

STOB Region Interreg Europe

Interregional policy learning event report

Thematic of »Financing / Financial instruments to support transfer of business«

STOB Regions 8<sup>th</sup> Interregional Policy Learning workshop and peer review

March 20<sup>th</sup> and 21<sup>st</sup>, Kranj, Slovenia

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STOB Regions Interreg Europe

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## Overview

The two day Interregional policy learning event addressed the thematic “**Financing / Financial instruments to support transfer of business**”. The event was organized and hosted by BSC Kranj in various locations in Gorenjska region, Slovenia on the 20<sup>th</sup> and 21<sup>st</sup> March 2019. The workshops and peer review was attended by 26 project partners and stakeholders.

### *Brief from STOB Regions’ project application*

The one-day workshop will cover the topic "Financing / Financial instruments to support transfer of business". How to finance the transfer of business is a crucial question for both, buyers and sellers. Most regions have funding programmes for startups that do not always fit for funding business transfer as well or are not opened for this way of starting a business. PP2 Glasgow on the other hand has special funds for financing transfers. Also in Brandenburg successors are equally treated with startups when applying for funding.

The partners will invite financing experts and regional stakeholders and discuss these good practices but also potential gaps in the financial support of transfer of businesses.

### *Meeting Itinerary*

#### Day one – Interregional workshop 20th March 2019

##### Location: Dvor Jezeršek Zgornji Brnik

##### **9.00 – 9.30 Transfer to Dvor Jezeršek**

##### **9.30 – 9.45 Welcome from first generation owner Mr. Franci Jezeršek**

Mr. Rok Šimenc, director of BSC Kranj has greeted the participants and presented the 2 day schedule. Afterward first generation owner of Dvor Jezeršek, Mr. Franci Jezeršek presented their family business succession. They are one of few best practices of succession in Slovenia. He presented how they started the process, how they prepare the Family Constitution Document and successfully implemented the family business transfer.

##### **9.45 – 10.10 Thematic lecture 1: Overview of financing business transfers, the process, challenges, and needs**

Dr. Milos Stefanovic, CEO of the Guarantee Bank of Brandenburg gave a lecture on topic "Business Succession – a matter of luck or projectable?" to the attendees. He presented different solutions for Business Succession, challenges for family businesses and options for succession (even the option of selling the company, setting the right price). He talked about the sensitive topic and different methods on setting the fair and acceptable price for company in case of selling/buying. Afterwards he presented different ways of financing the buyout (from family, managers, external buyout).

**11.00 – 11.30 Coffee break****11.30 – 12.00 Thematic lecture 2: Slovenian activities in financing the transfer of companies**

Mr. Jaka Vadnjal, CEO of Savings Bank LON, presented Slovenian Activities in Financing the Transfer of Companies and solutions on case study. Due to the lack of national funds which would support the succession, family included in the process commercial bank. With the deep understanding of family businesses and the challenges they are facing in transferring ownership of the company, they found the solution which enabled safe retirement for parents and successful development of the company.

**12.00 – 13.00 Thematic lecture 3: Slovenian overview of business transfer activities**

Mr. Krunoslav Karlovčec from Ministry of economic development and technology presented Slovenian overview of business transfer activities. He presented Slovenian support system to entrepreneurship, including family businesses and activities of different national agencies. He also presented some fund which will help companies to successful succession.

**13.00 – 14.30 Lunch break****14.30 – 17.00 Presentation of the partners' contributions****1. Presentation "Germany"**

Dr. Milos Stefanovic presented different products and funds which support succession in Germany.

**2. Presentation "Denmark"**

Project partner Mogens Bjerre presented different financing funds, programs and support for succession in Denmark.

**3. Presentation "Finland"**

Project partner Markus Leinonen presented Finnvera, special bank who offers special product for financing family businesses succession and other financial products supporting SME's in Finland.

**4. Presentation "Bulgaria"**

Project partner Velizar Petrov presented different support mechanisms for SME's and family businesses. Bulgaria doesn't have special financial products supporting business succession.

**5. Presentation "Poland"**

Project partner Anna Wojsa Swietlik presented support system for supporting SME's - vouchers for consulting services which businesses can use also for succession.

