

GUIDEBOOK

to support the

**SUCCESSION & TRANSFER OF SMALL AND
MEDIUM-SIZED BUSINESSES IN EUROPEAN REGIONS**

STOB regions
Interreg Europe



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MEDIUM-SIZED BUSINESSES IN EUROPEAN REGIONS**



EMF Institut
für Entrepreneurship, Mittelstand
und Familienunternehmen
der HWR Berlin



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Editorial

Dear readers, business succession is a central topic of the Institute for Entrepreneurship, German Mittelstand and Family Businesses (EMF Institut). Therefore, I am pleased to present you this Guidebook for orientation in the European succession context. This book provides an overview based on the collective knowledge of almost three years of project work in extensive interregional cooperation of nine European regions. Overall, the opinions of dozens of experts from all over Europe have been incorporated into this report.

In addition to general assessments and challenges of business succession, this book contributes to the regional differentiation in Europe and how individual aspects have different weights and meanings. The need for action is illustrated by the collected assessments of individual actors in the regions. From their respective positions, similar approaches and ideas emerge, partly the recommendations differ considerably. This Guidebook has therefore bundled the different views and suggestions and derived generally valid statements. At last, nine fields of action are described and analysed in detail. Recommendations for political decision-makers are broken down to a level that can be applied in practice to enable a broad understanding of the contents for implementation.

Above all, personal commitment and political will in the European regions are paramount. But it needs networks, exchange and professional structures to act sustainably and to initiate tangible processes. And it needs enthusiasm for a topic that secures the sustainable existence of (small and medium-sized) companies in regions. Succession is still not sufficiently ingrained in people's minds and lags behind other more prominent issues, such as supporting start-ups. This is due not least to what and how it is communicated.

Special thanks go to the experts in the respective regions in Europe. A comprehensive assessment of the overall situation regarding business succession in European regions and the resulting need for action would not have been possible without their commitment and active participation in the workshops and their local involvement.

Prof. Dr. Birgit Felden

DIRECTOR OF THE EMF-INSTITUT

Dear readers,

in business succession or transfer, one often sees pictures in which a key or a baton is handed over from the “old” to the “new” generation.

However, a company handover is much more than a mere handover of keys or a financial transaction. It is a lengthy and exceedingly complex process, marked by a multitude of questions, uncertainties and emotional ups and downs. It begins with the selection of the right successor. Is she/he suitable to continue the company in the spirit of the senior entrepreneur? Or, on the other hand, is the senior entrepreneur willing to let go of the company and allow the “new guy” to suddenly want to take a different path? Negotiations about the purchase price and the takeover modalities are on the agenda, as are discussions with banks, tax advisors, lawyers, and so on.

This process, with all its challenges, is similar everywhere. Of course, there are regional peculiarities, different mentalities and approaches. Within the framework of the INTERREG EUROPE project “STOB regions – Succession and Transfer of Business in Regions” nine partners from different regions of the European Union had the opportunity to exchange experiences on the topic of business transfer. Based on good practice examples, we learned from each other and took important insights back to our home regions.

We presented these findings to the respective political decision-makers to improve the framework conditions for business succession in the project regions. To achieve this goal, action plans were adopted with concretely defined measures and instruments that take into account each region’s specifics and needs.

In the following chapters, you will learn more about the collected findings, conclusions, challenges and approaches to solutions from our project work.

Sandy Morgen

PROJECT COORDINATOR

A photograph of rows of empty wooden chairs in an outdoor setting, possibly a stadium or arena. The chairs are arranged in rows, and the background shows a large, open space with a textured ground. A large, solid red circle is positioned in the bottom left corner of the image. The word "Preface" is written in white text on a teal rectangular background, centered in the middle of the image.

Preface

This guidebook and its research results stem from the interregional collaboration of the STOB regions project. The project, funded by the EU Commission, Interreg Europe, deals with the specific characteristics and challenges of business succession* in small and medium enterprises (SME) in the European Union and addresses the complexity of the entire transfer process. From the first thoughts of an owner to sell the business to the actual transfer and beyond. Fundamentally, the project addresses all types of successions and transfers of business: family-internal transfers to, e.g., children and external transfers to investors or employees. It also includes shared solutions where only (a part of the) management is handled externally, and ownership is not (or just partly) transferred.

To appropriately deal with the topic, the STOB regions partnership comprises a range of different experiences and levels of expertise from regional authorities and business support institutions from eight EU regions in Bulgaria, Denmark, Finland, Germany, Poland, Romania, Slovenia, and Spain. Therefore, we assume that the project partners' diversity allows the project's presented outcomes to be seen as examples and guidelines for other European regions.

The project comprises two phases — this Guidebook presents summarized results from the first phase, the learning period, from the beginning of 2017 to the end of 2019.

Peer reviews and workshops on nine specific business transfer topics (family business, transfer in rural areas, raising awareness, advisory services, target groups, matchmaking, valuation of companies, financial instruments, transfer of knowledge) promoted the learning process. They enhanced the implementation of the European structural and investment funds (ESIF) programs. After three years of sharing experiences and participating in interregional learning, the partners now benefit from improved knowledge of various regions' various approaches.

* For a better reading experience we alternate between the terms "Transfer" and "Succession" and use these terms synonymously.

The regional action plans are a crucial output of the program. These plans contain concrete projects that build on the identified good practices and transfer new ideas to partner regions. These action plans also include recommendations made for a future regional strategy to support succession. STOB regions also offers input to the debate on a European and regional level, encouraging more considerable attention on business transfer in the cohesion policy with high-level dissemination events (e.g., SME assembly in Finland 2019).

This guidebook is aimed towards policymakers and regional authorities and business owners, managers, stakeholders, consultants, and all further interested. We hope that this guidebook can raise awareness of the topic's importance and inspire the audience to use the presented good practices and take action, enabling the successful transfer of businesses and, thus, benefit the regional development.

With the presented guidebook, we share the explored and examined challenges faced in business succession and the identified or improved methods that support business transfers.

Large parts of this guidebook were written before and during the Covid-19 pandemic. As of the completion of this report, the authors cannot yet estimate what impact the current pandemic situation will have on business succession in Europe. The economic crisis, which is currently also affecting many small and medium-sized enterprises, will inevitably change the entrepreneurial landscape in Europe and also alter succession arrangements. However, the authors cannot provide a concrete outline of the future. It can be assumed that various support programs will tend to flow into securing companies. Hopefully, the topic of company succession will also find a prominent place within these programs.

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1. General Introduction – Importance of succession and transfer

“After the creation and growth of a business, transfer is the third crucial phase in its life cycle.”

– Commissioners Tajani and Hahn, Foreword of Guidebook No. 3 –
(European Commission. Directorate General for Enterprise and Industry., 2012).

Transfer of business (ToB) is a topic of utmost importance – for owners, successors, the employees, and the European economy. That third phase is decisive for the survival, and the future success of the firm. The importance of ToB for employment and growth becomes apparent, looking at the estimated number of 450.000 transfers of businesses in Europe every year, which provide two million jobs (Commission (EC), 2013). But the problem is that “30% of SMEs do not survive the transition to the second generation of owners, and only 10% of SMEs can withstand the succession to a third generation” (Success Road, n.d.). Furthermore, suppose a business has already proven itself on the market. In that case, functioning working skills and routines, installed supply chains and knowledge may also get lost – just because a firm needs to close down due to succession issues.

This aspect directly indicates the importance for regions to look at business transfer and support companies to overcome their challenges. The survival of SMEs is not only crucial for employment, but also encourages entrepreneurship and development and promotes growth.

Although one might assume that start-ups are usually the incubators of new innovative ideas, traditional businesses are often the ones that know best which processes should be improved and are, therefore, a sound basis for successful innovations. So if you find a suitable existing company, it could be a good catalyst for a new business start-up and maybe better than starting from scratch.

In general, the long term success rate of transfers is higher than that of start-ups, and transfers also conserve more jobs. This regard suggests that safeguarding existing companies, arguably, has a higher impact on jobs and growth than start-ups.

Nevertheless, a comprehensive summary of regional differences and challenges that emerge when undertaking succession endeavours has not yet been widely summarized. Therefore, this guidebook aims to make policymakers and potential successors more aware of succession issues and present them the threats and opportunities.



2. SME, Family Business and Transfer of Businesses in the European Union

Definition of SME and Family Business

Small and medium-sized enterprises (SMEs) and family businesses have a crucial role in the European economy and, in particular, concerning succession planning and business transfer.

