments

- Realistic [deal structures](#): 23.investments focuses on creating win-win partnerships that benefit both the seller and the buyer, offering deal structures based on realistic expectations and a long-term vision.
- Benefits: This approach fosters collaboration and ensures that both parties are satisfied with the transaction, ultimately resulting in a successful and sustainable partnership.

### Venture Capital

- Pressure for high returns and risks: Venture Capital firms typically push for 10–100x returns, which translates into immense pressure and high risk for the businesses involved. This demand for exceptional growth often comes with only a 3% chance of success.
- Criticism: This high-pressure environment can lead to unhealthy practices within the company, potentially compromising its long-term viability and negatively impacting the founders/owners' financial future.

## **Private Equity**

- Short-term focus: Private Equity firms often aim to flip the company within 3–5 years, disregarding its long-term success in favor of maximizing returns within a limited timeframe.
- Criticism: This short-sighted approach can be detrimental to the company's overall health and sustainability, leaving the business and its employees vulnerable in the long run.

## **Brokers**

- Disregard for long-term success: Brokers tend to prioritize maximizing their commissions and upfront payments, with little to no concern for the company's long-term success or well-being.
- Criticism: This lack of foresight can lead to unfavorable deals for the founders/owners and hinder the business's ability to thrive in the future.

In conclusion, 23.investments offers a balanced approach to returns, focusing on realistic deal structures that promote long-term success and collaboration. In contrast, Venture

Capital firms often impose pressure for high returns and risk, while Private Equity and Brokers typically prioritize short-term gains, disregarding the long-term success and sustainability of the business.

## Cash-Out: Fair Deal Structures for All Parties

When selling a business, the cash-out [options](#) available to founders/owners can significantly impact their financial well-being and future prospects. In this section, we'll describe the full or partial cash-out options provided by 23.investments, criticize the limited or non-existent cash-out options offered by Venture Capital and Private Equity, and reinforce the unclear plans presented by Brokers.

### 23.investments

- Full or partial cash-out options: 23.investments offers flexible cash-out options to sellers, enabling them to choose between a full or partial cash-out based on their preferences and needs. These fair deal structures prioritize a win-win outcome for the owner, employees, and investors.
- Benefits: By offering flexible cash-out options, 23.investments empowers founders/owners to make the best decisions for their financial future, whether that involves cashing out entirely or retaining a stake in the business.

### Venture Capital

- Limited or no cash-out options: Venture Capital firms often provide no cash to founders, instead focusing on

investing funds for business growth.

- Criticism: This [approach can leave founders/owners with limited financial](#) security, potentially causing stress and inhibiting their ability to pursue new opportunities or enjoy the fruits of their labor.

## **Private Equity**

- Restricted cash-out options and earn-out plans: Private Equity firms typically offer limited cash to founders, along with tough earn-out plans that may not provide any additional funds for business growth. This approach often involves squeezing the company for profits through price increases and other measures.
- Criticism: These restricted cash-out options can hamper the financial well-being of founders/owners, making it difficult for them to achieve their financial goals or enjoy a comfortable retirement.

## **Brokers**

- Unclear plans: Brokers often fail to provide clear cash-out plans for founders/owners, leaving them uncertain about their financial future and the potential implications of selling their business.
- Criticism: This lack of clarity can create anxiety and confusion for sellers, making it challenging for them to plan for their future or make informed decisions about their personal and professional lives.

In summary, 23.investments stands out for its flexible and fair cash-out options, which prioritize the financial well-being and future of founders/owners. In contrast, Venture Capital and Private Equity options often limit cash-out

opportunities, potentially compromising the financial security of [sellers](#). Meanwhile, Brokers tend to provide unclear cash-out plans, leaving founders/owners feeling uncertain and ill-informed about their financial prospects.

## Preserving and Enhancing Your Company's Essence

The culture of a company is a vital aspect of its identity and success. In this section, we'll applaud the commitment of 23.investments to maintaining company culture and providing long-term support, criticize the limited support and culture destruction caused by Venture Capital and Private Equity, and remind readers of the unclear plans offered by Brokers.

### 23.investments

- Preserving and enhancing company culture: 23.investments respects the existing culture of the companies it acquires, allowing them to operate as-is without imposing significant changes. Additionally, they provide support through digitalization, coaching, and network access, helping businesses grow and thrive in the long term.
- Benefits: This approach ensures that the company's essence remains intact, preserving its unique identity and fostering a healthy work environment for employees.

### Venture Capital

- Limited support and potential culture destruction: Venture Capital firms often focus primarily on fund returns, providing limited support to the [companies they invest](#) in. This single-minded pursuit of profits can

jeopardize the company's culture, negatively affecting employees and the overall business.

- Criticism: This approach can undermine the company's core values and long-term success, ultimately damaging the very foundation upon which the business was built.

## **Private Equity**

- Disregard for company culture: Private Equity firms are known for prioritizing fund returns over the well-being of the company and its employees, often leading to the destruction of the existing culture. Their primary focus is on financial gains, which can come at the expense of the company's essence and workforce.
- Criticism: This callous approach can be devastating for the company and its employees, resulting in a toxic environment and potential long-term harm to the business.

## **Brokers**

- Unclear plans: Brokers generally fail to provide clear plans regarding the preservation or enhancement of company culture, leaving sellers in the dark about the future of their business and its employees.
- Criticism: This lack of foresight can result in unfavorable outcomes for the company, its culture, and its workforce, as the seller may be unable to make informed decisions to protect the business's unique identity.

In conclusion, 23.investments demonstrates a strong commitment to preserving and enhancing the culture of the companies it acquires, ensuring the long-term well-being of both the

business and its employees. In contrast, Venture Capital and Private Equity options often prioritize financial gains over company culture, potentially causing irreversible damage to the business's core values and workforce. Meanwhile, Brokers fail to provide clear plans regarding company culture, leaving sellers feeling uncertain about the future of their business and its employees.