**6. Presentation "Slovenia"**

Project partner Nives Justin presented supporting system in Slovenia. They still don't have any special financial products for supporting family business succession but they are in the process of preparing vouchers which will in some part finance succession.

## 7. Presentation "Spain"

Project partner Manuel Montoya presented different ways of supporting succession in Spain. Beside private funds, they also offer public banking products and state grants and incentives. SME's can use some financing for businesses, but they don't have special funds for business succession.

**17.00 – 17.30 Transfer to hotel**

**19.00 – 21.00 Dinner at Restaurant Danilo**

## Day two – Peer Review March 21st 2019

**Location: Hotel Creina Kranj**

**8.45 – 9.00 Registration**

**9.00 – 9.45 Introduction to the regional context of Gorenjska**

Miha Juvan from S-Consult, presented Slovenia and Gorenjska region to participants. Special emphasis was on economy situation and statistic of Gorenjska region. Situated in the north-western part of the country, Gorenjska is the most Alpine of all Slovenian regions. A large part of the region is protected as a national park. The relief and climate are good bases for tourism. This is a region of high mountains, including the symbol of Slovenia, Triglav.

It borders on Austria and Italy and is criss-crossed by well-developed transport infrastructure. There is not only the railway service (Pan-European Transport Corridor No. 10) but also the motorway leading north through the Karavanke Tunnel to Austria and to Ljubljana lying to the south. The distance from Kranj to the Ljubljana Airport is only 5 km.

The regional centre is Kranj (56,000). It is the cradle of the industrialisation in Slovenia and the local base of foreign investors such as American manufacturer of car tyres Goodyear or French manufacturer of hydraulic valves Poclair hydraulics. The inhabitants of the Gorenjska Region can pursue university level studies in Kranj and Ljubljana. There is a well-developed network of technical schools covering a range of professions: mechanical engineering, information science, medicine and tourism where some 4,000 students study every year.

Other principal towns include Škofja Loka (23,000), Jesenice (21,000), Radovljica (19,000) and Tržič (15,000).

The manufacturing activities are the driving force of the region, followed by tourism as its most vigorous segment of service sector (Bled, Kranjska Gora) and trade. In 2014 Gorenjska recorded 18% of tourist overnights in Slovenia, of which 76% by foreign tourists.

Gorenjska is proud of its long industrial tradition and its strong track-record in exports when local companies had to look for new markets. Over the past few years, large investments were made to modernise production processes. Sectors such as transport and warehousing have also received fresh capital injections to help them modernise and thus become more competitive. Still there are some parts

of the region, like Jesenice, lagging behind as they move slowly toward exploiting fully their development potential.

Main development potential rests on its human capital (good education structure), existing economic structure, infrastructure and a high standard of living.

### **9.45 – 10.30 The Family Business Succession in Slovenia**

Mojca Emeršič from Ernst&Young Slovenija, presented situation of Slovenia in the field of family businesses and succession.

Most companies in Slovenia (83%) are family-run and are categorized as small companies with less than 50 employees. They typically generate annual revenues of up to 4 million euro individually, are operating more than 20 years and are under the leadership of the first or second generation. They are driving force in the economy. All together family businesses make 69% of total sales, 67% of added value and employ 70% of all work population.

In Slovenia 82% of companies tend to plan to transfer the company to the next generation, but we have 40% of companies, where managers are exclusively family members, 38% companies in which leading employees are not family members and 14% of companies where managers are non-family.

### **10.30 – 10.45 Regional business support**

Project partner Nives Justin presented support system for entrepreneurship and its characteristics:

- 44% (8) of municipalities don't have support for their entrepreneurs – including 2 biggest municipalities in region: Kranj and Škofja Loka,
- none of the municipalities give support for business succession,
- 70% give support for tourism,
- most money goes to promotion and support of investment for developing companies and promoting internationalization,
- some municipalities support young entrepreneurs.

