



## *TransfertoCOOPS*

# Business transfers into worker cooperatives in France

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This project is co-funded by  
the European Union



## CG Scop & its network

- **A national confederation** that represents worker cooperatives nationally, coordinates means and pools resources.
- **13 regional branches** with local delegates to support the worker cooperatives and provide them with the necessary expertise.
- **3 professional federations** (industry, construction & communication).



## Its missions

- **Promote and support** the cooperative status (lobbying)
- **Develop** new cooperatives (creations from scratch, transferring healthy businesses, taking over struggling businesses, association conversions)
- **Monitor and support** existing worker cooperatives (advice, trainings and worker cooperative meetings)



# The TransfertoCOOPS project

- **Objective:** Develop a practical and pragmatic approach to improve the environment for transferring businesses to worker-owned cooperatives and raise awareness about the cooperative benefits.
- **A consortium of 5 partners, and affiliated countries:**



COMPANION



- **Duration:** 18 months (April 2016-September 2017)
- **4 steps:**



# Business transfers into worker cooperatives in France

as of 31 December 2015



# Specificities of French worker cooperatives

## General cooperative principles applied :

- > One person = one vote
- > Collective property of wealth created (no capital gain, locked-up reserves)
- > All seven ICA principles

## Scop-specific legal rules :

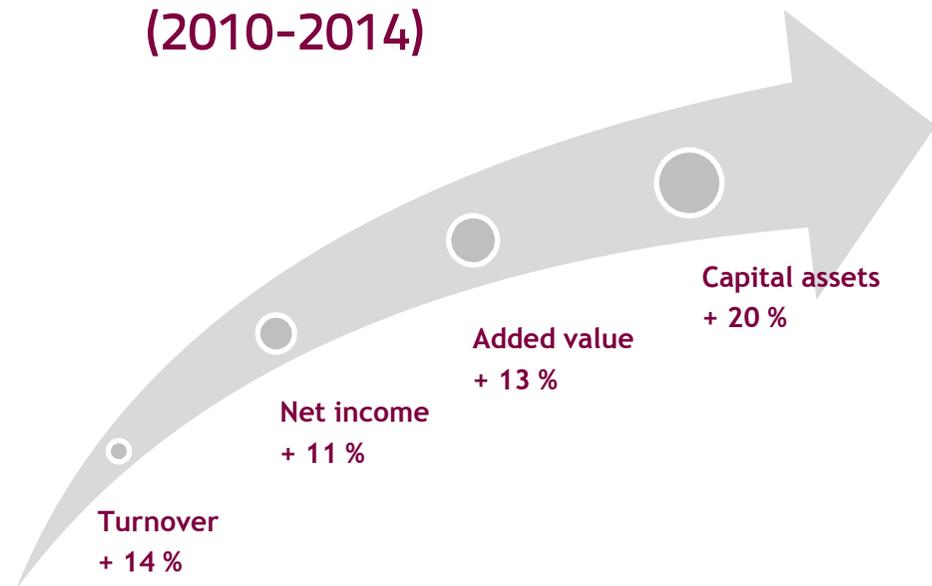
- > Governance : member employees have at least 65 % of voting rights
- > Property : member employees possess at least 51 % of member shares
- > Profit allocation :
  - reserve (min 16 %)
  - employees (min 25 %)
  - associates (max 33 %)



# Worker cooperatives in France

- > **2 274 SCOPs** (+ 11 % since 2011)
- > **47 650 employees** (+ 10 % since 2011)
- > Average size : 21 employees
- > Turnover : 4,3 billion €
- > Added value : 2 billion €
- > Net income : + 134 million €