## **Conclusion**

In this article, we have explored the various options available to SMB owners looking to sell their businesses, comparing 23.investments to Venture Capital, Private Equity, and Brokers. Our analysis has highlighted the numerous advantages offered by 23.investments, including realistic valuations, an efficient and straightforward process, flexibility for founders/owners, fair legal terms, mutually beneficial returns, accommodating cash-out options, and a strong commitment to preserving company culture.

As SMB owners contemplate their exit strategies, it is essential to consider the implications of each option thoroughly. By choosing 23.investments, sellers can benefit from a fair, efficient, and flexible approach, ensuring a smooth transition and long-term success for their businesses. Unlike Venture Capital, Private Equity, and Brokers, 23.investments prioritizes the well-being of the company, its employees, and the founders/owners, creating a win-win situation for all parties involved.

In conclusion, we urge SMB owners to explore 23.investments as a viable and promising alternative to traditional options. We encourage you to learn more about the unique benefits offered by 23.investments and make an informed decision for the future of your business, your employees, and your own financial well-being. Don't leave your company's fate in the hands of those

who may not have your best interests at heart; take control of your exit strategy and choose 23.investments for a brighter, more secure future.

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# **Taxes on the Sale of a Business: A Guide for SMEs in Switzerland**

## **1. introduction**

### **Importance of taxes in the sale of a company, regardless of the purchase price**

The sale of a [company is a complex process](#) in which many factors must be taken into account. One of the most important aspects is the tax treatment of the sale. In Switzerland, capital gains from the [sale of private assets](#) are generally tax-free. However, there are exceptions that must be taken into account.

### **Frequency of succession or succession planning in SME companies**

In the next few years, many SME [companies in Switzerland will be facing a succession plan](#). This transition may have tax implications, especially if the company is sold.

# The various tax aspects in Switzerland for taxing

- **Overview of the Swiss tax system:** Switzerland is known for its favorable tax system and its impact on M&A transactions. For owners who want to sell their business in Switzerland, it is important to understand the Swiss tax system.
- **Share Deal vs. Asset Deal:** The type of [transaction structure](#) chosen can have a significant impact on the tax implications of the transaction. In a share deal, the buyer acquires the shares of the company, whereas in an asset deal, the buyer acquires the assets of the company.
- **Advantages and disadvantages of each type of [deal structure](#):** From a tax perspective, each type of deal structure has its own advantages and disadvantages. Equity deals tend to be less complicated, while asset deals offer more flexibility in tax planning.
- **Considerations for Swiss buyers compared to international buyers:** Swiss buyers and international buyers have different tax implications when acquiring a business in Switzerland. Swiss buyers are subject to Swiss tax laws, while international buyers may be subject to both the tax laws of their home country and Swiss tax laws.
- **Impact on the final terms of the agreement and the value received by the successor:** Tax considerations can have a significant impact on the final terms of the sale and the value received by the It is important for successors to understand these implications and work with a tax advisor to ensure they get the best possible outcome from the transaction.
- **Important tax aspects:** When [selling a business](#) in Switzerland, it is important to consider various tax aspects such as capital gains tax, VAT and stamp duty. A

thorough understanding of these tax aspects and how they apply to the particular transaction is crucial for owners to ensure that they achieve the best possible outcome from the act of sale.

## **Share Deal vs. Asset Deal: What's Right for You?**

When it comes to [selling your business](#) in Switzerland, there are two main options: Share Deals and Asset Deals. In order to make an informed decision that best suits your needs and objectives, it is important to understand the key differences and implications of each transaction structure.

### **Share deal (often with joint stock company or limited liability company)**

- Sale of the shares of a company and not the assets
- The buyer acquires ownership and control of the company, but also assumes all liabilities and obligations
- Tax implications may vary depending on the specifics of the transaction and the buyer's jurisdiction

#### **Advantages:**

- Simplified transfer of ownership and control
- Possibly lower tax impact as capital gains tax is lower than corporate income tax in some cases

#### **Disadvantages:**

- The buyer assumes all liabilities and obligations of the company

- The seller may have limited control over the future of the company and its operations

## **Asset deals (often with sole proprietorship / partnership)**

- Sale of certain assets and liabilities of a company rather than shares
- The buyer acquires ownership of the assets and assumes the liabilities associated with them
- Tax implications may vary depending on the specifics of the transaction and the buyer's jurisdiction

### Advantages:

- Greater control over the transfer of certain assets and liabilities
- Possibly lower tax impact as capital gains tax is lower than corporate income tax in some cases
- The seller may retain ownership of the business and its remaining assets

### Disadvantages:

- Complex process of transferring certain assets and liabilities
- The seller may still be liable for the remaining liabilities of the company
- Potentially higher tax impact as seller may be taxed on transfer of individual assets

## **2. Tax aspects of the sale of business**

### **Tax-free capital gain on a sale transaction**

In principle, the profit from a sale transaction of private assets is not taxed in Switzerland. This applies in particular when a [private investor realizes a profit from his equity securities traded on the stock exchange.](#)

### **Exceptions: Indirect partial liquidation and lock-up period for divestments**

However, there are two important exceptions to the tax exemption: the indirect partial liquidation and the lock-up period. These two aspects can have significant tax consequences and should be taken into account when planning the sale of a company.

## **3. Differences regarding the tax consequences between the sale of a joint stock company and a limited liability company**

The sale of a corporation or limited liability company can have different tax consequences. It is important to understand these differences and plan accordingly. The same applies to partnerships, which are sometimes treated differently.

## **4. Indirect partial liquidation**

## **Definition and conditions**

Indirect partial liquidation occurs if the shares sold are held by the purchaser as business assets and a dividend of substance is paid to the new owner within five years of the transfer.

## **Tax consequences and risks**

The asset dividend can be taxed as income for the seller, even if he actually has nothing to do with the distribution. This can lead to considerable tax burdens.

