



**STOB regions**  
Interreg Europe



# **STOB regions Interreg Europe Interregional policy learning event report**

**Thematic of “Family businesses”**

**STOB Regions 9<sup>th</sup> Interregional Policy Learning workshop and peer review**

**May 22<sup>nd</sup> - 23<sup>rd</sup> 2019, Berlin, Germany**

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## Overview

The ninth and final Interregional policy learning workshop & peer review of the STOB regions project took place on 22nd and 23rd of December 2019, in Berlin, Germany. Organized and hosted by the advisory partner Berlin School of Economics and Law. The first day was dedicated to introducing the participants to the thematic workshop topic: **Family Businesses** and the second day dedicated to the **development of partners' action plan concepts and the RSS guidebook**. The event was attended by 33 and 28 participants, on day one and day two respectively.

## Brief from STOB regions' project application

The one-day workshop will cover the topic of "family businesses". In the past, the transfer of a business within the family was common. Although this type of transfer still proves to be more frequent than other forms, the number of transfers to third parties is increasing. This makes it important to consider the specifics of a family business, e.g. the different opinions and aspirations of the family members to a (INTERNAL OR EXTERNAL) TRANSFER. A high failure rate of succession among family members has serious implications for the economy of a region. This is why the partners will debate these challenges and elaborate recommendations with experts and RSG members. The Glasgow City Council can provide some good practices.

## Meeting Itinerary

### Day one - Interregional workshop 22<sup>nd</sup> May 2019

Location: HWR Berlin Room B1.01

#### 09.00 – 09.30 Registration

#### 09.30 – 10.00 Welcome and reminder of the programme

Introduction and Welcome Speech by Andreas Zaby, President of HWR University; and Peter Wölffling, Managing Director of STOB regions' Lead Partner IHK-Projektgesellschaft mbH.

## Thematic lectures

#### 10.00 – 11.00 Thematic lecture 1: Introduction to Family Firms in context of Succession

Birgit Felden, Director of Institute for Entrepreneurship, German Mittelstand and Family Firms at the Berlin School of Economics and Law, offered an introduction to Family firms in Germany in the context of succession.

The lecture, "the hidden backbone of German Industry" highlighted statistics at national and regional level focusing on the importance of Family businesses; the high level message, 100,000 successions are expected in the next years. The systems theory approach to Family business was detailed, highlighting the three main characteristics of a family business: family, business and ownership systems as well as a formula to determine the significance of family control in a firm.

#### 11.00 – 11.15 Short coffee break

### 11.15 – 12.15 Thematic Lecture 2: Introduction to Family Firms in context of Succession – panel discussion

A series of successful succession stories in the form of three thematic lectures followed with input from regional companies experienced in succession; Mr Jan Paul Bach of **Bach resistor Ceramics Gmbh** described the venture capital buyback in 2006, after which remained in full family control. The Birkholz family of **M+R Filtermedien Gmbh** explained the three-year succession process and Christian Wolf of **MP Gmbh Montage** described the growth post succession.

A panel discussion including the aforementioned succession cases was conducted, the questions posed to the panel:

**What are the most important differences between family and public businesses?** The general response from the panel of the merits of family companies was the overwhelming nature of respect instilled in family firms, no obligation to share (financial) and the stronger desire to maintain, develop and nurture the company the personnel.

**What are the main challenges in the future for family businesses?** The panel provided insight with the need for family businesses to plan the succession in a timely and realistic motion, transferors and indeed transferees must be prepared (inclusive of experience and education) and finally to make the proposition of succession an attractive possibility to ensure the continuity of family ownership.

### 12.15–13.30 Lunch break

### 13.30 – 18.00 Partners' contributions to the thematic

#### Presentation "Bulgaria"

The Bulgarian partner provided an overview of the BNSI project. A project of the National Statistical Institute of the Republic of Bulgaria under an agreement for the implementation of the activity "Family business statistics" with the European Agency for Small and Medium Enterprises (EASME) carried out statistical research on family businesses in Bulgaria in 2015. According to the study Active family businesses are 25% of all active enterprises in the country.