There are several definitions for the terms of SME or family business, but no uniform and widely accepted ones. In this guidebook, we follow the definition of the European Commission for SMEs as following:

“SMEs are defined by the European Commission as having less than 250 persons employed. They should also have an annual turnover of up to EUR 50 million, or a balance sheet total of no more than EUR 43 million (Commission Recommendation of 6 May 2003).” (Eurostat, 2006)

Company category	Staff headcount	and	Turnover	or	Balance sheet total
Medium-sized	< 250		≤ € 50 m		≤ € 43 m
Small	< 50		≤ € 10 m		≤ € 10 m
Micro	< 10		≤ € 2 m		≤ € 2 m

Source: (Kommission et al., 2005)

Following this definition, 99% of all European Union firms are SMEs and the European Commission further states that more than 60 % of all SMEs are family businesses. However, family businesses often have more complex definitions. Such as family business is *“a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.”* (Chua et al., 1999, p. 25)

The following three aspects are widely agreed on:

1. **Ownership & Management.** Almost all definitions agree that ownership in family possession is a primary criterion for being a family business. The ownership can also be in the form of shares of the company. With ownership, the family has substantial power for decision-making and voting rights. This aspect aligns with the definition of the European Commission. Management involvement of family members is the second most widespread criteria. A less frequently named measure is governance, which means that family members control the management's actions or are on the supervisory board. There is no uniform agreement to which extend these should be fulfilled to be considered a family business.
2. **Transgenerational succession.** The founder and the current generation in place must have the vision of the business's continuity in the family hand. Older family businesses that are already in further generations have gained experience with transitions, and they installed rules or evolved tradition from the learned lessons.
3. **Family orientation, involvement, and influence.** It describes to what extent the family is involved in and committed to the business. To be called a family business, it needs active family participation, several family members employed in the firm, dedication from the family to the firm, and influence of the family on the firm's values and goals. Furthermore, the business needs to have a family culture, an overlapping of the family and firm values, and pursue family-centred non-economic goals.

The importance of SME and Family Businesses for the European economy

"Small and medium-sized enterprises (SMEs) are the backbone of the European economy with strong contributions to employment, innovation, growth, and social cohesion." (European SME-Action Programme, 2017, p. 3). Family businesses do not only enhance the economic progress and the technical innovation, but they are also the *"incubators and financiers of new businesses."* (Diaz-Moriana et al., 2019, p. 334). Moreover, they may also provide stability to economies due to their long-term orientation since SME owners *"are interested more in the long-term development of their company and the local economy, than in short-term profits and boosting turnover"*. They also *"play an important role in driving sustainable changes and preserving heritage, values and know-how."* (SMEunited Memorandum for the European Elections 2019, 2018, p. 4).

Additionally, there are many other positive effects and characteristics associated with SMEs and family businesses:

- ▶ They diversify the economy and, therefore, lower national economic risks.
- ▶ They are flexible and can quickly adapt to changes.
- ▶ They foster competition and act as a stabilizing counterpart to big companies by preventing monopoly power.
- ▶ They lead by example, when it comes to corporate social responsibility practices.
- ▶ They promote social stability by creating a sense of equality and a real opportunity to pursue one's own goals.
- ▶ They are the optimal means for self-realization, and thus they are filled with ambition, energy, creative ideas, and, therefore, the prime example of entrepreneurship.
- ▶ They promote national growth, development, and quality improvement due to their attractiveness for monetary and technological investments.

This economic importance of SMEs becomes particularly evident when looking at the figures. 99.8% of all European companies are SMEs, they employ over 66% of all employees and create over 56% of the total value, and the numbers are rising. Most companies (93%) have less than ten employees. However, employment in SMEs grew almost 50% faster than in the economy as a whole between 2013 and 2016 (SMEUnited Memorandum for the European Elections 2019, 2018)

Small and medium-sized enterprises [SMEs] are Europe's driving force for growth and jobs

99 % of companies
in the EU are SMEs



SMEs employ **two-thirds**
of employees in the EU ...



... and produce **57 ct** of
every euro of value added



Source: (EU-28 – SBA Fact Sheet 2019)

The economic development of European regions and their heterogeneity

Overall, the European Union comprises of quite diverse regions. The economic divergence between regions is notably a threat to European political stability, social cohesion, and economic progress. Regardless of previous political systems, today most rural areas and small and medium-sized manufacturing cities have suffered from long-standing relative declines in income and employment. That is partly due to technological innovation's continuing trend and the consequential concentration in high-tech and knowledge-intensive sectors, typically in metropolitan areas. That goes hand in hand with the second factor for the decline: Metropolitan regions have higher education levels, skills, and industries that have more collaborations, networks, and synergies compared to less urban areas (Iammarino et al., 2017).

In short, metropolitan areas do attract people, and thus young people are leaving the elderly behind. Schools, doctors, and village stores are closing – in public discussions, the rural regions' image shapes by demographic change and the ensuing problems.

Accordingly, the loss of small and medium-sized enterprises can have serious consequences, especially in rural areas. With their disappearance, jobs are lost. As a company is also part of a supply chain, an employer and a customer and a supplier diminish. A weakened network also has a more challenging time staying competitive. All of this worsens the situation in the region and, in some cases, can even lead to emigration.

Concerning business transfer, these challenges are also present. Thus, every region has a specific development level, strengths, weaknesses, opportunities, and threats. Hence, this guidebook's recommendations and examples need to be regarded in the regional context, since this heterogeneity of regions may make some recommendations and suggestions not feasible.

Business Succession – different types and typical causes

Business succession means the complete or near-complete transfer of a business's ownership and/or management from one person or legal entity to another person or legal entity. Most commonly, there are three different types of transfers of businesses:

1. **Family internal succession.** Most successions are within the family, thus being transferred from father/mother to their children. That is the most common and usually the most preferred option by owners.
2. **Firm internal succession.** Many family firms transfer from owners to employees of the firm. That especially applies to many micro and small family firms, due to the lower price, which can be afforded by a single person or a small group.
3. **External Succession.** Selling family firms is becoming more and more frequent. As the alleged successors – children, have more options in their career choices or are not interested in the family firm, selling a business to an external may also be the last option for a family firm. This could be a person, groups of persons, or institutional buyers such as a competitor or client of the company.

However, many other hybrid forms or specific contractual agreements allow for vastly different transfer types.

It is vital to keep in mind that there are different reasons for business transfers. Someone who willingly retires due to their age will proceed differently than someone who still wants to pursue other projects. On the one hand, the respective age, a poor state of health, family or social pressure, stress, money troubles, or an unfortunate economic situation impact the decision. On the other hand, a fair offer or new goals, projects, interests, priorities, or wishes, for example, are more positive push factors. Thus, different reasons lead to other

behaviours of the transferor. Therefore a distinction should be made between needs and wishes- someone who drops out because he has to acts differently than someone who wants to.

The same is true for a person taking over the firm. Family pressure to fulfil a legacy or a predestined career-path, but also existential fears of unemployment, can be discouraging and might have negative consequences for the decision-making process. However, there also are several positive reasons why a successor wishes to take over a company. Such as wanting to continue the family firms' legacy, a promising offer, strategic aims, career opportunity, or the desire for autonomy, independence, self-fulfillment, power, or wish for a challenge.

The background of the slide features a close-up, shallow depth-of-field photograph of a hand moving a white chess piece on a dark and light checkered board. The lighting is dramatic, with strong highlights and shadows. In the bottom-left corner, there is a large, solid red circular graphic that partially overlaps the chessboard image.

3. Significant challenges and threats to the transfer and succession of businesses

The following paragraphs compactly present a summary of the main issues and hurdles in the business succession process. We have, therefore, comprised eight subjects.

1. The Overall Complexity of Business Succession

A transfer involves complex issues like valuation, matchmaking, financing, legal issues, transferring and expanding knowledge, connections, skills, control, and much more. Due to this complexity, getting a complete overview is not easy, let alone in-depth knowledge of all the relevant issues that need urgent attention. This struggle applies not only to entrepreneurs but also to experts such as consultants. That is why few consulting offers support to owner-managers in the entire succession process. Which, in turn, makes it even harder for entrepreneurs.

Pushing this mountain and not understanding the process often leads owners to wait with their preparations or not start the process at all. Thus many businesses fail due to the unwillingness of taking on the associated challenges with a business transfer.

2. The Lack of fitting Successors

Observably, there is a lack of fitting successors. Demographics are changing, employees and externals are getting older, and comparably fewer young people fill in the future gaps. Furthermore, the emigration of potential successors from rural areas towards larger metropolitan areas is a threat to businesses' transfers. Emigration is particularly evident in Eastern and Southern European countries, with a loss of human capital called the "brain drain".

Additionally, younger generations tend to have a more significant wish for independence and self-actualization, which may impact the willingness to take over a business or consider this an option. Moreover, potential young successors are not aware of the

opportunities to take over a firm. Since there is a lack of information for their particular group, they see starting a new firm as the only way to become an entrepreneur.

Also, there may be badly or not satisfactory targeting of potential successors or buyers. That includes, in particular, the targeting of women, students, or immigrants. The taken measures often focus on the person handing over the firm and not towards potential successors.

Lastly, both transferors and potential successors have difficulties in finding a fitting counterpart. That is not necessarily because there are not enough suitable potential partners out there, but there is a lack of adequate tools that bring them together and enable matchmaking.

3. **The Lack of Experience**

The lack of personal experience can be a significant factor in failing transfers. Business owners, especially in Eastern Europe, are (or will be in the coming years) to look for a successor for the first time, since most firms were founded after the early nineties' political changes. This lack of experience and profound knowledge leads to difficulties in the succession process. Owners often underestimate the required time and effort; unexpected obstacles arise; they forget essential aspects; the situation overstrains owners, and much more.

In Eastern Europe and Western Europe, many businesses transfer for the first time and thus do not have a helpful experience. The problem is that they don't use the knowledge of other companies that already have a valuable wealth of experience. Often they don't network enough and don't look out for mentors, role models, or inspirators and thus can't profit from successful transfers. Also, there are only a few networking platforms that could facilitate finding a respective person.