## **Contractual protection**

In order to minimize the risk of an indirect partial liquidation, the seller should provide contractual safeguards. These can, for example, include the condition that no substance is distributed from the company's assets within the 5-year lock-up period.

# **5. Lock-up period**

## **Definition and conditions**

The lock-up period is a period of five years after a tax-neutral conversion from a personal enterprise (e.g. sole proprietorship) into an AG or GmbH. If the company is sold within this period, the hidden reserves transferred tax-free at that time may be subject to subsequent taxation.

## **Tax consequences and risks**

The lock-up period can have significant tax consequences. A sale within this period may result in subsequent taxation, which can significantly reduce the financial benefits of the sale.

## **6. Special cases and further exceptions**

### **Sale to a company subject to accounting requirements**

A sale to a company subject to accounting requirements may have special tax implications. In this case, the tax authority will examine for five years whether any substance dividends have been distributed during this period.

### **Substantive dividends and their tax effects**

Substantive dividends are distributions at the expense of reserves that already existed at the time of the sale of the company. They can lead to unexpected tax burdens for the seller.

## **7. Tax aspects of succession planning**

[Succession planning is an important aspect of selling a business.](#) It should be carefully planned and the tax implications taken into account.

## **8. Practical tips and strategies**

### **Preparation for the sale of the company**

Good preparation is the key to a successful company sale. This includes a thorough valuation of the company, consideration of all tax aspects and the development of an effective sales strategy.

## **Contractual arrangements and safeguards**

Contractual arrangements and safeguards can help minimize the risk of unexpected tax charges. They should be carefully planned and reviewed by an experienced lawyer or tax advisor.

## **Tax optimization before the sale**

Effective pre-sale tax optimization can minimize potential tax burdens and maximize net proceeds from the sale.

## **9. Case studies and examples from practice**

Case studies and real-world examples can provide valuable insights into the [tax](#) aspects of selling a business. They can help identify potential pitfalls and develop effective tax optimization strategies.

## **10. Effects of tax legislation on the value of the company**

Tax legislation can have a significant impact on the value of a business. It is important to understand this impact and take it into account when planning the sale of a business.

## **11. Role of consultants and experts in the sale of companies**

Consultants and experts can be a valuable support during the sale of the company. They can help with the valuation of the business, tax optimization planning and negotiation of the sale agreement.

## **12. Conclusion**

The sale of a company is a complex process in which many factors must be taken into account. The tax aspects are of particular importance. Through careful planning and consideration of all relevant tax aspects, the sale can be carried out successfully and with minimal tax risk.

### **Outlook and further resources**

There are several resources available for more information and assistance with selling a business. These include reference books, consulting firms and online resources. It is important to be well informed and to seek professional assistance if needed. Likewise, in addition to taxes, it is certainly also advisable to look at social security contributions, the timing of the sale and any differences depending on the canton.

## **Frequently asked questions about selling company taxes in Switzerland**

### **What do I have to consider from a tax point of view if I want to sell my company?**

Taxes are usually incurred on the sale of a company. However, taxation depends on various factors, such as the legal form of the company, the sale price as well as the time of the sale. It is advisable to consult a tax advisor to clarify the tax consequences of selling a company.

## **What taxes are incurred when selling a company?**

When selling a company, different taxes may be incurred, such as income taxes, capital gains taxes, profit taxes or social security contributions. The exact tax consequences vary depending on the legal form of the company and the sale price.

## **Are corporations and limited liability companies different for tax purposes when selling?**

AGs and GmbHs are treated differently for tax purposes. For example, in the event of a sale of an

## **What does the sale of a company mean?**

The sale of a [company means that the owner or group](#) of owners transfer their rights to the company to another individual or legal entity.

## **What is a corporation?**

A corporation is a legal entity established by at least two persons to carry out an entrepreneurial activity. The corporation has its own assets and is therefore limited by liability.

## **What is the difference between an AG and a GmbH?**

The AG (joint stock company) and the GmbH (limited liability

company) are both corporations, but have different requirements for their formation, structure and liability.

## **What are partnerships?**

Partnerships are [companies in which the partners](#) are personally liable for the debts of the company. These include, for example, sole proprietorships, the collective partnership and the limited partnership.

## **Who are the buyers when selling a company?**

Buyers in the sale of a company may be individuals or legal entities interested in the business activity and assets.

## **What is a sole proprietorship?**

A sole proprietorship is an entrepreneurial activity run by a natural person. The owner is personally liable for the debts of the company.

## **What is the best legal form for a company?**

The choice of legal form depends on various factors such as liability, taxation, formation costs and the size of the company. There is no perfect legal form that is suitable for everyone.

## **What are the tax consequences of selling a company?**

When a company is sold, various taxes may be incurred, such as

income tax, withholding tax, VAT and real estate gains tax.

## **What is a dividend?**

A dividend is a portion of a corporation's earnings that is distributed to shareholders.

## **How is the selling price of a company determined?**

The selling price of a company is determined based on the book value, the difference between the book value and the market value, and the earning power of the company.

In the case of an AG, a dividend may be distributed, whereas in the case of a GmbH, a distribution may be made as a capital gain or similar. It is advisable in each case to observe the specific tax regulations for the chosen legal form of the company.

## **How is the profit from the sale of a company taxed?**

The gain from the sale of a company can be taxed differently depending on whether it is an asset deal or a share deal. As a rule, in the case of an asset deal, the gain from the indirect partial liquidation is determined, whereas in the case of a share deal, the capital gain of the seller is taxed.

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# Navigating Controversies in Humanistic Capitalism: A Guide for Business Leaders

## Introduction

Humanistic capitalism is a term that refers to a type of business approach that prioritizes not only financial success, but also the well-being of individuals, society, and the environment. At 23.investments, we believe in this holistic [approach to business](#), and it is reflected in the values that drive our company.