Other key figures:

- added value of the family business in Bulgaria to GDP is 10.5%.
- Employment in family business accounts for 16.23% of total employment in the country.
- The share of the turnover of family businesses in the total turnover of all companies in the country is 12.42%.
- The largest share of family businesses in the Trade sector; repair of motor vehicles and motorcycles - 40.3%
- The capital Sofia has highest share of Family businesses (21.96 %)
- 64 % of FBs are formed as limited liability companies

The 2017 family business in Bulgaria yearbook – published by Bulgarian Association of Family Business, with two good practices from the Plovdiv region.

#### Presentation "Denmark"

Danish partner offered key statistics of Family business composition in the country:

- 42.000 companies in South Denmark (all)
- 80 % owner managed

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- 80 % up to 5 employees
- 4.000 transfers in a 10-year period
- 25% expect family succession
- 27 % expect sale
- 39 % close down

The typical succession planning structure was detailed as well as two recent experiences of an internal transfer for companies with the structure of Ltd. and utilizing a holding company for an efficient transfer.

Key recommendations and a summary of the dynamics in Denmark:

- Encourage family and/or employees to take over the business
- Visualize the possibility of taking over the company
- Preparation of next generation owner managers
- Focus on the human aspect and create vision for a future with the company!
- Great need for succession
- Family business succession is declining!
- Visualize the possibility of taking over the company
- Preparation of next generation owner managers
- Focus on the human aspect and create vision for a future with the company!

### Presentation “Finland”

The Finnish partner initiated with a general overview of the content of family business environment in Finland:

- No specific support available for generation shift in family businesses
- Finnish Family Firms Association (FFFA)– a lobbying organization for family businesses
  - Organises annual seminars on generation shift
  - Main focus on lobbying for taxation change on inheritance tax
  - Economic significance of family businesses in Finland
- Share of business sector value added: 29.9 % and personnel: 37.4% . (Source: Statistics Finland)
- Family businesses represent 20 % of large-sized companies, 38 % of medium-sized companies and 75 % of small-sized companies. (Source: Statistics Finland)

In addition to focus in the context of the Kainuu region:

- Approx. number of Companies in Kainuu: **2927** (Source: Federation of Finnish Enterprises)
- Lowest percentage of family businesses by region, **64%** (source: Statistics Finland)
- Approx. number of Family businesses in Kainuu : **656** (Source: Finnish Family Firms Association)
- Approx. number of personnel in family businesses in Kainuu: **5092** (Source: statistics Finland)
- Estimated number of business transfer cases inside the family, in Kainuu : **18 per year** (Source: Federation of Finnish Enterprises)

Key challenges of family businesses (according to Finnish business ownership change barometer 2018)

- Family businesses are generally more prepared for generation shift
- 46% of 2<sup>nd</sup> generation business have a succession plan (only 22% on 1<sup>st</sup> generation)
- Larger businesses (20+ employees are generally more prepared

The Finnish partner offered reminder on the previously presented MAVI GP, relevant to family businesses “Generation shift in farms are supported by “Young farmer’s starting support” (EARDF).

### Presentation “Poland”

The Polish partner offered general facts and figures of relevance to family businesses:

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- Development of private entrepreneurship in Poland – since 1989.
- Only 6% of the family businesses have more than 31 years.
- Family enterprises in Poland generate 67% of GDP.
- 36% - local scope of activity, 12% - European scope of activity.
- Natural time for the first generational change is coming.
- 82% of family business owners express their will to transfer the company to the next generation of the family.

The key family business challenges in Poland are associated with 1) Raising labour costs; 2) Changes in legislation; 3) Rising market competition; 4) Rising competition in the recruitment of qualified personnel; and 4) Political instability.

With regards to the Legal framework of family businesses, **the Succession management Act is:**

- Aimed at sole proprietorships;
- Succession manager - appointed by the company owner or by the company owner heirs, within 2 months after his or her death.
- Succession manager competences - full capacity to run the business after the death of the company owner until the inheritance proceedings are completed, for the maximum period of 2 years.
- Supporting initiatives for internal succession

**Local EU co-financed projects regarding family business transfer, provide :**

- training on family business transfer;
- professional advisory in the preparation and implementation of a succession plan;
- Establishment of local competence centres raising awareness in the field of business succession;
- regular statistics in the field of family-business transfer;
- organization of conferences and meetings;
- postgraduate studies for the potential successors.