Beside that she presented main organizations in regional level which support SME's and their roles:

- Regional Development Agency for Gorenjska, BSC Kranj - acts as a link among entrepreneurs, chambers, municipalities, institutes, ministries and other institutions,
- Chamber of Commerce and Industry - representative of the Slovenian economy, social partner, a lobby center for shaping more friendly economic system and economic policies for entrepreneurship,
- The Chamber of Craft and Small Business - Representing the members' interests before the government, informing the members, performing services to members (consulting, events, fairs...),
- Center for Family Businesses.

### **10.45 – 11.30 Coffee break**

**11.30 – 12.30 SWOT**

Due to the absence of advisory partner EMF Institute SWOT analysis was moderated by lead partner Sandy Morgan and project partner Nives Justin.

The regional SWOT analysis began with each partner providing their unique and external understanding of Gorenjska region and the business transfer situation.

**12.30 – 14.00 Lunch break****14.00 – 14.45 Recommendation-session**

A recommendation session gave a collection of inputs for development and continuation to be used by the Gorenjska region to strengthen the business transfer environment.

The SWOT analysis and recommendations will be used in the local work to develop new public business service for business transfer in SME's.

In general, 8th workshop provided the project partners a deeper understanding of the business transfer process in Gorenjska region and explored in detail the theme of financing and instruments to support transfer of business.