The purpose of this [blog](#) post is to delve into these values and their importance in business. We will explore the controversies surrounding humanistic capitalism, the concept of a fair and equitable profit, the balance between giving and taking, the importance of upholding ethics, morality, and dignity, and the need for sustainability.

Through this blog post, we aim to not only articulate our values, but also provide an outlook into the future, and the role that humanistic capitalism will play in shaping it. Our goal is to spark a conversation and encourage businesses to consider their own values and the impact they have on society, the environment, and the economy.

## The Importance of a Fair Profit

Profit is a critical component of any [successful business](#), but not all profits are created equal. In this section, we'll delve into the difference between fair and unfair profit and why a fair profit is essential for the long-term success of a business.

# The Role of Profit in Business

Profit is the financial reward for taking a risk and building a successful enterprise. It's what allows businesses to grow, invest in new products and services, and provide a [return on investment](#) for shareholders.

## The Difference between Fair and Unfair Profit

While profit is essential for [business success](#), there is a difference between fair and unfair profit. Fair profit is earned through hard work, innovation, and providing value to customers. It's a reward for [building a successful business](#) that contributes to the community and the economy.

On the other hand, unfair profit is earned through exploitation, price gouging, and taking advantage of others. It's a short-term strategy that sacrifices the long-term health of the business and its stakeholders.

## How a Fair Profit Contributes to the Success of a Business

A fair profit is essential for the long-term success of a business. It creates a virtuous cycle of growth and prosperity, where businesses are able to reinvest in their products and services, provide good jobs to employees, and contribute to the community.

In contrast, an unfair profit creates a vicious cycle of exploitation, where businesses focus on short-term gains at the expense of their employees, customers, and the community. This approach is not sustainable and ultimately leads to the downfall of the business.

# The Impact of Fair Profit on Employees and Customers

A fair profit has a positive impact on both employees and customers. When businesses earn a fair profit, they are able to provide good jobs with competitive wages and benefits. This creates a stable and productive workforce that is invested in the success of the business.

For customers, a fair profit means that they are paying a [fair price for products and services that deliver real value](#). This creates a loyal customer base that is invested in the success of the business.

In conclusion, a fair profit is essential for the long-term success of a business. It creates a virtuous cycle of growth and prosperity and has a positive impact on both employees and customers.

## Balancing Giving and Taking

Balancing giving and taking is an important aspect of humanistic capitalism and an essential part of a business's success. Businesses and society are interdependent and it is crucial for businesses to give back to the community that supports them. In this section, we will explore the importance of balancing giving and taking and the benefits it can bring for both businesses and society.

## The Interdependence of Business and Society

Businesses rely on society for support and resources, and in return, they have a responsibility to contribute to society's well-being. By giving back, businesses can create a positive impact on the communities they operate in and foster a sense of goodwill towards their brand.

# **The Importance of Giving Back to the Community**

Giving back to the community can take many forms, from charitable donations to volunteering time and resources. It is an opportunity for businesses to demonstrate their commitment to making a positive impact and to show that they care [about](#) the people and communities they serve.

## **Examples of Companies That Balance Giving and Taking**

There are many [companies that have successfully](#) balanced giving and taking. For example, Patagonia, the outdoor clothing company, is known for its commitment to environmental activism and uses its platform to raise awareness about environmental issues. Another example is Ben & Jerry's, the ice cream company, which has a long-standing commitment to social and environmental justice and regularly donates a portion of its profits to organizations working on these issues.

## **The Benefits of Balancing Giving and Taking for Businesses and Society**

Balancing giving and taking can bring numerous benefits for both businesses and society. For businesses, it can increase brand loyalty, improve employee morale, and enhance their reputation. For society, it can help address social and environmental issues, create jobs, and foster economic growth. By balancing giving and taking, businesses can create a win-win situation for themselves and the communities they serve.

## **Maintaining Ethics, Morality, and**

# Dignity

Business is not just about making money, it's also about doing the right thing. Ethics, morality, and dignity are values that are critical to the [success of a company](#). Not only do they impact business decisions and relationships, but they also determine a company's reputation and success.

- The role of ethics, morality, and dignity in business: In today's world, consumers and stakeholders are increasingly demanding that companies act with integrity and make decisions that align with their values. This means that companies must be mindful of the ethical, moral, and dignified implications of their actions.
- How these [values impact business](#) decisions and relationships: Ethical, moral, and dignified behavior is key to building strong relationships with customers, employees, and other stakeholders. When a company upholds these values, it sends a message that it is trustworthy and committed to doing the right thing.
- The importance of upholding these values in the face of challenges: Maintaining ethics, morality, and dignity is not always easy, particularly when faced with difficult business decisions. However, it is important to remember that these values are critical to a company's long-term success and should not be compromised.
- The impact of maintaining ethics, morality, and dignity on a company's reputation and success: Companies that prioritize ethics, morality, and dignity are more likely to have a positive reputation and be viewed as trustworthy by customers, employees, and other stakeholders. This can lead to increased brand loyalty, higher employee morale, and a stronger [bottom line](#).

By upholding these values, companies can demonstrate their commitment to making the world a better place and build a more sustainable future for everyone.

# Sustainability

In the business world, sustainability is more than just a buzzword. It encompasses a set of practices and values that prioritize the long-term well-being of the environment, communities, and future generations. At the heart of sustainability is the idea that companies should operate in a way that leaves the world a better place than they found it.

Sustainability involves a wide range of practices, from reducing carbon emissions and waste to sourcing materials responsibly and investing in [renewable energy](#). By implementing these practices, businesses can not only improve the health of the planet but also benefit from cost savings, increased efficiency, and a stronger reputation.

In today's world, consumers are increasingly demanding that companies act in a responsible and sustainable manner. By taking the lead in sustainability, businesses can build a loyal customer base, attract top talent, and create a better future for everyone.