4. **The Lack of Planning and Awareness**

Thorough succession planning is essential for the company's future and for the family, its economic situation, and family harmony. Thus starting early enough is the critical element of sound succession planning.

Unfortunately, due to a lack of awareness concerning the full range of succession issues, the planning is frequently neglected. What ensues in emergency planning, which is often not in place in small and medium-sized enterprises.

This missing planning may have severe consequences. Suppose no or not sufficient planning and preparation are done, and unexpected events occur, such as illness or even the (unexpected) death. In that case, it will jeopardize the entire firm. Without succession planning, an entrepreneur's sudden exit results in an enormous loss of knowledge and skills. As he or she is often the owner and the manager at once and does maintain the daily business and unique relationships with customers, suppliers, lenders, and employees, and at the same time, knows the company's structures like no other. These exceptional situations often lead to an unfavourable, distressed emergency sale of the firm or even its liquidation.

5. **Emotional and Psychological Issues**

Challenges for or threats to the transfer of a business are emotional and psychological issues. Often the company is more than just a source of income for the entrepreneur. It has determined and shaped his or her life substantially. To a large extent, the company determines how the owner sees himself or herself and how others see them. In other words: the business is an extension of the owner's self. Thus, the owner is afraid of losing his or her social standing. But it is not only the fear of loss that makes the succession emotionally loaded. It is also difficult to admit to oneself that one is no

longer suitable for this task or in the foreseeable future, but somebody else is. Often the former owner doesn't trust in the potential successor. Many emotions, like fear and anger, are involved. For many entrepreneurs and other affected parties, it is difficult to deal with this sensitive topic. Many even feel it is a taboo topic. All of this can lead to procrastination or even to a sabotage of the transfer. But also for the descendants, the succession can be very emotional. Conflicts and rivalries between siblings can evolve, or the chosen successor might not be satisfied with his or her new role and is therefore not sufficiently motivated (Lansberg, 1988).

6. The Transfer of Knowledge

Many, especially small businesses, are highly dependent on the owner (especially the founder). This owner-manager is often the only one who has a complete overview of all its relevant aspects. This knowledge is deeply rooted in the firm and its critical personnel and is usually not formalized in writing or documented otherwise. Commonly a succession takes place over some time, enabling a successor to observe the previous owner and familiarize with the firm and the firm-specific knowledge. However, if a transfer takes place too quickly, or not enough time is invested in getting to know the firm, the lack of information does jeopardize a business.

7. No Adequate Support and Tools

Since business transfer is a complex undertaking, excellent support and tools are needed to master the challenges. There is a high risk for business succession if enough competent or adequate support is not quickly and permanently available. The consultants must have the experience, offer efficient solutions, and organize the whole process well. Insular knowledge or niche experts help those in need only to a limited extent. It is necessary that consultants and tools guide the entrepreneurs through the entire process and that all challenges, such as emotions and personal circumstances, are

taken into consideration. An entrepreneur will only respond to the support if there is trust, so it is imperative to handle the information confidentially.

Even for consultants, succession is a complex issue. It is also dangerous if they do not exchange information about the transfer with their peers. No one can know everything, so consultants and institutions must cooperate and learn from each other to ensure the best possible support.

8. Further Challenges and Threats

There are significant challenges and threats to the business's continuity in the approach and the transfer process itself. There are also a large number of external obstacles that can make succession more difficult. ToB involves a flood of bureaucratic barriers and regulations that must be complied with. Laws and tax regulations are often not favourable for the succession.

A business will also have significant difficulties with succession if there are economic problems. The companies can be affected by a widespread (or niche market) economic decline. Arbitrary wildcard events like the current pandemic or catastrophes and future megatrends like climate or demographic change can and are causing similar issues.

It is also very dangerous for a company and its transfer if not enough qualified employees can be found or if the company has too strong competitors in the market and can no longer remain competitive. This concern can result from a lack of innovation and too late enhancements or further development. But in some cases, this development is also no longer feasible as the products or services are outdated and no longer needed. The proceeding digitalization is often the reason for this.

A close-up photograph of a hand holding a pen and writing on a document. The image is overlaid with a red circular graphic in the bottom left corner and a teal rectangular text box in the center. The background is a blurred image of a person's hand and arm, suggesting a professional or academic setting.

4. Focus issues

The previously described introduction and challenges lay the foundation for nine broad topics relevant to the business transfer.

Regarding the STOB regions project, there have been nine different workshops, encompassing most of the current issues of business transfer. Regional stakeholders and interest groups presented their experience on these topics. Additionally, the delegates of the respective workshop discussed each subject. The following section explains the issues and introduces the most pressing issues within them and a brief introduction regarding the challenges and the lessons learned in the project partners' workshops.

Family Business

Small family businesses are mostly dependent on the founders or owners. The owner often has the technical knowledge and knows about the administrative structures and certain leadership qualities. Thus, employees and business partners are usually implicitly connected to the owner. Often the network partners are the same generation as the former owner, they share a long history, and they also made similar lifetime experiences, which made them bond (Lansberg, 1988). Regarding business transfers, younger successors may face the challenge of connecting this network with the same loyalty. But due to age differences, trust is not easy to establish.

Overall, transfers of family businesses are often challenging and, in some cases, do not work out as planned, as only 30% of the family businesses survive the 2nd generation, and many fail soon after the transfer (Duh et al., 2007).

Substantially based on De Massis et al., (2008), and their identified five categories of factors for the direct causes of obstacle in a business transfer, we present the following overview:

CATEGORY	SUBCATEGORY	FACTOR
Individual factors (related to profile and/or motivation of single individuals)	Successor(s)-related factors	Low ability of potential successor(s)
		Dissatisfaction/lack of motivation of potential successor(s)
		Unexpected loss of potential successor(s) (e.g., death or illness)
	Incumbent-related factors	Personal sense of attachment of the incumbent with the business
		Unexpected, premature loss of the incumbent (e.g., death or illness)
		Incumbent's unforeseen remarriage, divorce, or birth of new children
Relational factors (regarding the relationships with/among family and nonfamily members involved in the family business)	Family members	Conflicts/rivalries/competition in parent-child relationship
		Conflicts/rivalries/competition among family members (e.g., sibling rivalries)
		Perils related to high "consensus sensitiveness" of the family business
		Lack of trust in the potential successor(s)
		Lack of commitment to the potential successor(s)
	Nonfamily members	Conflicts between incumbent/potential successor(s) and nonfamily members, and nonacceptance of the potential successor(s) among nonfamily members
		Lack of trust in the potential successor(s)
		Lack of commitment to the potential successor(s)
Financial factors (regarding inadequate internal financial resources and excessive opportunity costs associated with raising external financing)		Inability to sustain the tax burden related to succession
		Inability to find financial resources to liquidate the possible exit of an heir(s)
		Inadequate financial resources to absorb the costs of hiring professional managers
Context factors (associated with changes in the political-economic environment in which the family business operates)		Change in the business performance
		Decrease in the scale of the business
		Loss of key customers or suppliers/decline of the relationship between the potential successor(s) and customers or suppliers
Process factors (related to the absence of good actions or the presence of bad actions that cause succession not to take place)	Establishment of the preparatory activities	Not clearly defining the roles of the incumbent and the potential successor(s)
		Not communicating and sharing the decisions related to the succession process with family members and other stakeholders
	Development of successor(s)	Incorrectly evaluating the gaps between needs and potential successor's abilities
		Failing to train potential successor(s)
		Late or insufficiently exposing potential successor(s) to the business
	Selection of successor(s)	Not giving the potential successor(s) sufficient feedback about the succession progress
		Not formalizing rational and objective criteria for selection
		Not defining the composition of the team in charge of the assessment of potential successor(s)

Source: (De Massis et al., 2008, p. 187)

As mentioned above, there are three overarching types of succession: the family-internal succession, firm-internal succession, and external succession. Each of these types faces particular challenges within a family succession, which we briefly present in the following:

1. **Family-internal succession**

The owners' children are widely seen as the first choice for succession endeavours. However, ancestry alone does not make one a good entrepreneur, since extensive qualifications are also needed. Often there is a lack of qualifications, such as appropriate education or the experience and training within the business itself. Furthermore, the general readiness of the succeeding generation of children's unwillingness to take over the parental business can be problematic.

Problems also arise when parents and their children cannot agree on general goals, timing, strategic decision making, and the modalities of the predecessor's exit. Frequently, parents expect their children to obey their wishes and want them to follow their example and management styles.

Next to the intergenerational issues, intra-family conflicts, feuds, rivalries may hinder a smooth transition from one generation to the next. Especially in family firms with multiple siblings, the selection process for a successor is frequently observed to be arbitrary, and thus conflicts arise that hinder the successful succession.

Lastly, financial aspects may play an essential role because even a succession within the family can be a tremendous financial strain on a family firm. Many European countries do not have tax exemptions for family businesses, and thus the inheritance tax may be an intense obstacle. Additionally, with more siblings, mandatory inheritance payments may be critical for a family firm's further existence. In small family firms, the descendants often need to financially maintain the parental generation and support their sustenance when they lack retirement provisions, pension plans, or savings.

2. Firm-internal succession

Firm-internal succession is often the second preferred option since employees do hold specific knowledge of the firm and, in some cases, already hold shares of the company they might succeed. However, there can be problems associated with firm-internal succession.