**Summary and recommendations of family businesses in the Polish context**

- Family-businesses have a vast impact on regional, national and European economy;
- Insufficient awareness on family-business transfer;
- Local initiatives and projects boost the impact of legal solutions;
- Professional legal, financial, organizational and psychological support is necessary for the family businesses to develop successful succession plans;
- Creation of fund for successful family business transfer.

## Presentation "Romania"

The Romanian partner provided an overview of family businesses and the operating environment:

- Romania: 30 years of free market and entrepreneurship
- As a young market, the family businesses developed in stages:
  - Oldest ones, founded in the 90', after the communism fall
  - The ones founded in 2000-2007 by former multinational employees
  - After 2010, a new generation of entrepreneurs, younger and ready for success
- First generation still runs the family businesses.
- 69% of them reported growth of income turnover.
- 24% of businesses in Romania have managed multi-sectoral diversification and are active in several countries.
- Professionalization of business and family is not complete.

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Acknowledged challenges associated with family businesses:

- The ability to attract and keep talented employees – 68% (56% in 2015)
- General economic situation – 62%
- The constant need for innovation – 60%
- The need to keep up with the digital domain and new technologies
- Regulatory compliance – 50% (38% in 2015 survey)
- The need to professionalize the business
- The increasingly internationalized business environment
- Political instability
- Succession planning – 37% (30% in 2015 survey)
- Suppliers and the supply chain
- Conflicts with family members – 12% (2% in 2015 survey)

Statistics related to internal succession in Romania:

- **74%** of the family businesses have next-generation members working in the company.
- **49%** plan to transfer both ownership and management to the new generation.
- **37%** of the business owners consider succession planning to be an important concern over the next 5 years.
- **49%** of business owners said they have a succession plan for some key management positions.
- **20%** of Romanian businesses > 1 mil. Euro income turnover accomplished the succession to the new generation.

Envisioned Support measures for family businesses in the process of internal succession:

Creating an affordable one-stop shop and structural national support programs for business transfers and a transparent, uniform national register of ownership transfer may improve the monitoring and success of business transfers:

- **raising awareness** among entrepreneurs and encouraging them to prepare the transfer a long time in advance;
- **improving the financial environment** of SMEs by offering them suitable instruments for business transfer;
- **ensuring the continuity** of the business when one of the partners or the business owner wants to retire or dies.

### Conclusions and recommendations from Romania

- Some of the first generations of business owners are aware of planning succession.
- Most family businesses already have a transfer plan.
- Most of the business owners intend to transfer the business ownership and management to the next generation.
- A significant part of business owners intends to bring professional management from outside.
- The trend in Romanian family businesses is to have the board of directors composed of external experts (mentors).
- Being a young market, the family businesses are still developing.
- Work and management experience are compensatory factors for a successful inter-family business transfer.
- In the long run, the older the second generation family member is, the lower the chances in turnover are.
- The more work and management experience a second generation family member has, the higher the increase in turnover becomes. Knowledge of the market, social skills, and flexibility contribute to a successful transfer process.

## **Presentation “Slovenia”**

The Slovenian partner offered key facts and figures related to family businesses:

- 83 % of all business are family businesses
- they employ 70 % of all work force
- 90 % of them are micro or small companies
- 74 % of family businesses are older than 20 years
- 58 % of them are led by the first generation
- of all family companies 40 % are led by managers older than 50 years

### **A description of the pertinent Challenges experienced relating to Family businesses:**

- due to the age of family businesses managers – we will have a real problem in 10 years if don't start now
- practically no experiences with succession
- no real support in business succession: lack of organizations supporting succession, no real (experienced) counselors, no financial support (than regular loans)
- no platforms for searching for potential successors or buyers

### **Practical experiences**

- strong wish to keep business in family ownership
- no tradition of selling family businesses + mainly they are micro and small companies
- no exit strategies – first generation stay active in company
- first generation passes the management of the company, but not the ownership

### **Recommendations and efforts to improve the success of internal succession:**

- Awareness raised!
- Wish to be proactive and help family businesses
- Financial support in the form of voucher
- First attempts and pilot project for organizing support system

**16:00 End of day one and closing remarks by Lead partner summing up the day and its key findings.**



## Day two – RSS guidebook and action plan development 23<sup>rd</sup> May 2019

Location: HWR Berlin

### 09.00 – 09.30 registration and welcoming coffee

### 09.30 – 10.00 current stage of the RSS Guidebook and Action Plan development workshop agenda

The Advisory Partner welcomed the participants to the second day of the interregional policy learning event, describing the current state of play with the RSS guidebook, the tables of contents was explained, and it is expected to be roughly 150 pages in length. A situational analysis in the context of Business transfer and succession for each region will be included.