## Evolution in the last four years (2010-2014)





## Origination of Scop in 2015 and in the last 4 years

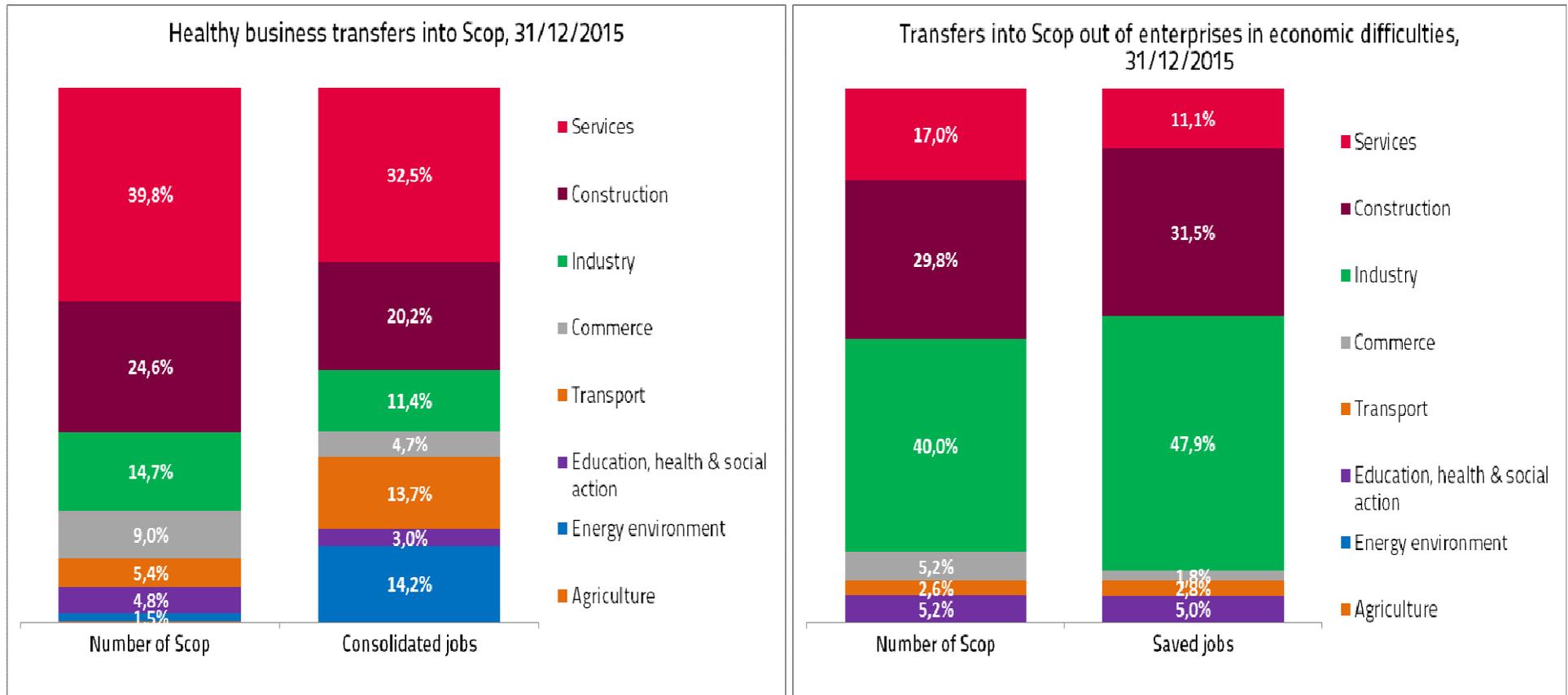
New SCOP creation in the 2011-2015 period & in 2015					
Origins	2011-2015 #	2011-2015 %	Annual average #	2015 #	2015 %
Ex nihilo creations	494	62%	124	118	63%
Healthy business transfers into Scop	119	15%	30	40	21%
Take-over of businesses experiencing economic difficulties	95	12%	24	18	10%
Transformations of associations or other type of cooperatives	88	11%	22	11	6%
Gross Scop creation	796	100%	199	187	100%



## Business transfers into cooperatives represent:

- > 334 SCOPs that used to be healthy businesses
    - > and 10 020 consolidated jobs
  - > 305 SCOPs that used to be enterprises in financial difficulties
    - > saving 9 080 jobs
  - > Plus 44 SCIC with 500 employees that used to be classic businesses
- ... all still operating today.

# Targeted sectors





## Survival rates of transferred businesses

	5-year survival rate	3-year survival rate
Ex nihilo creations	59,4 %	76,5 %
Healthy business transfers into Scop	74,1 %	85,3 %
Take-over of businesses experiencing economic difficulties	59,8 %	78,9 %
Conversion of associations or other type of cooperatives	91,1 %	92,8 %
SCOP & SCIC	64,5 %	79,7 %

	5-year survival rate	3-year survival rate
All French enterprises	50 %	71 %
All French transferred businesses	60 %	na



## Main barriers to such transfers in France

- > Lack of anticipation of the general managers' retirement
- > Lack of preparation of the transfers in general
- > Lack of information for the actors
- > Technical complexity of the operation
- > Business transfer perceived negatively by entrepreneurs who favor ex nihilo start-ups.



## To enhance business transfers into Scop

At legal level, two main measures (2014 SE Law) :

- > Information right
- > *Scop d'amorçage*

At the cooperative movement level, tools & actions :

- > National and regional lobbying to ease the process
- > Communication campaign
- > Local support during the creation process
- > Financial tools

# Lobbying & communication campaign in France



## Lobbying actions in the last ten years

CG Scop has regularly drawn the attention of the Government to SMEs transfer issues and the opportunity to transfer businesses to employees:

- > CESE's opinion report (2008 & 2013)
- > CG Scop network referenced within the state's enterprise creation agency, as expert in business transfers (2009)
- > "Cooperative shock" launched by newly-appointed Minister Benoit Hamon and promoting such transfers (2012)
- > Senate working group on information right (2012)



## French SSE law

2014 - Provisions in favour of business transfers into SCOPs legally implemented :

### 1. Information right

- > Information plan regarding business' takeover possibilities for all employees in companies with fewer than 250 employees
- > Information organised at least once every three years
- > In case of a takeover plan, employees are informed at the latest two months before the sale, incl. within small businesses with no works councils
- > If no information procedure or failing to respect the information time frame, an employee can request to cancel the sale
  - > This last provision was canceled by the Macron law in 2015.