Moreover, companies can play a crucial role in driving global sustainability efforts. By investing in renewable energy, reducing waste, and sourcing materials responsibly, businesses can help to mitigate the effects of climate change, conserve natural resources, and create a more sustainable future for all.

## Controversies and Criticisms

The concept of humanistic capitalism and its values have faced numerous controversies and criticisms in the business world. Some argue that these values are not practical and cannot coexist with the traditional profit-driven approach of capitalism. Others argue that these values are idealistic and not feasible in the real world of business. In this section,

we will delve into these controversies and criticisms and explore how they can be addressed.

One of the most common criticisms of humanistic capitalism is that it is not practical and cannot coexist with the traditional profit-driven approach of capitalism. Critics argue that businesses need to prioritize profits in order to succeed and that placing ethical and moral considerations above profits is simply not feasible. However, it is important to note that humanistic capitalism does not advocate for completely sacrificing profits, but rather for finding a balance between making a [fair profit and upholding ethical and moral values](#).

Another criticism of humanistic capitalism is that it is idealistic and not feasible in the real world of business. Critics argue that these values are not realistic and that businesses need to make difficult decisions in order to succeed. However, it is important to remember that humanistic capitalism is not about creating a perfect world, but rather about creating a better one. By prioritizing ethics, morality, dignity, and sustainability, businesses can still be successful while also making a positive impact on the world.

In order to address these controversies and criticisms, it is important for businesses to be transparent and honest about their values and practices. By openly discussing their approach to business and the values that drive their decisions, companies can show that they are committed to [humanistic capitalism](#) and demonstrate the practicality and feasibility of these values in the world of business.

Overall, it is important for businesses not to be afraid of the controversies and criticisms surrounding humanistic capitalism and its values. By addressing these challenges head on and demonstrating the practicality and feasibility of these values, businesses can lead the way towards a better and more sustainable future for all.

# **The Future of Humanistic Capitalism**

In the world of business, the future is always uncertain. But one thing is for sure, the values that drive humanistic capitalism are here to stay. As companies continue to grow and evolve, they are also becoming more conscious of their impact on society and the environment. The future of business is one where companies not only focus on their bottom line, but also prioritize ethics, morality, and dignity, balancing giving and taking, and sustainability.

The future of business is one where companies are guided by the principles of humanistic capitalism. This means that companies will continue to prioritize values such as ethics, morality, and dignity, as well as sustainability, in their operations. As companies become more conscious of their impact on society and the environment, they will also continue to balance giving and taking, and strive for a fair profit.

## **Shaping the Future of Business**

The principles of humanistic capitalism have the potential to shape the future of business in a positive way. Companies that prioritize these values will not only be more successful but will also have a positive impact on society and the environment.

## **Impact on Future Generations**

The impact of humanistic capitalism on future generations is significant. By prioritizing values such as sustainability, companies are helping to create a better future for all.

## **Leading the Way**

Businesses have a unique opportunity to lead the way towards a more sustainable and equitable future. By embracing humanistic capitalism, companies can become role models for others and

help drive positive change in the world.

In conclusion, the future of humanistic capitalism is bright, and companies that embrace these values will be well-positioned for success in the years to come. By balancing giving and taking, upholding ethics, morality, and dignity, and prioritizing sustainability, businesses can make a positive impact on society and the environment, while also achieving success and profitability.

## Conclusion

In conclusion, humanistic capitalism and its values of fair profit, balancing giving and taking, maintaining ethics, morality, and dignity, and sustainability, are becoming increasingly important in today's business world. As [businesses continue](#) to grow and evolve, it is crucial that they prioritize these values and strive to create a positive impact not just on their bottom line, but on society as a whole. The future of business lies in humanistic capitalism, where companies not only seek to make a profit, but also contribute to the well-being of their employees, customers, and the environment. By embracing these values, businesses can not only achieve success, but also help create a better future for all.

As a private investment firm, we believe in the power of humanistic capitalism and its values to drive success in business. The importance of fair profit, balancing giving and taking, maintaining ethics, morality, and dignity, and promoting sustainability cannot be overstated. These values not only shape a better future for society and the environment but also contribute to the long-term success and stability of a business. At 23.investments, we prioritize these values when evaluating potential investment opportunities and believe that they are key factors in ensuring the success of the companies and teams we [partner](#) with.

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# The Retail SMB Owner's Checklist to a Swift and Smooth Succession Process

As a business owner, the decision to sell your company is a big one. It can be a complex and time-sensitive process, especially when working with [private investment firms](#) like us. If your goal is to sell your business within 60 days, it's crucial to have a comprehensive and well-planned succession strategy in place. In this [blog](#) post, we'll outline the 10 key steps you need to take to ensure a successful and seamless exit process. From evaluating your [business and preparing your finances](#), to finding the right investment firm and managing the transfer of ownership, these steps will guide you through the process and help you achieve your goals in a timely and efficient manner.

Here is a comprehensive 10-point checklist that we believe are the most important steps:

## 1. Identify Succession Goals and Objectives

- Clearly define the goals and objectives of the [succession plan](#).
- Consider the long-term vision for the company, and align the succession plan with this vision.
- Take into account the personal and financial goals of the business owner.

## **2. Assess Current Business Operations and Financials**

- Evaluate the current operations of the business, including strengths, weaknesses, and areas for improvement.
- Analyze the financial health of the business, including revenue, expenses, and profitability.
- Develop a clear [understanding of the company's value proposition](#) and its unique selling points.

## **3. Identify and Evaluate Potential Successors**

- Consider both internal and external candidates for the role of successor.
- Evaluate the skills, experience, and potential of each candidate.
- Consider the cultural fit of the candidate within the company.

## **4. Create a Succession Timeline**

- Establish a timeline for the succession process, including key milestones and deadlines.
- Consider the length of time required for the successor to fully understand the business and its operations.
- Plan for a smooth transition, including training and support for the successor.