Transitioning towards the agenda of the action plan workshop, through an action plan presentation, the advisory partner stressed the importance of the elaboration of each region's action plans and must follow the guidelines set forth by the Interreg Joint Secretariat. The template for the STOB regions actions was shown and will be adopted by all the regions. The objectives were reiterated:

- Improve the policy instruments that are addressed in each region
- actions can refer to other relevant policy instruments if needed
- find new or improved methods to support BT
- Actions have to be related to project activities, especially **interregional cooperation**:
  - Good Practices
  - SWOT analyses
  - recommendations

### In addition to the detailed planning of key activities:

- Description of the activity
- Timeline
- People / institutions involved and their roles
- Responsibilities
- Resources / costs
- Funding source
- Expected impact and how to measure it

### 10.00 – 10.30 Short Preparation of the Action Plan concept for each region

The time was allocated for each region to develop an interactive or non-standard approach to presenting their region's action plan concept.

### 10.30 – 11.00 Short Coffee break

### 11.00 – 12.30 Action plan session 1 ( 4 partner regions)

Each partner briefly presented their preliminary action plan concept and proposals for action. Each partner was provided multilateral feedback through an interactive group discussion moderated by the advisory partner, to allow for improvement of the regional action plan and promote and identify additionality through interregional learning and exchange.

### 12.30 – 13.30 Lunch Break

### 13.30 – 15.00 Action plan session 2 ( 4 partner regions)

Each partner presented their preliminary action plan concept and proposals for action. Each partner was provided multilateral feedback through an interactive group discussion moderated by the advisory partner, to allow for improvement of the regional action plan and promote and identify additionality through interregional learning and exchange.

### 15.00 – 16.00 Steering Group Meeting

The following agenda items of the steering group meeting were discussed and formally agreed upon:

#### 1) Dissemination event

The dissemination event could be combined with the SME Assembly in Helsinki in November 2019 since business transfer will be a focus topic on that event. PP5 will work with existing contacts to secure placement in the programme in addition to AP's connections to the Director for COSME Programme and SME Policy.

#### 2) Action plans

During the workshop PP1 provided examples of approved action plans, these examples will be shared on the successionwiki. The template will require slight adaptation by each partner, but maintain the core structure. A consensus was achieved whereby All partners would like to carry out another workshop that focuses on the action plans. The date of 16.9.2019 was proposed, a venue will be determined later, preferably equidistant with direct flights to all partner regions: Mallorca, Malaga and Helsinki were proposed. A draft of the regional action plan must be submitted until 16<sup>th</sup> August

#### 3) Joint action

During the action plan session it became clear that several partners plan actions related to quality standards for BT consultants. All partners declared their willingness for a joint action, therefore pp1 will ask JS for further advice and conditions.

### Communications output as part of the 6<sup>th</sup> IPL

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

A news article and press release of the 9<sup>th</sup> workshop can be found on the STOB regions Interreg Europe website through the following link: <https://www.interregeurope.eu/stobregions/>

Various externally created online media articles were published post-event and have been collated into the IE reporting locations as well as the STOB regions media library.

During the event, seven STOB regions stakeholders were interviewed for their thoughts and testimonies regarding the 9<sup>th</sup> STOB regions interregional policy learning workshop held in Berlin, in addition to the unique experiences relating to succession and business transfer in their respective regions. The video was published in August 2019 on STOB regions various communication channels as well as embedded on the centralised STOB regions Interreg Europe website.

Questions posed to the stakeholders:

- 1) What is the role of your organisation in the context of business transfer?
- 2) What are the key challenges of business transfer/succession in your region?
- 3) How is your region addressing these challenges?
- 4) How significant are family businesses in your region?

5) What is the key takeaway from this STOB partner meeting?

All output and content from the 9<sup>th</sup> IPL meeting are uploaded to the project's successionwiki site for dissemination purposes. <https://successionwiki.emfprojekt.de/workshop-9-berlin-germany/>

## Appendix



Picture 1. Event location