Difficulties may arise in former employees taking over a firm since former colleagues' acceptance may be challenging. It may also be difficult for the new leader to hold sway in their new position and not fall into old role patterns. The new role as boss is often challenging to assert against one's old boss, family, and former colleagues who are now subordinates. In the case of a management buy-out, the financial burden is often a substantial obstacle. Former employees might find it challenging to finance the firm. It is usually not possible to pay the business from their savings. Therefore the company's cashflows need to refinance the price the successor paid. Beyond these costs, they are usually more unwilling to bear the cost of expert advice.

3. External Succession

If no family member or employees are willing or able to take over the company, selling it to someone external is a third option, often the owner's last choice, as institutional investors change a firm's culture. Still, otherwise, the companies might need to get closed down.

This option is also challenging, as the successor has no experience within the business and is highly dependent on the former owners and employees' cooperation. A potential lack of trust from and lack of assertiveness against the old owner, family, and employees can also lead to severe transition processes. Especially in family businesses, where many structures and decision-making processes are informal, owner dependency and the importance of relationships are enormous. Without trust in and support for the new owner, a successful transfer is almost impossible. Thus, the fear that a strategic buyer could close the company's site, and employees lose their jobs often prevents a

sale to this group of buyers. Many external successors have the same financial problems that firm-internal successors would have.

Observations

The STOB regions project crystallized that it is essential to clarify more than just “technical” matters. First of all, the transferor generation must also be emotionally ready and willing to do the transfer. Without the necessary cooperation, the process is hampered.

“It is important to address the founder’s emotional needs and insecurities about succession first, since these typically constitute a major obstacle to the development of a plan. The principal aim here is to create conditions that may help the founder to work through his most critical resistances to the planning process.” (Lansberg, 1988, p. 133)

If owners are not ready to hand over their business, in the worst case they might even boycott the succession. Frequently, they also do not give the succession enough attention and are insufficiently prepared to hand over their business. Then they find themselves in situations where age has become such a pressing issue that a more thoughtful procedure is barely possible due to constraints of a lifetime. The transfer process itself is not linear, and decision-making processes by owner-managers are often arbitrary. Additionally, the importance of proper communication between the former owner and the successors is often underestimated. Therefore, those involved need to be informed, motivated and trained to take place goal-oriented communication.

Another problem to face is the often indivisibility of company and private properties and finances. This issue makes it even more challenging to evaluate the firm and hand the firm over to the children. Unique and complicated regulations regarding inheritance taxes are also obstacles in many European countries. Which adds complexity for private and corporate ownership since they are interwoven, and family and business management are frequently not divided.

Suggested Guidance

Entrepreneurs should look into themselves and check whether they are emotionally able to transfer the business.

If it is the case that the entrepreneurs cannot let go, there are several possibilities for them:

- ▶ find out and work on the causes themselves, question current actions and try to do better,
- ▶ support of the family (get him or her to accept the need of the transfer, disclose destructive behaviour, give special attention to his or her emotional & cognitive needs & take away worries),
- ▶ formulating and sharing a vision of the future,
- ▶ find counselling or go to a support group,
- ▶ conversation with peers (get in touch with entrepreneurs who already have experience with succession planning),
- ▶ find a new focus (new hobbies, goals, tasks),
- ▶ hinder isolation.

But not only a predecessor that can't let go is challenging for a successful transfer. In internal family succession, the generation gap must be overcome, and social role patterns get broken up. Therefore:

- ▶ First of all, the generations should clarify their different positions. (They need first to explore their own and their counterparts' values, goals and then they need to talk through them carefully to get to an agreement.)
- ▶ Then, they have to make advances to each other. Making compromises is not always easy, but urgently necessary.

- ▶ It is also advisable for the generation handing over the business to make succession attractive to their children – less as a compulsion, but more as an opportunity.
- ▶ It is necessary to allow changes to take place and hand over the power to make independent decisions and realize their potential. Don't infringe on the successors' territory and autonomy. Clear boundaries are needed.

In the case of conflicts, disputes, feuds, rivalries, they should be settled. That can be done by:

- ▶ professional help, for example from mediators,
- ▶ thinking calmly and with a clear head about the disagreements,
- ▶ putting oneself in the other person's perspective and not stubbornly pushing through one's own will,
- ▶ but finding real solutions and compromises.

Although the family members are the primary decision-makers as to whether the succession will occur, they alone are not responsible for whether it will succeed. The employees are the engine of every company, and they must agree to the handover and accept the new boss. Therefore:

- ▶ It is advisable to make the successor well acquainted with the employees in advance.
- ▶ The party handing over has to carefully prepare the employees for the transfer and present the successor accordingly.

Another relevant condition for successful succession, apart from the intention, is also the ability to do so. Successors need the necessary expertise. Therefore:

- ▶ The successors can acquire the needed knowledge through various courses and training. With sufficient planning time, they can attain technical, social, and entrepreneurial qualifications, such as leadership skills. Sometimes they can, for example, complete a university program to foster those skills and mindset.
- ▶ They should also gain experience in the company or similar businesses before the takeover.

In family businesses, the company and the family are intertwined, and the company is an extension of the identity and self-image of family members. Especially for the founder, succession is a highly emotional issue. The mixture of emotions, little expertise in succession, and arbitrary decision-making makes it highly advisable to seek external help. Since every company and every entrepreneur is unique, challenges are different, and the process is not linear. Thus, no generally applicable manual could be worked through step by step in an exact way. Experts, specialists, and advisors' support are needed to approach each firm's uniqueness appropriately. Succession advisors can help with technical issues, and mediators can settle conflicts or mediate between different opinions, ideas, and points of view. Also, psychologists can, for example, help the person handing over to let go. Even if one cannot get or does not want to get external help, it is crucial to deal with the issues.

Transfer in Rural Areas

In rural areas, the transfer of businesses is facing additional challenges. In line with more urban areas, the baby boom generation is retiring. As mentioned prior, the children of previous owners of companies do not necessarily want to take over the business. In rural areas, however, there is also a disproportionately significant demographic change. Many people – mostly the young – are moving from the countryside to the city. However, young people may be motivated to stay in their home region when they see an economic perspective by becoming entrepreneurs.

Concerning the preceding generation, there also are specific issues associated with rural areas. Commonly firms are stronger embedded in a region, frequently over generations. The ties to the local authorities, the communal responsibilities, and the local workforce's commitment, which has not seldom been the ground for recruitment, decide to sell a business even more difficult.

Selling a firm to externals or even firm-internal succession by former employees implies particular risks. If a region is already on the verge of spiralling downwards, losing population, and depreciating in attractiveness, banks are less likely to provide loans or other types of guarantees.

Observations

The STOB regions project encountered and identified different challenges for different areas. In many European regions, the demographic situation (the trend towards a shrinking and old population) is challenging. Especially in Eastern European regions, the brain drain, i.e., the moving away of qualified workers, is a substantial issue. Overall, the project witnessed that various European rural regions are losing attractiveness and may face challenges recruiting people or investments in these regions.

We observed that some countries face the challenge of emigration, leading the most talented, well educated, and skilled young people to leave the country. Overall we found that rural regions might face general digitalisation obstacles, be it in schools or administration.

Suggested Guidance

Many issues directly link to the attractiveness of a particular region. Thus changes are not easily implemented by short-term solutions or measures. There are many issues regarding the necessary infrastructure. If there is no sufficient road-network in place or a lack of fast internet, futureproofing a business can become a nearly impossible task.

Return programs for migrants would also be particularly interesting for Eastern European countries. Remigration programs can, for example, consist of incentives regarding tax exemptions or cheaper bank loans.

Especially since rural areas are particularly at risk, it is worth considering whether threatened businesses should be rewarded with generous loans and subsidies. The fact that any business's disappearance will cost jobs and make the region less attractive, thus threatening the surrounding businesses.

Raising Awareness

The number of upcoming business transfers varies vastly. Various estimates predict that between 30 – 70 % of the existing companies in most European regions are to be handed over within the next ten years. However, as we observed in the STOB regions project, many regions do not address business transfer issues. Therefore raising awareness can be seen of utmost importance.

For instance, in Germany, statistical data show that almost half of the senior-entrepreneurs are not prepared for the succession. In other regions, this number is expected to be even higher. Notably in Eastern European countries, with lesser prior knowledge, they face a situation where the first generation of entrepreneurs, who founded their businesses in the early 1990s, has now reached their retirement age. Consequently, many associated institutions (ministries, chambers, banks, et cetera) should raise awareness to create a thriving succession environment. However, the involved parties must address these issues separately. Business owners must be sensitized to start preparations early (at least five years before the possible transfer). On the other hand, potential successors need to be made aware of the opportunity to continue or innovate existing businesses with proven structures, skilled staff, customers, instead of starting from zero.

Observations

During the STOB regions project, we observed that most European countries and municipalities, especially those directly involved in the project, had a substantial need to promote and address business transfer. Additionally, we found that many decision-makers for policy development instead focus on start-ups but neglect ToB. Their awareness of succession's importance was little and crucial issues such as timing, economic impact, and involved parties were substantially underestimated.

But it is not only the generation that is handing over that is not well prepared for the challenges they will face ahead. In the STOB regions project, it has become apparent that the younger generation is not aware of the possibilities of successions and, above all, is not prepared for it.