## **5. Develop a Succession Plan**

- Create a detailed succession plan, outlining the steps to be taken and the responsibilities of each party involved.

- Consider the legal and tax implications of the succession plan.
- Ensure that the succession plan aligns with the goals and objectives of the business.

## **6. Provide Training and Development Opportunities for the Successor**

- Provide training and development opportunities for the successor, including on-the-job training, mentoring, and coaching.
- Encourage the successor to seek out additional training and development opportunities.
- Invest in the development of the successor to ensure their success in the role.

## **7. Foster a Strong Company Culture**

- Foster a strong [company culture that supports succession planning](#) and promotes collaboration and teamwork.
- Encourage open communication and a positive work environment.
- Create a sense of community and belonging within the company.

## **8. Review and Update the Succession Plan Regularly**

- Review and update the succession plan regularly to ensure that it remains relevant and effective.
- Consider changes in the business, the economy, and the market, and make adjustments to the plan as necessary.
- Regularly assess the progress of the succession plan and make adjustments as needed.

## 9. Seek Professional Advice

- Seek professional advice from legal, tax, and financial advisors to ensure that the succession plan is legally sound and financially feasible.
- Consider the services of a business broker or a private investment firm to assist with the sale of the business.
- Choosing the Right [Partner](#): Be Careful of Brokers
- When it comes to finding the right partner to sell your business to, it's important to be careful of brokers. While brokers can be helpful in connecting you with potential buyers, they often take a percentage of the sale price as their fee – and often upfront and independent if you are selling the business or not. This can eat into your profits and reduce the amount of money you walk away with. Additionally, brokers may not have the expertise and knowledge necessary to get you the best deal for your business as they inflate a business' value only for their own maximization of commissions. It's important to do your research and find a reputable private investment firm that has the experience, resources, and network to help you successfully sell your business.

## 10. Celebrate Success

- Celebrate the success of the succession plan, including the transition of leadership from one generation to the next.
- Recognize the contributions of the outgoing business owner and the successor, and thank them for their dedication and hard work.
- Celebrate the continued success of the company, and look forward to a bright future.

In conclusion, the success of a [business succession plan](#) is dependent on proper planning and preparation. By following these 10 key points, [business owners in the Swiss SMB](#) retail

sector can ensure a smooth and successful transition of their company. From preparing the company for sale, to selecting the right buyer, to [managing leadership](#) throughout the process, it is crucial to have a comprehensive plan in place. By taking the time to carefully consider each step, business owners can increase their chances of achieving their desired outcome and securing their financial future.

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# **Maximizing Your Business Potential: The Importance of Building, Managing, and Retaining Leadership during and after Succession**

## **Introduction to succession planning and leadership**

Selling a business can be one of the most complex and emotional processes a business owner or founder can face. It can be a time of uncertainty, and it's critical to ensure that the right steps are taken to ensure a successful outcome. One of the most important considerations during this process is leadership. Building, managing and retaining leadership during and after the exit process is crucial to the [success of any succession plan](#). In this [blog](#) post, we will explore the importance of leadership in the exit process, what steps can be taken to build, manage and retain it, and why it is

critical to the success of a succession plan. Whether you are a business owner, founder, or advisor, this article will provide valuable insights into the role of leadership in the exit process, and the steps you can take to ensure a successful outcome.

## **Building Strong Leadership Before the Exit Process**

The key to a successful exit process lies in the strength of your leadership team. Before you even start thinking about [selling your business](#), it's important to build a strong and effective leadership team that can guide your business through the transition. This section will explore the importance of building strong leadership and how it can impact the exit process.

One of the biggest challenges [business owners face during the exit process](#) is finding the right leaders to take the reins. Strong leadership is essential for ensuring a smooth transition, as well as for maintaining the success of the business in the long term. Here are some of the key elements of building strong leadership before the exit process:

- **Develop a clear leadership vision:** Start by defining what leadership means to your organization and what qualities you want in your leaders. This will help you attract and retain the right leaders who share your values and vision.
- **Hire the right people:** Look for leaders who have a track record of success, a passion for your business, and the right skills and experience to help your business succeed. Consider both internal and external candidates,

and be open to new ideas and perspectives.

- **Provide training and development opportunities:** Invest in your leaders by providing them with the training and development opportunities they need to grow and succeed. This includes opportunities for learning, mentoring, and coaching, as well as exposure to new ideas and best practices.
- **Foster a culture of collaboration and teamwork:** Encourage your leaders to work together and support each other, rather than competing against one another. This will help to build a strong and cohesive leadership team that is better equipped to handle the challenges of the exit process.

By building strong leadership before the exit process, you can ensure that your business is well-positioned for success. This will help to minimize the risk of disruption and ensure a smooth and successful transition.

## **Managing Leadership During the Exit Process**

The exit process can be a stressful and complex time for business owners, but it's also an opportunity to reinforce and strengthen the leadership team. During this time, it's crucial to maintain clear communication, delegate responsibilities effectively, and ensure that everyone is aligned on the goals and objectives.

Here are some key steps to managing leadership during the exit process:

- **Communication:** Keeping the leadership team informed and engaged throughout the process is crucial. Host regular

meetings and check-ins to ensure everyone is on the same page and has the information they need to make informed decisions.

- **Delegation:** Delegating responsibilities to the right individuals can help ensure that the [business continues](#) to run smoothly during the exit process. This can include delegating specific tasks, such as managing the [due diligence](#) process, to individuals who have the expertise and experience to handle them.
- **Alignment:** Ensuring that everyone is aligned on the goals and objectives of the exit process is essential. This includes aligning on the timeline, the [deal structure](#), and any other key elements of the transaction.
- **Focus:** During the exit process, it can be tempting to get distracted by the many tasks and responsibilities that need to be managed. However, it's important to stay focused on the end goal and ensure that everyone remains focused and committed to making the exit process a success.
- **Support:** Finally, providing support to the leadership team during the exit process is crucial. This can include providing training and development opportunities, access to resources and tools, and a supportive environment where they can ask questions and seek guidance.

