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## Rehm Race Days, Germany

- Type of restructuring:  
Business expansion
- Employees before restructuring:  
0-9
- Employees after restructuring:  
0-9
- Nace/Sector:  
Arts / entertainment
- Country:  
Germany
- Date:  
06/09/2011

## Abstract

The owner and manager of the German company Rehm Race Days received emotional and personal support, as well as practical recommendations and help from a friend and fellow entrepreneur while preparing to diversify, as well as during the business transfer process of a previous company.

## Organisational profile

Rehm Race Days organises race training for motorbikes and sports cars in France, Croatia, Italy, Portugal, Spain and the Czech Republic. The firm offers everything from instructing beginners, sprint races, children's races, a women's cup and races for older cyclists.

The company hires race courses, and prepares and organises the races (dealing, for example, with the registration of participants and instructions on the race course) and conducts them (including scoring and awarding prizes, but also technical support and medical emergency services) (Heinen et al., 2005). They also store motorbikes between events and transport them, on demand, to a race course, as well as doing minor maintenance and servicing.

Karl Rehm, the company's owner and manager, trained as a motor mechanic with master craftsman certification, and then spent 17 years building up a company trading in motorbikes. During this time he started organising race training, first informally, and then making it a feature of his company. In 2001, the huge success of these events prompted him, after doing a qualification in business administration, to focus his business exclusively on organising race training and to sell his motorbike business.

Since 2009, Rehm Race Days has employed him, his wife and one full-time employee. Karl Rehm runs his events using local people who can participate in the race training for free in exchange for their support in getting ready, clearing up, monitoring and general organisation.

Due to the low number of employees, there is no works council or relationship with a trade union in the company (as in the initial motorbike trading

company).

## Background to restructuring event

At the end of the 1980s, Karl Rehm, an enthusiastic motorbike rider began to look into how he could have a go on race courses as an amateur. He soon discovered that this was not possible. However, on the assumption that there were many enthusiasts just like him, he decided to rent a course himself and organise race training for his customers and fellow members at his motorbike club. The first day he organised was such a success that it became an annual, and increasingly popular, event.

After some time, it became obvious that the race days could be the basis for a business. He suggested to other motorbike traders that they and their customers could also participate, which resulted in an increased awareness about the events which, at this point, were organised alongside his other activities in his motorbike business.

In 2001, the organisation of the days became so time-consuming, and involved so much travel, that Karl no longer had the time to deal with the customers or administrative tasks in this initial business, in spite of the good support of his employees. He tried to fulfil his business obligations by working evenings, weekends and on public holidays, which increased his stress levels and resulted in a situation where he hardly had any spare time.

The motorbike trade is strongly competitive. Margins are tight because product differentiation is hardly possible, customers compare prices on the internet and are willing to travel to the cheapest offer. Traders must invest a lot of capital, with the result that a decent profit is possible only if a company owner puts in a lot of work and personal engagement.

The motorbike trade is also seasonal, but organising race events is much more evenly distributed across the year as during the winter events can be organised in southern Europe, or motorbikes can be prepared for the next season. Furthermore, Karl Rehm discovered that one particularly popular event could bring in a profit equal to the annual profit of his motorbike business.

To begin with, he had hardly any competition. There is only a limited number of potential race dates, and he benefited from his longstanding contacts with the owners of the race courses, giving him access to more dates than any of the other organisers who began to spring up. Consequently, Karl Rehm decided to sell his motorbike retail business and concentrate exclusively on organising races.

## Restructuring processes

In the late 1980s and early 1990s organising the race days was more like a hobby. However, In 1999, after Karl Rehm qualified in business administration in the skilled trades, he began to consider his idea in a more strategic and entrepreneurial way. One of his lecturers told him about a public support programme called 'innovative ideas in the craft sector' and encouraged him to participate. Under the programme he drafted a business plan and a market analysis (including an assessment of the future potential) for the business idea. This took about six to nine months. The positive results of the analysis encouraged him to spend increasing time and effort in organising events. However, it soon became obvious to him that this was at the expense of his motorbike trade as both activities depended much on his personal involvement. He did not want to let down his customers and therefore realised that he had to decide which of the two business models to continue. Due to the more promising future economic potential of the race trainings and his personal interest in this new challenge, he decided to sell the motorbike business.

At this point, Karl Rehm's company employed four workers, including his sister. He suggested that one of his top mechanics could become his successor, but the man in question rejected the idea and left the company. However, his replacement agreed to take over the company after one year. The technical details of the transfer were clarified and agreed, and the employees were informed accordingly.

However, in autumn 2000 when the sale was meant to be finalised, the buyer had to pull out as his family withdrew their promised financial support.

Karl Rehm then contacted other local companies to see if they were interested in buying the company. It took him two months to find somebody who, for example, was also accepted by banks and business partners. It was particularly important for Karl Rehm that the business continued as before, with clients knowing they would get continued good service, and the firm's employees keeping their jobs.

The new owner was a car dealer and the company was moved to a new site, six kilometres away, where its business has continued successfully. Karl Rehm did not need any additional staff in the early phase of organising the race days and therefore could not offer his workers a job in his new firm. Instead, all the workers were transferred with the old company to the car dealership, under the same terms and conditions. The only exception was the employee who had hoped to buy the company. There was no need for him at the car dealer's, but Karl Rehm found him a job at a company owned by one of his friends, where he is still working, as a customer relations manager. Karl Rehm still keeps in touch with his previous employees and the car dealer.