Suggested Guidance

We propose to start with the following awareness-raising activities:

- ▶ Running public campaigns through various channels (e.g., journals; fairs; public spaces)
- ▶ Providing informational events and meetings (e.g., on the importance of long-term planning; investments for a healthy and attractive business; paying attention to emotional aspects)
- ▶ Offering seminars and workshops for business owners and successors
- ▶ Establishing networks and connecting the involved institutions
- ▶ Publishing of good practices and showcasing successful transfers
- ▶ Developing contact points, business support organizations, online platforms, telephone hotlines, and information websites
- ▶ Providing staff for consultation in local chambers and municipalities
- ▶ Creating and teaching an entrepreneurial mindset
- ▶ Encourage universities to inform students, organize informational events, join in coworking programs with the government or private businesses
- ▶ Sensitize and encourage local companies to participate in student exchange programs and joint marketing actions

Advisory Services

The entrepreneur or successor themselves cannot solve all challenges associated with the business transfer. Besides financing advice, usually granted by banks and some governmental agencies, various services aid in the transfer process. The following services are the most common regarding transfers:

Consultants

Consultants can offer expert advice on specific issues, like valuation, legislation, taxation, finance, organization, or strategy.

Coaches

Coaches usually use a different approach than consultants. They help entrepreneurs to find their solutions through proven methods. Furthermore, they often work on topics supporting interpersonal and work skills. Instead of only giving information, they train entrepreneurs and motivate them.

Mediators

Mediators usually mediate between disputed parties (e.g., family members). It can be psychologically challenging to hand over one's business and witness the new owner's changes, especially for founders. Mediating the transfer process (or parts of it – e.g., contract negotiations) by neutral and informed third parties could help overcome such challenges.

Therapists

Above all, in intra-family succession, therapists are conventional since issues are often more interpersonal and touch topics on levels that go beyond mere transfer hurdles. Commonly are rivalries between siblings, trust issues between parents and children, and different goal-sets for the future.

Observations

During the project, we observed that overall professional help is scarce, which mainly revolves around four different causes:

- ▶ First, the entrepreneurs are often not aware of the difficulties that may arise during a transfer (or underestimate them) and are therefore unaware that they need external support.
- ▶ Second, in many European regions, the entrepreneurs are not aware of the advisory services and support available.
- ▶ Third, many consulting support programs exist on paper only or are quite tricky to get funding. Many entrepreneurs mentioned that there is no easy access to support for small businesses.
- ▶ Fourth, all-encompassing advice is too expensive, and they cannot afford it, or they do not consider the cost-benefit aspect to be convincing.

However, overall we also observed that specialized advisory services are inadequate in the business transfer field. A crucial factor is the availability and quality of advisory services. Studies show that advisors are ill-equipped to provide advice over the entire transfer process and that the market fails to offer adequate professional services and support. They are often not sufficiently aware of the importance of emotional and personal issues and instead focus too much on tax issues and legal assistance.

Suggested Guidance

There was a strong agreement in the project that external, professional advice is essential. The easy access and quality of the information plays a significant role. The consultants need to have specialist knowledge and possess soft skills to create a fruitful work relationship with trust, transparency, and excellent communication. Advisors should be neutral, independent, and take into account the emotional and personal circumstances. More consultants need to be trained or upskilled to guide throughout the entire transfer process to provide comprehensive support.

There are various ways to provide proper support in the transfer process. This support should be free (or inexpensive) for small companies, easily accessible, comprehensible, confidential, and comprehensive.

We would like to introduce some possible measures in the following:

- ▶ On-site advice (Advisors can give a face to face guidance.)
- ▶ Business support organizations: the business transfer service centres often have an accredited network and often also offer standardized services for first assistance.
- ▶ One-stop-shops: business support services that deal specifically with all the aspects of a business transfer.
- ▶ A variety of education programs, courses, seminars, training, and workshops, covering all regions, (These offers are for the transferring and potential taking over entrepreneurs.)
- ▶ Start-up centres: they can draw attention to succession by advising on an exit strategy already in the business plan and introducing the succession as an alternative to a start-up.
- ▶ Programs that coach, train, and advise entrepreneurs in close cooperation with business organizations and exchange best practices (Businesses might find mentors for the entire transfer process that way.)

- ▶ The incorporation of the new generation, their mentality, and new ideas
- ▶ Consultants benefiting from each other's knowledge so that they can provide the most up-to-date and best advice
- ▶ Networks of businesses, where you can learn from each other
- ▶ Virtual platforms like, e.g., online market places (Tools to publish an offer and inform the user about offers.)
- ▶ Online teaching, training, and information
- ▶ Checklists, manuals, guidebooks, guidelines for urgent actions, publications of good practices
- ▶ Information events
- ▶ Staff for consultation in, e.g., universities, chambers, the government, ministries, banks, and other associations

Special Target Groups of Successors

Overall we have identified certain target groups to address as possible successors. We deem to show high potential, but they have been somewhat underrepresented until now. That may be because it is more difficult for these groups to take up a transfer or be even less aware of the opportunity for succession or entrepreneurship as a whole.

The identified target groups that need particular support are:

- ▶ Young people (18 – 30 years old) – especially students
- ▶ Women
- ▶ Migrants/foreigners
- ▶ Unemployed people

Observations

Primarily we observe two principal factors why successors are scarce. One main reason is the low awareness of the possibilities of succession from potential entrepreneurs. Instead, many potential successors rather start their own business or choose to remain employed.

The second major issue is the lack of adequately qualified successors. There can be several reasons for this: little entrepreneurial culture, no training in school or universities, and a lack of support and promotion to foster interest in learning. As a result, for some people willing to take over a firm, their entrepreneurial skills are not ideally sophisticated for a succession.

The following bullets are just a glimpse of fundamental challenges. However, they may give valuable preliminary insights. During the workshops, different challenges regarding these target groups were identified:

Young people often have:

- ▶ not enough experience, neither technical nor practical due to their respective age.
- ▶ different aspirations, demands, and expectations for being self-employed or about owning a company.
- ▶ no necessary financial resources and limited access to bank loans.

Often women:

- ▶ are culturally not primarily considered as successors.
- ▶ are underestimated in their skills or struggle with other prejudices and barriers.
- ▶ have, on average, lower financial resources than men.
- ▶ do not see themselves as potential entrepreneurs due to social conditioning.
- ▶ have more difficulties in running a business due to multiple role allocations. Women are often the caretakers for children and households and therefore have more responsibilities and a high initial workload.

Migrants/foreigners often:

- ▶ suffer from language barriers.
- ▶ are not familiar with the customs, nor with the laws and regulations.
- ▶ face restrictions for foreign investment or to own property or land.
- ▶ May face prejudgements from consultants and banks regarding their entrepreneurial endeavours.
- ▶ have challenges in getting their educational background and qualifications accepted and licensed.

Unemployed people often:

- ▶ lack of financial resources.
- ▶ need to fight against prejudices.
- ▶ are overwhelmed by the significant change and load of responsibilities.

Suggested Guidance

The cooperation of the STOB regions project partners was also very fruitful in terms of target groups. Various good ideas and approaches were exchanged and presented.

The most important thing to reach the target groups is to raise awareness. However, predecessors also have to broaden the spectrum. Not only children or other entrepreneurs (like strategic partners) should be seen as potential successors. It requires a willingness on the transferors to welcome a greater diversity of potential successors such as young people (especially students), women, migrants, employees, and unemployed people. However, these groups also need to be given special promotion and support.

The following measures could be helpful:

- ▶ Large scale advertisement.
- ▶ Close cooperation between local and national networks. Local networks are closer to the insecure potential successors and minimize initial barriers.
- ▶ The creation of a buyers pool, with many potential buyers from different regions. The networks can exchange information about what works well and what doesn't and, if necessary, refer to each other.
- ▶ Free advice, courses or mentoring programs, and events to increase qualified buyers.

- ▶ Nationally funded programs to develop and promote entrepreneurial skills. These could also include training courses, onsite support, and mentoring.
- ▶ For example, financial support through grants, loans, tax exemptions, consulting vouchers, discounts, consultation, and skills training.

The different target groups do need varying support. In the following, various means are presented to attract and train each target group.

Young people (especially students):

- ▶ Encouraging local companies to participate in student exchange programs and joint marketing actions.
- ▶ Creating return incentives for the young generation in eastern countries.
- ▶ Offering proper training and the chance to gain experience. (There could be lectures on business transfer in universities.)
- ▶ Predecessors should make themselves comfortable with (and create opportunities for) the wishes for changes and innovation and differing visions.

Women:

- ▶ Supporting in the development of entrepreneurial skills, mindset, and self-confidence.
- ▶ Establishing good childcare facilities.
- ▶ Establishing an entrepreneurial culture for women.
- ▶ Running campaigns that eliminate prejudice.

Migrants/foreigners:

- ▶ Offering language courses or at least multilingual advisory services.
- ▶ Offering specific support, training, and mentoring for cultural differences, customs, conventions, and other peculiarities, like legal aspects for both sides.
- ▶ Creating financial incentives to counteract the brain drain, and other opportunities to encourage people to come back.
- ▶ To internationalize the business – the culture, the employees, the customers, and financial resources – can also attract foreign successors.