## French SSE law

2014 - Provisions in favour of business transfers into SCOPs legally implemented :

### 2. Transitional worker cooperative

- > Embedded in the company transfer framework process of converting business into worker cooperatives
- > Allowing non-cooperative members to hold over 50% of the capital at the start of the company's conversion into a worker cooperative for a period of seven years...
- > ... while employees still hold majority voting rights within the general meetings
- > Allowing a progressive transfer to employees within the time frame of 7 years.



# Parliament mission on business transfers

2015/2016 - Lobbying through a parliament mission led by Deputy Fanny Dombre-Coste & steering committee

- > Following the mission's conclusions, the Government set up a steering committee to develop SMEs transfers in France. CG Scop is an active member of this committee, pushing simplification and communication's measure, and transmission practices generally speaking:
  - > Mobilisation of all the actors of business transfers in France : chartered accountants, notaries, enterprises' consultants, communication experts, public bodies, ...
  - > Putting forward business transfers to employees in general, and the cooperative form in particular.



## Communication campaign in France

- > From 2013 onwards
- > Entirely focused on business owners & influencers
- > **Objective:** Make business transfers to employees a modern and 'normal' alternative that transferors have in mind
- > **Media:**
  - > Dedicated website, incl. video testimonies
  - > Press - national & regional
  - > TV adverts - national business channel
  - > Social networks
  - > Targeted E-mailings, incl. dedicated brochures



## Results of the communication campaign

- > The campaign (website + communication actions) has generated between 100 to 200 projects per year.
- > The website dedicated to business transfers into cooperatives was an instant success
- > TV created a significant increase in traffic and contributed to raising public awareness of worker cooperatives.
- > Optimising supports (radio + e-mail campaigns + press) allowed for an improvement in the rate at which visits to the sites were converted into concrete projects.



## Results of the communication campaign

- > National survey conducted amongst business owners (2016):
  - > 82% knew what a worker cooperative was, compared to 58% in 2010
  - > 63% would recommend the worker cooperative status for creating, transferring or taking over a business, as opposed to 45% in 2010.

# Business transfers into worker cooperatives: the process



# The first conditions for a successful transfer

## With the vendor

- 1 Building trust with the employees (and vice-versa),*
- 2 Enable the emergence of the man or the woman who could succeed to you,*
- 3 Not being solely satisfied with one financial operation,*
- 4 Being prepared to dedicate time to the success of the operation,*

>>> The vendor is the manager of the transfer



# The sequence of a transfer project

## The main steps

1. *Quick assessment of the value of the business,*
2. *Work on the process of transferring the business into a worker cooperative with the transferor and the group of employees,*
3. *Letter of intent,*
4. *Audits,*
5. *Final agreement on the sale value,*
6. **Sale,**
7. *Supporting the new managing directors*
8. *Cooperative trainings,*

Long method to implement, but yields better results in the mid-term – buyers adhere to the cooperative form



# The analysis of a transfer project

## The main analysis

- 1 - financial analysis: financial analysis of past balance sheets and income statements, and business plan*
- 2 - legal analysis: presentation of the company, its activity and legal situation,*
- 3 - cooperative analysis: business audit, with an analysis of expertise and internal skills, as well as identifying key positions.*

These analysis are decisive in assessing the possibility of transfer and the selling price of the business.



## The legal set up

The transfer takes place through:

- *Traditional transfer methods: funds transfer, share transfer,*
- *Contributions to a worker cooperative, or a merger,*
- *by converting a traditional company into a worker cooperative.*

>>> Optimising the set-up according to the legal status of the business to be sold



# A network of financial partners



Impact **Coopératif**



# CG Scop's financial tools

## Socoden

- Support cash flow through equity loans

## Scopinvest

- Provide long-term financial resources to support the growth of the business

## Sofiscop

- Guarantee loans from the Crédit Coopératif bank, thus acting as the personal guarantor for the managing directors

## Crowdfunding

Raising monetary contribution from a large number of people to the worker cooperatives



# Financing plan

Sale value: €1,300K - industrial business

- > *Capital of the 50 members: €450K (including €200K in public grants)*
- > *Two banks: €600K (Sofiscop guarantee)*
- > *Socoden: €150K*
- > *France Active: €100K*
- > *Vendor loan note: €200K*



*Thank you for your attention!*