**14.45 – 17.00 Steering committee / Stakeholder meeting**

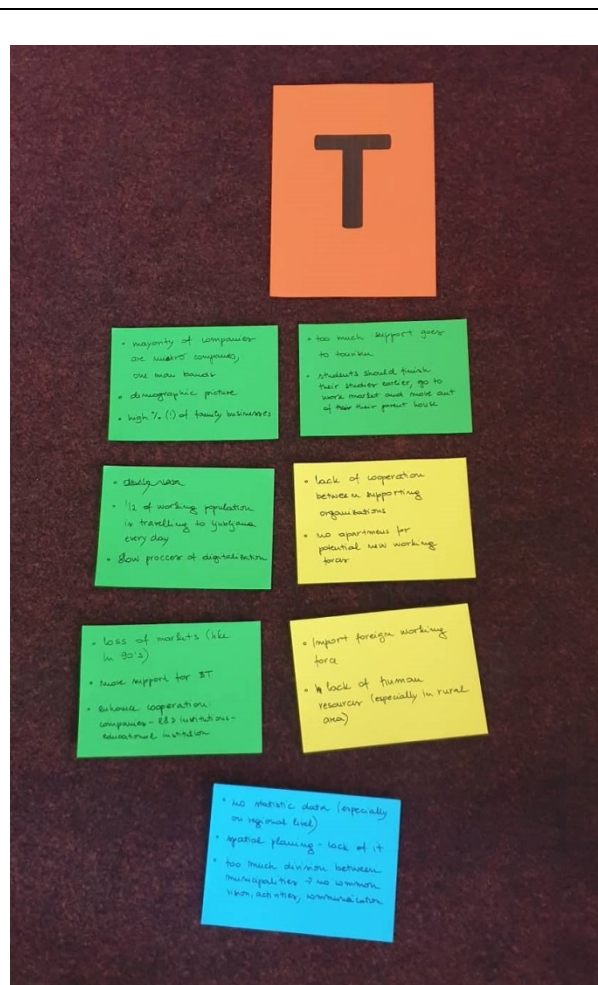
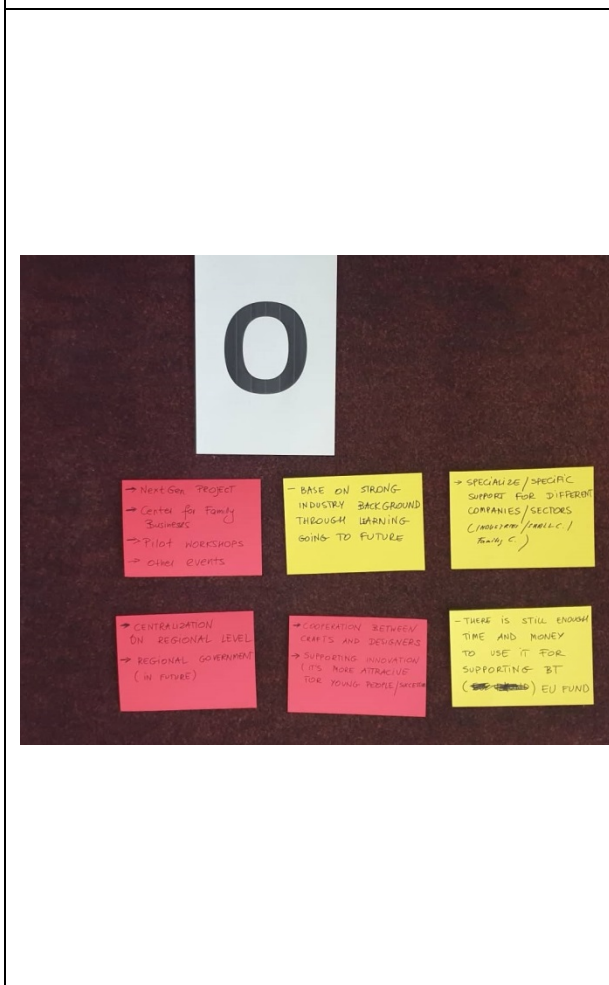
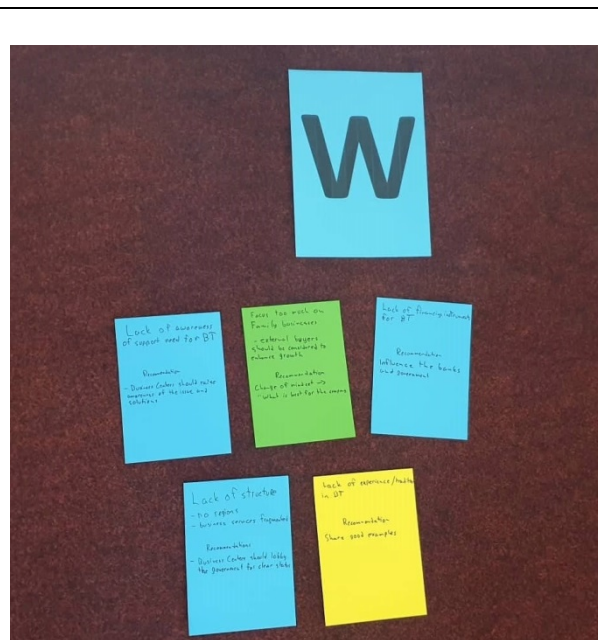
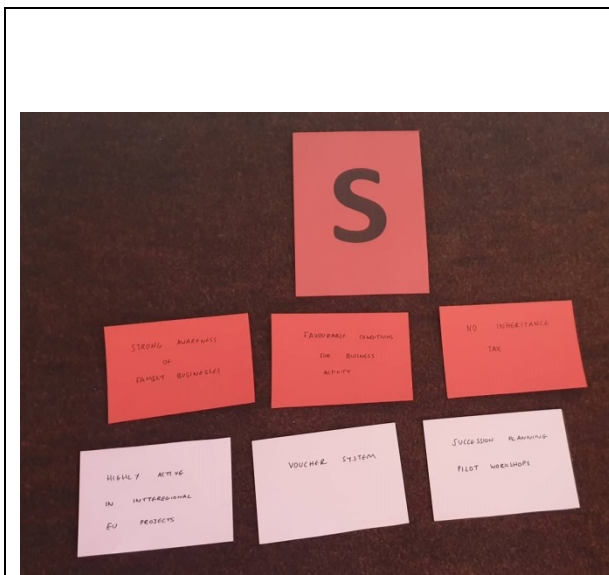
Stakeholder meeting was devoted in gathering and publishing best practices from partners.