Karl Rehm says the actual transfer process was easy. Due to his time in the business and his contacts with other traders he succeeded in selling all his stock before the transfer. Furthermore, he contacted the motorbike manufacturers whose bikes he sold and asked if he could transfer his contracts to the successor company. His main business partners, after checking the successor out, agreed to cooperate. However he did have a bad experience with one manufacturer. This happened when he found somebody interested in taking over a trade contract and then mediated

between this person and the manufacturer. However, the manufacturer bypassed Karl Rehm and concluded a new contract with the interested party. This meant Karl Rehm had to terminate his own contract without financial compensation.

The whole transfer process took about two years, involving bank meetings, re-registration of the motorbike trading company, cancellation of the insurance, registration with the local community administration. However, it was a continuous, reasonably stress-free process.

Karl Rehm's new company has become very successful, and could still be expanded. Its services have been extended from organising race days to storage, transport and carrying out small repairs to customers' motorbikes. This has enabled him to take on an additional employee. The company also bought a new company building in which the customers' motorbikes and the trucks used to transport them are stored between race days.

## **Challenges and constraints of restructuring**

The main challenge in the transfer process was to find a new successor quickly when the expected successor pulled out. Also Karl Rehm's projected financial take from the deal was hit when a manufacturer sidelined him over a contract.

Another difficulty was the emotional cost of selling the company, which he had founded and successfully run for 17 years. However, he was persuaded by a friend, himself an entrepreneur, of the better business potential of organising race training compared to the motorbike trade as well as the effects on his own health and work-life-balance (impossibility to run both business activities).

Karl Rehm encountered many problems while developing his new business. It was a very specific, new activity for which standard products could not be used. For example, available software for inventory control and merchandise management was not suitable for administering the race days, nor could the standardised line-ups for transporting motorbikes be used. In such cases, Karl Rehm himself, in cooperation with specialists, developed the products he needed.

## **Restructuring advice and support**

The main reasons that Karl Rehm began to approach the idea of organising race days in a more strategic way were encouragement from his lecturer and participation in the support programme.

He was supported while preparing to diversify, and during the transfer process, by his entrepreneur friend, who gave him emotional and personal support as well as practical recommendations and helped him to search for and contact suitable successors. This friend started up his business, expanded it to about 300 employees to date and also changed his business focus during his entrepreneurial activities.

Karl Rehm feels that, as an entrepreneur, it is important to find one's own solutions to challenges, rather than asking for help from public bodies or lobbying organisations. For this reason he did not look for such support during the restructuring process.

To clarify specific questions, for example regarding legal or tax issues or concerning specific procedures concerning the transfer, he approached his tax consultant, with whom he had a long business relationship, which still exists.

## **Outcomes of restructuring**

The motorbike trading company is still being successfully run since the transfer, with Karl Rehm's old customers benefiting from a known and trusted service, and all the workers being kept on. Although the company was relocated, this did not cause any inconveniences for the employees as the new location is only six kilometres away.

Karl Rehm's new company is prospering, making higher profits at a lower risk (due to lower capital employed) than his motorbike trade. There is less competition than in the motorbike trade and a good and sustainable level of demand. Due to the good business performance and continuous expansion an additional job was created..

The enterprises that cooperate with the new company, such as motorbike dealers or garages offering their customers the chance to participate in the race days, benefit from higher customer loyalty and increased demand for servicing and such products as tyres, cover panels, high-value vehicle mechanics, etc. (Heinen et al., 2005).

Karl Rehm is convinced he made the right decision and is still satisfied with the re-orientation of his business activities. He is continuously on the lookout for new race courses and customer groups and appreciates the challenge to develop new business.

His experience has given him a more strategic perspective towards his ideas, and he increasingly conducts analyses of the market and potential ideas. As a consequence he might decide not to pursue with ideas that appeal to him personally if they prove not to be economically feasible.

The switch has improved his work-life balance. Although his workload is the same, he has more flexibility in setting his working times because of fewer customer contacts.

# Commentary

One of the major reasons for Karl Rehm to turn the organisation of race training into a business was his participation in a support programme. This meant that he first had to spend time doing strategic considerations and elaborating data and facts (market analysis and assessment of future potential). He sees the economic outlook of his forecast as an important success factor for the restructuring, and since then also increasingly applies such criteria when considering further business ideas. He now gives more importance to the acquisition of knowledge and information on business issues.

The decision to sell his long-established motorbike business, as well as going through the actual transfer process was mainly supported by a friend who is also an entrepreneur. Karl Rehm did not see any need for support from public bodies or lobbying organisations as he feels that he alone is responsible for his entrepreneurial decisions and challenges and does not want to outsource this responsibility.

It was important to him that the company he had founded and successfully established should continue and not only maintain the jobs of his employees but also guarantee to long-standing customers that they would get the quality of service they had come to expect. He has committed himself personally to ensuring this. He points to the major success factors for his restructuring as:

- the proactive and strategic approach in getting information and developing his own knowledge, as well as the drafting of the business plan and the market analysis
- his personal interest in the business activity, his own initiative and engagement when realising the ideas
- personal support from a friend, particularly as this also included entrepreneurial/business administration advice.

## Author

Irene Mandl, Eurofound

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