By following these key steps, business owners can help ensure that their leadership team is well-equipped to manage the exit process and emerge stronger on the other side.

## **Retaining and attracting Leadership**

# After the Exit Process

Retaining leadership after the exit process is just as important as building strong leadership before the exit process. A smooth transition of power and a strong leadership team can help ensure the long-term success and growth of the company.

Here are some [strategies for retaining leadership after the exit](#) process:

- **Foster a positive work environment:** A positive work environment can help keep leaders and employees motivated and engaged. Encourage open communication, provide opportunities for professional development, and offer competitive compensation packages.
- **Maintain a clear vision and mission:** A clear vision and mission can help provide direction and purpose for the company and its leaders. Ensure that the vision and mission are aligned with the company's values and goals.
- **Create a compelling bigger story:** A compelling bigger story can help engage and inspire employees and leaders. This can be achieved by [sharing the company's](#) history, achievements, and future plans in a creative and compelling way.
- **Provide opportunities for professional development:** Professional development opportunities can help leaders and employees stay engaged and motivated. This can include training, mentorship, and leadership programs.
- **Encourage collaboration and teamwork:** Encouraging collaboration and teamwork can help foster a sense of community and shared purpose among leaders and employees. This can be achieved by promoting a culture of collaboration and open communication.
- **Attract new leaders:** Attracting new leaders can help bring new perspectives, ideas, and energy to the company. This can be achieved by offering competitive

compensation packages, flexible work arrangements, and opportunities for professional development.

By following these strategies, companies can retain their leadership after the exit process and ensure a smooth transition of power. The importance of vision, mission, and a compelling bigger story cannot be overstated, as they help provide direction, purpose, and inspiration for the company and its leaders.

## Conclusion

In conclusion, **building, managing and retaining strong leadership is an essential aspect of any [successful succession plan](#)**. The exit process is a critical time for a business, and having strong leaders in place can ensure a smooth transition and set the foundation for future success. By investing in leadership development before the exit process, managing leadership during the transition, and retaining key leaders after the exit, business owners can secure the long-term viability and growth of their company. Additionally, attracting new leaders and creating a compelling vision, mission, and bigger story can help to foster a dynamic and thriving culture that attracts top talent and drives success for years to come. With careful planning and execution, the importance of leadership during the succession process cannot be overstated.

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# **Successful Succession Planning for SMBs – Strategies and Advice for a Successful Business Handover**

## **Introduction**

Succession planning for SMBs (small and medium-sized enterprises) is a crucial step for the continued existence of a company. It is important to find a suitable successor at an early stage and to plan the handover process carefully. In

this article, you will learn more about the various aspects of succession planning for SMBs, including advice, strategies for [successful business](#) transfers and the special role of family businesses.

## Steps for SMB succession planning

[Successful SMB](#) succession planning often begins years before the actual handover date. Planning should consider both organizational and financial aspects to ensure a smooth handover and [continuity in business](#) operations. Here are some steps to consider in succession planning for your SMB:

1. **Analyze the company's situation:** before you start the succession planning process, you should evaluate the current situation of your company. This includes an analysis of the financial situation, employee structure and market position.
2. **Determine succession criteria:** Create a list of criteria that the future successor should meet. These criteria can include professional qualifications as well as personal characteristics that are necessary for the successful management of your company.
3. **Identify potential successors:** once you have established the criteria, start searching for potential successors. This can be done both inside and outside the company. Don't forget to consider family-internal solutions as well.

## Implementing business succession in

# SMBs

Company succession in SMBs is about more than just transferring management. A successful succession plan also includes the transfer of knowledge, experience and corporate culture. Here are some tips on how to successfully manage company succession:

1. **Communication**: open and transparent communication about the upcoming succession plan is crucial. Inform all relevant employees and business partners about the upcoming change early on and make sure that everyone involved understands the process and the reasons behind it.
2. **Transition phase**: A transition phase in which the previous owner still remains in the company can be helpful in making the handover process run smoothly. During this time, the successor can grow into his or her role and benefit from the experience of the predecessor.
3. **Training and continuing education**: Invest in training your successor to ensure they have the necessary skills to successfully lead the business. This can be done through internal training, external training or even by completing a mentoring program.

## Use of SMB succession consulting

The process of succession planning in SMBs can be complex and challenging. That's why it can make sense to seek professional advice. SMB succession consultants can help you with the following tasks:

1. **Strategy development**: a consultant will help you develop a succession strategy tailored to the individual needs and requirements of your business.

2. **Successor evaluation and selection:** A consultant can help you objectively evaluate potential successors and make the best possible decision for your business.
3. **Accompaniment during the handover process:** An experienced consultant can accompany the handover process and ensure that all necessary steps are taken and that the process runs smoothly.
4. **Beware of advisors:** often so-called advisors for succession are simply brokers. Unfortunately, many of them set unrealistic expectations of what a business is worth. Often based on the fact that brokers are interested solely in their own fees and commissions. These usually not only accrue in advance, but often have a minimal amount. As a result, many SMBs become disillusioned with brokers and only about 10% of companies are sold through brokers at all. It is therefore worthwhile to analyze carefully with advisors how the fine print is worded in the contracts.

## Succession in family businesses – a special case

Succession planning in [family businesses](#) can be particularly challenging, as emotional factors and family ties play a greater role here. Nevertheless, it is important to carry out structured and professional succession planning in family businesses as well. Here are some tips for succession in family businesses:

1. **Separate family and business:** Try to leave emotional ties to the family out of succession planning as much as possible. Instead, focus on the needs and requirements of the business.
2. **Involve the family:** Communicate openly and transparently with all family members about the planned succession and

ensure that everyone has the opportunity to voice their opinions and concerns.