**18.00 – 19.00 Short walk through Kranj****19.00 – 21.00 Dinner at Restaurant Brioni**

## Results of the Regional SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• strong awareness of family businesses</li> <li>• favourable conditions for business activities</li> <li>• no inheritance tax</li> <li>• highly active in interregional EU projects</li> <li>• voucher system</li> <li>• succession planning pilot workshops</li> </ul>	<ul style="list-style-type: none"> <li>• lack of awareness of support needed for BT</li> <li>• focus too much on family businesses</li> <li>• external buyers should be considered to enhance growth</li> <li>• lack of structure – no regions, business services fragmented</li> <li>• lack of experiences in BT</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• NextGEN project</li> <li>• Center for Family Businesses</li> <li>• pilot workshops</li> <li>• BT awareness raising events</li> <li>• base on strong industry background through learning – going to future</li> <li>• specialize/specific support for different companies/sectors</li> <li>• centralization on regional level</li> <li>• regional government</li> <li>• cooperation between crafts and designers</li> <li>• supporting innovation (it's more attractive for young people / succession)</li> <li>• there is still enough time and money to use it for supporting BT – EU funds</li> </ul>	<ul style="list-style-type: none"> <li>• majority of companies are micro companies</li> <li>• demographic picture</li> <li>• high % of family businesses</li> <li>• too much support goes to tourism</li> <li>• students should finish their studies earlier, go to labour market and move out their parents' house</li> <li>• ½ of Kranj' s work population is commuting to Ljubljana</li> <li>• slow process of digitalization</li> <li>• lack of cooperation between support organizations</li> <li>• no apartments for potential new working force</li> <li>• loss of markets</li> <li>• more support for BT</li> <li>• economic cooperation between companies and R&amp;D and educational institutions</li> <li>• import of low-skilled foreign working force</li> <li>• lack of human resource (especially in rural areas)</li> <li>• no statistical data (especially on regional)</li> <li>• too much division between municipalities – no common vision, activities, communication</li> <li>• spatial planning – lack of it</li> </ul>





## Results of the Recommendations session

The partners presented their recommendations as follows:

### Germany

- access to finance (financial instruments for BT)
- good practice transfers: guarantee bank, silent partnerships etc.
- don't focus too much on family businesses, provide different offers for special business models
- define quality standards for advisors (and set united standard for regulations, tasks etc. on all municipal levels)
- build a regional network for knowledge transfer and to improve communication between actors/institutions

### Denmark

1. Get regional structure
  - get organized
  - clear tasks & responsibility
  - law/rule + budget + financing
2. Create awareness of BT within the 12 business regions
  - awareness of importance for growth & economy & employment
  - simple program for BT
3. Get funding for BT, also within family BT
  - without money it is difficult
  - payments to the first generation means freedom for successor

### Poland

- create financial environment (financial instruments) for BT – good practice from Germany
- raising awareness among societies in relation with the necessity of BT
- you need lobbying for creating clear and strong structure regional government
- proactive support and guarantee for BT
- find a strategic partner to cooperate with in relation to tackle issues of BT, cooperation with E&Y is a good example
- you need to build systematic approach in relation to BT. From global perspective project approach is not effective enough

### Bulgaria

- confirmation and new forms (best practices) of governmental support to BT
- increasing the responsibilities on regional level for stimulation of decentralization, including BT
- creation of clusters in most important sectors
- modernization of technical infrastructure as factor of successful BT
- digitalization including in rural areas in decentralization of BT process

## Finland

- regional BT forum composed of BSC, Chamber of commerce, Chamber of crafts and small businesses, municipalities and other private and public sector stakeholders
- increase awareness and merits of non-internal BT
- lobby nationally/ find regional solutions to improve statistics related to BT

## Spain

- run a study on the demand and needs of financing instruments for BT
- get government, businesses and financial institutions to design finance instruments for BT
- design a dissemination campaign to show the instrument
- create a network of experts to advise on it (banks)

Additional recommendations after SWOT:

- Business centres should raise awareness of the issue and solutions
- Change of mind set – what is in the best interest of companies
- Business centres should lobby for clearer structure
- Influence the banks and government to prepare support mechanisms for BT
- Best practice transfer from other partners

## Communications output as part of the 8<sup>th</sup> IPL

A news article and press release of the 8<sup>th</sup> workshop can be found on the STOB regions Interreg Europe website through the following link: <https://www.interregeurope.eu/stobregions/> .

Active and running commentary of the event was disseminated via the project's social media channels.

All output and content from the 8<sup>th</sup> IPL meeting are uploaded to the project's successionwiki site for dissemination purposes. <https://successionwiki.emfprojekt.de/workshop-8-kranj-slovenia/>