Unemployed:

- ▶ Facilitating access to fair credits.
- ▶ Offering specialized courses and training.
- ▶ Running campaigns that break down prejudice.

Matchmaking

Willing sellers and also potential buyers often have difficulties in finding the right counterparty to enable a transfer. Both parties must define their decisive criteria and requirements for a transfer and then agree on the terms for completing the transfer. Therefore, they need to be flexible and willing to compromise.

Besides valuation and financing, matchmaking is one of the most complicated aspects of the business transfer process. It is about finding the counterpart and creating a link between the buyer and seller, therefore opening the business valuation path.

Searching parties can use several methods to find the perfect match:

1. The classical approach for big companies is to go to an intermediary who knows the right buyer or seller (usually a business broker who is well connected to the business market and entrepreneurial events). This approach usually does not work for SME.
2. Another option is to go to business transfer events, where buyers and sellers are meeting face-to-face and talk. They can offer or get more information about the company and set an official meeting (if the company information were satisfactory). After this, they can decide to consult a business broker, e.g., for advisory services.
3. In a digitalized world, there is also the option to use online marketplaces or apps where sellers can present their company, and interested buyers search for suitable companies to take over. If they find an appealing offer, they can contact the owners for more details. The same principle also works traditionally with the help of advertisements in newspapers and magazines.

Observations

During the STOB regions project, two phases and their primary causes were identified, which hinder matchmaking.

The first phase is to establish contact. The primary cause that hinders matchmaking is, again, the lack of awareness. Since too few people are aware of business transfer possibilities, and the offers that facilitate the matchmaking, the first step of establishing contact fails. But the problem also arises because these offerings are not made sufficiently prominent.

Once the first step has been taken, and contact has been established, the second phase awaits the parties involved: Do they match? Whether a deal is made or not depends on many factors like, e.g., location, financial capabilities, and the right communication and sympathy. Emotional and psychological aspects should not be neglected here either. Bad communication, language barriers, unfriendliness, boldness, bragging and secretiveness, can cause the deal to break down. Concealment and secrecy create fears and insecurities, and fears can lead to resistance. Even if the two parties get along well, their wishes, expectations, and motives differ too much, the transfer is in danger. But even if there is sympathy, the communication is excellent, and the objectives are the same, an unprepared or poorly qualified successor can cause doubts in the seller about his abilities and lead to an end of the negotiation process.

Suggested Guidance

The project's discourse showed no support and easy-to-use tools to find a suitable partner. And that the means, which do exist, are not sufficiently known. Thus, various opportunities were defined in the workshop:

- ▶ Using or developing entrepreneurial networks at the EU and at the national and regional level, to create a pool and act as an intermediary.
- ▶ Learning from programs developed by project's partners and adapt them to national/local specific requirements, improving existing, or creating new programs.
- ▶ Creating a free and confidential online market place where entrepreneurs can publish their offers. The platform should include all necessary partners like banks, authorities, experts, consultants, organizations, and investors. This application must be transparent and be widely publicized.
- ▶ Installing contact points and organizing business events.
- ▶ Train more business brokers and provide financial support to their clients.
- ▶ Running public campaigns for all these options.

Not only could solutions be suggested for finding a contact, but also for ensuring that the cooperation works well and harmoniously.

- ▶ Working together rather than against each other is necessary to conclude a contract and render a successful transfer possible.
- ▶ Communicate well – transparency and clarity lead to trust, which is the basis of a sound transfer.
- ▶ Always try to clear up any ambiguities.
- ▶ Consult advisors or mediators and, if necessary, a translator.
- ▶ Be clear about their decisive criteria and conditions and communicate them.
- ▶ Ensure a good relationship beyond the acquisition process so that knowledge can be transferred.

Valuation of Companies

Valuation requires specific competence and experience that the seller or owner-manager may not have. Furthermore, the person evaluating a company needs the right methods and exceptional insights into the market and industry conditions to be able to assess the right price. When a company needs to be valued, it is usually experts who do this. Valuation is the basis for a company's price. For the seller and the buyer, the valuation is critical. The seller often accounts the price as an essential part of his pension, and for the buyer, the price is decisive for his own and the company's future finances.

It is crucial to understand that a company's value is not necessarily the same as its price. The value of a company can vary for people with different perspectives as values are subjective. However, there is only one price: the one agreed between the seller and the buyer.

Conventional valuation approaches and methods are:

1. **Income Approach:** Calculating the net present value of benefit streams.

The most common method is the "Discounted cash flow" (future cash flows are forecasted and then discounted).

The income capitalization approach is similar to the DCF, but the relevant parameter is the discounted future profit and not the discounted future cash flow.

In business transfers, the income approach is particularly suitable because it best reflects what is relevant for a buyer, i.e., the profits or cash flows they can generate with the business. That enables him or her to decide whether the investment is worthwhile.

But this method also has its challenges because it is quite complicated to use for non-experts. Furthermore, it should not be forgotten that this method always involves a certain amount of "gazing into the crystal ball" because it is based on future events

that nobody can predict with certainty. Neither can one determine with certainty how high the payment surpluses will be in the future, nor can one estimate the risks so accurately to determine a correct discount rate. Therefore, the calculated value is, as any value, a subjective perspective on future success.

2. **Asset-Based Approach:** Calculating the net asset value by adding up parts (assets) of the business.

Although the net asset value procedures have a significant advantage, they are in most cases easy to calculate (apart from unique properties or machines), they should nevertheless only be used as a corrective. It should only play a secondary role for a buyer, how high the asset values are, since the primary purpose is to generate (future) profits through its operating and not serve as dormant capital preservation, like a painting. Nevertheless, high assets are additional protection and should not be disregarded. It is also worthwhile for the seller to verify whether the sale is the best option for him financially.

3. **Market approach:** Comparing the company to other similar companies.

The market approach works on the principle of supply and demand, i.e., competition. Every seller and buyer is unwilling to receive or pay less or more than he would expect with another transaction partner. The business is thus compared with similar companies. The value comparison is made with the help of enterprise value multipliers or equity value multiples. There are two types of comparisons: transaction multiples and trading multiples.

- ▶ The first option, transaction multiples, is when the business is compared to a company that has already been sold. The selling price is known and is the basis for the comparison.
- ▶ The other method, trading multiples, compares the business with companies listed on the stock exchange, whose value is known from the share price.

Although calculating with multiples is very simple, it is challenging to find comparable companies or estimate comparability, especially for SME. It requires excellent insight into the specific industry. The sales price from a similar company cannot be the sole criterion. In the respective sale, mistakes may have been made, and the company may have a much higher or lower earnings potential in reality. Therefore, this procedure only serves as a rough estimate and corrective.

Observations

The STOB regions project's overall experience is that most business owners and potential buyers' valuation is a struggle and often leads to disagreements. Consultants would have to be called in.

But even experts have difficulty in determining a value if they do not have enough data. Especially in small companies, the accounting is often rather bad.

There are overly simplified calculations, but also unrealistically precise ones. Different methods lead to different results, and even the perception of the founder and the successor is diverse. Since much depends on the value of the business, such an evaluation is emotional.

Many entrepreneurs also face the problem that they have underestimated their market value intentionally for tax optimization purposes.

Suggested Guidance

A great number of lessons could be learned from the STOB regions workshop on business valuation. The following recommendations can be given:

- ▶ Plan well ahead – succession is a long term process that needs longterm planning. For valuation, you need all the relevant information. Proper accounting is essential, as well as the clear separation of private and business property.
- ▶ Valuation should always start by first analyzing its purpose – What is the concept? Is it an internal or external succession? What are the aims and expectations?
- ▶ During the examination and negotiation phase, both parties should have pre-contractual protection and prepare the sale conditions.
- ▶ If you give out sensitive company data to external consultants or potential buyers, you should sign a confidentiality agreement so that the data goes exclusively to the recipient. There should also be a contractual clause that the information cannot be used for competitive purposes.
- ▶ Get expert assistance. They have experience and know-how to calculate the value, but they also help you be more objective about the assets. Use support at the whole selling process.
- ▶ Consider doing a Due Diligence process beforehand.
- ▶ Use an adequate valuation approach. (Usually, the income approach is most suitable). Try not to be too static with the valuation but use systematic approaches.
- ▶ Or financial projections. Take into account only the assets that are involved in the activity.
- ▶ Also, use information and statistics from outside the company, for example, to better assess opportunities and risks.
- ▶ Always offer a range of value.

Apart from consulting experts, another promising measure may also be the further development and dissemination of templates and online services that help with valuation. For example, a checklist and a definite matrix or a template on measuring value could help users get a better overview. These tools can be beneficial for the first idea, which you can then use as a benchmark. However, they do not replace a consultant because they can never consider all possible particularities and situations individually for each company.

Financial Instruments

How to finance the transfer of business is a crucial question for both – buyers and sellers.

Due to their small size and budget, especially SMEs, need financial support. There might be a high tax burden, insufficient liquidity to pay off the exit of heirs, or too expensive hiring costs for professional experts, or the need to invest in the business to stay or become an attractive option. The successor, on the other side, needs to be able to buy the firm. Special programs for startups exist in many European regions. However, programs dedicated to ToB are comparably rare. That might be due to the individual and heterogeneous needs of different businesses, industry types, and involved persons. Therefore standardized financial support may be challenging to develop.