3. **Arrangements for emergencies:** In family businesses, it can make sense to make arrangements in the event that the planned successor suddenly drops out. This can be achieved, for example, by naming a deputy successor or creating an emergency plan.

## Requirements for an SMB successor

The ideal SMB successor is not only professionally qualified, but also brings personal characteristics that are necessary for the successful management of a company. These qualities include:

1. **Leadership skills:** a successful successor should be able to motivate and guide employees while communicating the company's goals and values.
2. **Willingness to innovate:** A successor should be open to change and willing to implement new ideas and approaches in the company.
3. **Conflict management:** Conflicts are inevitable in companies. A good successor should be able to resolve conflicts constructively while keeping the company's best interests in mind.
4. **Digitization:** Since many SMBs today are often still slightly behind in the digital area, it would be worthwhile if successors brought competence in the area of digitization to ensure long-term stability with modern processes.

## Conclusion

Succession planning in SMBs is a decisive factor for the long-term success of a company. Well-planned and thought-out [succession planning ensures that the handover process](#) runs smoothly and the continuity of business operations is guaranteed. Both professional competencies and personal characteristics of the successor play an important role.

It is important to start planning the succession at an early stage, taking into account all relevant aspects – from the business analysis to the selection of a suitable successor. Professional SMB succession consulting can help you to make the right decisions and to optimize the handover process.

In family businesses, succession planning is of particular importance, as emotional factors and family ties play a greater role. Here, too, open communication and the separation of family and business can ensure successful succession planning.

Ultimately, succession planning is a continuous process that should be tailored to the individual needs and requirements of the respective SMB. With a structured approach and a long-term perspective, you can ensure that your company remains successful in the future and makes a smooth transition to the next generation.

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## Asset or Share Deal? Navigating the Pros and Cons

# of Acquiring a Company in Switzerland

In Switzerland, there are two ways to acquire a company: through an asset deal or a share deal. Both options have their advantages and disadvantages, which should be carefully considered before making a decision. In this article, we will discuss the differences between the two options and their respective pros and cons.

## Asset Deal

In an [asset deal](#), the buyer acquires specific assets and liabilities of the target company, rather than the company itself. This [means that the buyer can choose which assets](#) and liabilities they want to acquire, rather than taking on the entire company. The seller is then left with the remaining assets and liabilities, which can be transferred to a new company or liquidated.

### Pros:

1. **Reduced liability:** By only acquiring specific assets and liabilities, the buyer can reduce their potential liability. This is particularly important if the target company has significant debts or liabilities.
2. **Tax advantages:** Depending on the assets being acquired, there may be tax advantages to an asset deal. For example, if the buyer is acquiring specific assets rather than the entire company, they may be able to claim tax deductions on those assets.
3. **Flexibility:** An asset deal provides more [flexibility for the buyer to restructure the target company](#). They can choose which assets and liabilities they want to acquire, and can then reorganize the company as they see

fit.

## Cons:

1. **Increased transaction costs:** An [asset deal](#) can be more complex and time-consuming than a share deal. This is because the buyer must [identify and acquire specific assets](#), which can involve negotiating with multiple parties.
2. **Transfer of contracts:** In an asset deal, contracts with [third parties](#) must be transferred to the buyer. This can be a [complex and time-consuming process](#), particularly if there are multiple contracts with different parties.
3. **Potential disputes:** If the seller is left with assets and liabilities that are not desirable, they may dispute the terms of the transaction. This can lead to additional costs and delays.

## Share Deal

In a share deal, the buyer acquires all of the shares of the target company. This [means that the buyer is acquiring the entire company](#), including all assets and liabilities.

## Pros:

1. **Simplicity:** A share deal is generally simpler and quicker than an asset deal. This is because the buyer is acquiring the entire company, rather than specific assets and liabilities.
2. **Transfer of contracts:** In a share deal, contracts with third parties remain with the company. This means that there is no need to transfer contracts to the buyer.
3. **Synergies:** A share deal can create synergies between the buyer and the target company. This is because the buyer is acquiring the entire company, including its employees and culture.

## Cons:

1. **Increased liability:** By acquiring the entire company, the buyer is taking on all of the liabilities of the target company. This can be a significant risk if the target company has significant debts or liabilities.
2. **Reduced flexibility:** A share deal provides less flexibility for the buyer to restructure the target company. They must work with the existing assets and liabilities of the company, rather than choosing which assets and liabilities they want to acquire.
3. **Tax implications:** Depending on the structure of the deal, there may be tax implications to a share deal. For example, if the buyer is acquiring a company with significant assets, they may be subject to higher taxes.

## Conclusion

In conclusion, both asset deals and share deals have their advantages and disadvantages. An asset deal provides more flexibility and reduced liability, but can be more complex and time-consuming. A share deal is generally simpler and quicker, but comes with increased liability and reduced flexibility. Ultimately, the decision between an asset deal and a share deal will depend on the specific circumstances of the transaction. It is important to carefully consider the pros and cons of each option before making a decision. Consulting with a legal professional with experience in Swiss corporate law can also be helpful in navigating the complexities of the transaction.

It is also important to note that the type of deal may impact the rights and obligations of the parties involved, such as the transfer of employees or licenses. It is important to ensure that all relevant legal and regulatory requirements are met in the transaction.

In addition, the valuation of the company is also an important consideration when choosing between an asset deal and a share deal. In an asset deal, the [valuation is typically based on the value of the assets](#) being acquired, while in a share deal, the valuation is based on the value of the entire company. This can impact the price and terms of the transaction, as well as the tax implications.

In summary, choosing between an [asset deal and a share](#) deal requires careful consideration of the specific circumstances of the transaction, including the potential liabilities and tax implications. It is important to seek the advice of legal and financial professionals to ensure that the [transaction is structured](#) in a way that meets the needs of all parties involved.