Observations

The primary threat the STOB regions project identifies is a lack of suitable financing instruments and programs for buying a small or medium-sized business. It is crucial for the sustainment of companies that governmental support for financing transfers is implemented. On top of that, the awareness of the existing instruments and programs and further opportunities are deficient. Some might be aware of the multitude of options and opportunities from contractual designs to loans, grants, funds, and plans, but do not know how to obtain them, let alone which ones are suitable for them. Once again, it was observed that consulting plays a very central role. They need more comfortable access to the information and also assistance in understanding them.

Another problem is that the banks sometimes do not recognize the business's potential, especially if a potential buyer will innovate it. As a result, small or expensive loans are granted.

But there is also the opposite problem that some companies are too dependent on subsidies. Solutions must be found to make them more self-sufficient and profitable.

Suggested Guidance

There are different ways and resources to finance the transfer. The cooperation in the STOB regions project has led to many promising and creative ideas for solutions.

For obtaining financial resources, the following could be options:

- ▶ Own savings and help from the circle of acquaintances. (Also, family members and friends can help with attractive loans or guarantees.)
- ▶ Private investors (also foreign investment), venture capital equity investors, business angels, external collateral or guarantees, mutual guarantee association, credit finance companies, and loans from public and private banks.

In different countries, governmental support for financing transfers for the sustainment of businesses is implemented in diverse ways but must be better used. There are many different ways to arrange and provide state or EU support:

Supporting with grants and subsidies.

- ▶ Underlying conditions can be made easier. (Better loan conditions, e.g., for farmers or businesses in rural areas.)
- ▶ Making an interest-free public loan program available.
- ▶ The state acting as a guarantor with banks.
- ▶ Creating a fund for a business development bank exclusively for the financing of the business transfer process.
- ▶ Allocating fixed monetary support for each transfer.
- ▶ Issuing vouchers for consulting.
- ▶ Discounts on social security contributions (e.g., for the first 24 months for all first-time entrepreneurs).

- ▶ Tax incentives
- ▶ Better inheritance rights
- ▶ Creating a free, confidential, and easily manageable online funding platform. (This platform could be a marketplace where business angels, venture capitalists and many more can meet with the transferees who need financial means.)
- ▶ Offering investor attraction services.

The governmental support can also get linked to several conditions to make sure it is used worthwhile.

- ▶ Order the purpose of expenses (E.g., the money has to be spent on – training, consulting, investment in technology, IT, digitization, economic and ecological sustainability, or similar.)
- ▶ Regulating and determining the beneficiaries (e.g., firms in structurally weak areas; or specific relevant industries, such as agriculture; or certain target groups in need of help, such as young people, women, foreigners, employees, and the unemployed)

Another important mean to be able to finance the succession is the arrangement of the contract. Possible options are:

- ▶ Buying only a part of the company and increasing shares over time.
- ▶ Paying of the company in instalments with interest.
- ▶ Linking the sales price to the success of the firm. (Paying only a necessary amount and the remaining amount depending on the development of the company.)
- ▶ The agreement on non-monetary remuneration.

Furthermore, it is crucial to keep the costs themselves as low as possible. The following means can help to achieve this.

- ▶ Consultants can help to discover and reduce unnecessary costs.
- ▶ Founding or joining a self-help group for financing issues. (Knowledge and experience can get shared and learn from others.)
- ▶ Exploring comprehensive and free online tools. (Learning and information platforms can provide an easily understandable overview of the various possibilities.)

Many countries already have established financing instruments suitable for founding a business and applicable to business transfer needs. Different national and EU programs support entrepreneurs like the SME Instrument or Erasmus for young entrepreneurs. All of these must become better known and also be adopted by other countries. The same applies to further existing best practices.

Transfer of Knowledge

The succession process does not end with the signing of the transfer agreement. The new owner still has a lot to learn and find his or her way in the new role. The successor takes over the management and thus also sets the new direction for the company. At the same time, the former owner should take time to leave the business and responsibilities. The previous owner influences a company, and several structures and processes will have become more firmly established. That can be good, especially for well-managed businesses. Therefore, the new owner should also adapt to the business culture and take over much of their predecessor's work.

Nevertheless, such a shift is also an opportunity for change. In an optimal transfer, the successor learns from the old owner – but also from the employees. A change in ownership provides a pivotal point in introducing new knowledge into a company and strengthening businesses' innovation to keep firms competitive. Understanding how a business innovation strategy and technical innovations can raise its value and changes the overall business management strategy is essential for positive change. Also, uncovering the relationship between corporate strategy and culture can foster innovation.

The changes need to be well thought through so that employees and other stakeholders can come to a smooth adjustment with them.

Observations

The STOB regions project team discovered the following challenges:

It is difficult to successfully transfer tacit knowledge from the existing generation to the next generation. Especially at the first handover, the firm is faced with an unprecedented challenge and has no prior experience to rely on. Both sides are often unaware of the necessity, or they do not know which knowledge is particularly relevant to convey. Transfer-

ors take many things for granted, and new owners want to make numerous changes and immediately leave their footprint in place. Besides, entrepreneurs are often alpha dogs and are reluctant to seek help from their predecessors. If the relationship between the parties is full of friction, a negative outcome is almost inevitable.

The second problem is that often the parties involved do not even know what opportunities lie in such a transfer, and therefore changes are not implemented. Yet if the new entrepreneur has many good ideas, he cannot implement them if he does not convey them well and knows change management techniques.

But it is not only the business and the parties involved that possess valuable knowledge. Also, other companies, universities, scientists, and consultants have dealt with these relevant topics largely. Furthermore, a lack of accessibility to higher education is also a factor of knowledge retention.

Suggested Guidance

Amongst the thematic lectures, partner contributions, and subsequent discussions, the following advice can be given:

- ▶ Develop business innovation management before a generation shift occurs. (There should be a transition from only survival strategies to developing innovation strategies).
- ▶ Make a transition from a problem-based approach (e.g., shifting the generation due to age of the entrepreneur) towards an innovation-based, structured and progressive approach (e.g., focusing on increasing attractiveness and growth potential of the company). The valuation should be linked to business development actions and business improvements.

- ▶ We propose that the senior owner and successor share time in the business together. That ensures the absorption of tacit knowledge from the transferor to the transferee, which is a crucial success factor in the innovation renewal.
- ▶ Use knowledge from the scientific field of entrepreneurship and change management.
- ▶ Consult advisors and coaches. (Initiating and supporting knowledge transfer from regional advisory partners is a great chance.)
- ▶ Use networks for the transfer of knowledge. E.g., investigating possible synergies with other projects concerning knowledge transfer can be very fruitful. The cooperation between institutions may also be beneficiary.

For facilitating the transfer of knowledge, more opportunities were identified:

- ▶ Creating a regional knowledge and experience exchange platform amongst cross-sectoral entrepreneurs can result in practical business transfer recommendations.
- ▶ More research and statistical data collection can assist the transfer (Therefore, existing knowledge and experience must be retained and shared.)
- ▶ Offering informational events, seminars, and workshops, and publishing existing knowledge transfer practices can support the involved.
- ▶ Making more specialists (e.g., in universities and chambers of commerce) available for consultation to the entrepreneurs.



5. Good Practices

Each company, each entrepreneur, and each country has its challenges and support-needs. Still, some acceptable practices can be transferred to other countries and regions and can be useful for different people. We want to present a collection of good practices that can be used as a role model or example and help achieve the already mentioned goals.

One-stop-shops

In the following, we present so-called one-stop shops. Often these are financed by public funds to ensure a certain degree of neutrality and quality in services. These are characterized by the fact that they combine all possible (or many) support measures. They usually offer advice, information, research, news, a business market place, help with matchmaking, enable networking, organize events, act as intermediaries, and much more.

Andalucia Emprende

What is Andalucia Emprende?

Andalucia Emprende is a public foundation of the Ministry of Employment, Training, and Autonomous Work in Andalucia, Southern Spain. The primary mission of Andalucia Emprende is to promote the creation and development of businesses and jobs and entrepreneurial culture in the region. Andalucia Emprende is a network of 262 business centres, 925 experts, and more than 500 trained employees. This network also has extensive cooperation and contacts.

What does Andalucia Emrende do?

The institution provides online or in-person support in one of the many Business Development Support Centers by:

1. Giving information (in the form of guides, reports, news, or management tools)
2. Imparting knowledge and promoting the development of skills (in the way of events, conferences, courses, training, workshops, educational programs)
3. Advising on questions and problems and suggesting possible solutions (for example also with mentoring programs)
4. Promoting entrepreneurship and raising awareness.
5. Providing close to 900 business offices and commercial spaces in the region free of charge.
6. Acting as an intermediary (e.g., potential credit providers) or forwarding to appropriate subventions, grants and more.

What is the unique role of Andalucia Emrende in business transfer and succession?

Business transfer and succession are also part of Andalucia Emrende's field of activity. The other fields provide information, offer training (they have more than 40 seminars on business succession and transfer), advise and assist in the process. They help, for example, with planning or the search for financial resources. They also facilitate a large number of contacts. A particular focus is, for instance, on generational change in the agricultural sector.

What is special about Andalucia Emprende?

The remarkable feature of Andalucia Emprende is that it offers extensive support with many different services for free.

Further information:

 www.andaluciaemprende.es

Varsinais-Suomen omistajanvaihdospalvelu

What is “Varsinais-Suomen omistajanvaihdospalvelu”?

The platform “Varsinais-Suomen omistajanvaihdospalvelu”, which translates as “Southwest Finland Ownership Change Service,” is an information and networking platform on the topic business transfer and succession.

The partners and 16 transfer experts are presented on the platform and can get contacted. Many of these partners are legal experts.

What does “Varsinais-Suomen omistajanvaihdospalvelu” do?

On the platform, you will find a wide range of helpful information from specialist articles on the subject of a transfer to various guides for sellers and buyers – also specifically in the case of a generational change. There are manuals and checklists on the transfer of SME, transfer of ownership, merger & valuation. Furthermore, research data from the change-of-ownership-barometer is presented on the platform.

Furthermore, the operators organize information events. These serve not only to provide information on current topics but also to offer networking opportunities. The platform also links to different business markets and also to current events.

Besides, it offers free and confidential fundamental advice. In this initial consultation, for example, different options are examined. For further support, one is put in contact with experts. With the help of the network of experts, detailed technical questions can be clarified and instructions given. Southwest Finland Ownership Change Service brings together leading experts in the region in valuation, taxation, finance, and law. Typical topics include business valuation, brokerage and succession, legal and contract law, tax planning, sales development and reconstruction, trade financing, and inter-generational issues.

What is the unique role of the “Varsinais-Suomen omistajanvaihdospalvelu” in business transfer and succession?

Southwest Finland Ownership Change Service serves exclusively to support the transfer and succession of businesses. They facilitate the search for the user as they offer information and instructions, conduct the first consultation, and, above all, act as intermediary to advisors, to sales-portals/marketplaces, and courses and events. Everything is compressed on one website.

What is special about “Varsinais-Suomen omistajanvaihdospalvelu”?

The platform was extended to the entire southern region due to its success and transferable to the other areas.

Further information:

 omistajanvaihdospalvelu.fi

Sowaccess

What is Sowaccess?

Although not part of the initial project of STOBregions, Sowaccess is an online platform that provides neutral support for the sale or acquisition of a business in Wallonia, Belgium. It is a complete transfer ecosystem that provides information, helps with orientation, offers services, and enhances networking. The platform sees its main tasks in creating an awareness of the importance of two factors: Proper planning of sales and takeovers, and secondly, of experts' support throughout the entire process – before and after the transfer. The platform also aims to connect people and facilitate meetings between potential sellers and potential buyers using personalized methods.

What does Sowaccess do?

Sowaccess is mainly an intermediary and offers additional support for both its target groups – sellers and buyers.

It advises sellers on preparing well for the transfer and informs them about the steps to be taken. There is also an online test that gives personalized recommendations. In the consulting process, a diagnosis of the seller's needs is made, then they are referred to a certified expert and finally supported in finding the right buyer.

Potential buyers will find information, advice, analysis of their profile, and an online test that gives them personalized recommendations on the platform. Sowaccess also offers services and advice by consultants, which can be financed by subsidies. As a forum member, you will not only be advised, but new companies are regularly suggested to you. There is not only a marketplace with companies on the platform but also with consultants and experts. They have 150 professional accredited partners who are experts in business transfer, such as brokers/intermediaries, lawyers, auditors, accountants, bankers, and consultants who can answer specific questions and offer tailor-made technical solutions.

For example, they can help with due diligence, company valuation, or price negotiations, and all these services can be funded and subsidized. Another option for interested persons can be to join a “Buyers Club,” where they train and network with other successors. A coach leads these trainings, and experts are called in to help them.

What is the role of the Sowaccess in business transfer and succession?

As Sowaccess focuses exclusively on the purchase and sale of businesses, all its services are relevant to businesses’ transfer. They take on the role of advisor – or connect with one – and serve as brokers, intermediaries, and network creators.

What is unique about Sowaccess?

Many of Sowaccess’s services, such as advice and finding a suitable company, may not be free but can be subsidized.

Further information:

 www.sowaccess.be

Instituto de la Empresa Familiar

What is Instituto de la Empresa Familiar?

The Instituto de la Empresa Familiar (IEF) is a state, independent, non-political and non-profit institute for Spanish family businesses. It was founded to raise awareness of the importance of family businesses for society. Today it focuses on safeguarding family businesses’ interests, identifying best practices, and educating future generations. The partners of the Institute are the 100 most essential family businesses in the country.

What does Instituto de la Empresa Familiar do?

The IEF researches and publishes scientific results and reports, holds seminars and workshops, organises training and networking events, and annual congresses to promote family businesses, and it arranges a forum. It also provides news and a blog.

The IEF digital library offers an extensive collection of documents on topics such as ownership, management, family relations, succession, leadership, internationalization, business situation, and many others. The cases are covered in detail to put knowledge and experience accumulated by IEF and its partners at society's service.

IEF has created 38 new Chairs of Family Businesses in collaboration with numerous universities throughout the country to better analyze, research, and teach family businesses. Two hundred university professors teach about 2000 students per year in these chairs. Besides, they also supported entrepreneurs during the founding process. The IEF also organizes meetings to exchange experiences between the chairs and family businesses.

What is the role of Instituto de la Empresa Familiar in business transfer and succession?

Succession is a central theme of the IEF. The topic is researched, and the results are made available in the online library. The chairs co-founded by IEF are also investigating business transfer and succession and offer various training courses. The course of studies will make more young people aware of and prepared for series, and through the exchange with companies, contacts can also be made.

The Family Forum is another service of the IEF. It is a forum for members of family business owners between 20 and 45 years of age who could become successors – whether as shareholders, directors, or managers. The forum's main objectives are to prepare the next generation for the challenges of succession and create a better understanding; to promote

family members; to enable networking with other new family entrepreneurs, and learn from experts. The forum carries out training visits to various companies and runs a managing and leading family business program.

What is unique about Instituto de la Empresa Familiar?

The collection of documents on family businesses is one of the most significant in its field, and the network of chairs on family business is the largest in the world!

Further information:

 www.iefamiliar.com

Consulting & Training

The following good practices support the transfer participants in particular by providing advice, coaching, and information.

PMDG

What is PMDG?

PMDG is a business consulting company offering certified education and advisory services, funded up to 50% – 80% by the EU. The team consists of management, organization, strategy, finance, and legal advisors in civil law, corporate law, commercial law, business law, and intellectual property law. Psychologists and mediators are also part of the team.

What does PMDG do?

In addition to consulting and education, they also offer to coach and mentoring services. They also distribute and publish news and explanatory videos. The services are tailored to the needs, which are diagnosed precisely.

Their core consulting and teaching topics are:

- ▶ Setting up and implementing business strategies (business set-up and development strategy, strategy implementation with the Balanced Scorecard)
- ▶ Succession or preparation for changes in family businesses (diagnosis and succession planning in family businesses)
- ▶ Organization of business structures and processes (increasing of efficiency of business processes, optimization of organizational structures, change management)
- ▶ Consulting in market analyses for new products or services

- ▶ Information technology consulting (implementation and use of advanced information technologies in the company, improvement of skills in using IT tools like MS Office Suite)
- ▶ and much more

They also offer extensive programs for the development of various objectives:

- ▶ good leadership (building effective business strategies, financial management, project management, team management, human capital management.)
- ▶ enhancement of sales (the art of negotiation, sales management, developing trading skills, professional customer service.)
- ▶ optimization of production (production management, introduction to the KAIZEN – method, implementation of lean management techniques, 5S – the basis for improving efficiency)

Another major service they offer is assistance in obtaining EU funding – for consultancy and training and direct financing for innovation, use of information technology, and further. Their services include the analysis of available grant options, preparation of application documents, guidance through the process of granting subsidies, assistance in the implementation of projects (including the selection of service providers and contractors, and writing progress reports on implementing co-financed projects).

What is the role of PMDG in business transfer and succession?

Succession is the specialization of PMDG. Firstly they diagnose the situation. (They analyze the firm's degree of preparation for the succession process to analyse the need for advice and training support. Further, they help to develop a succession strategy. Planning the process, they take the conditions of the company and the family into account. Thirdly, they support during the transition of planning into action. They initiate implementation of

changes and show how to apply and implement knowledge practically and advise on how to start, to be able to implement the plan consistently and to execute it successfully. As they focus on long-term cooperation, they are also monitoring the progress. Consultants receive results of the implementation and investigate causes of problems or deviations from the plan. During this phase, they also update strategies if needed.

They can provide support in the following thematic areas of succession:

- ▶ Organization (strategy, management, organizational structures, business processes, information systems)
- ▶ Finances (business valuation, financial situation, succession tax costs and effects, financial security)
- ▶ Law (legal audit, transformations, the legal system, conditions and legal consequences of succession, emergency plan)
- ▶ Psychology (personal aspects of succession, competence analysis, personnel policy, conflict resolution)

In addition to consulting, there are also workshops for the succession of family businesses. The workshops are about diagnosing the readiness for succession and planning. For these two aspects, PMDG has also created mobile tools (the NOE and NEO applications) collectively with many entrepreneurs from family businesses, academics, board members, and consultants from all over Poland.

These tools are also part of the EU-funded project “Guidebook for Succession in Family Businesses.” Within this project’s scope, they have organized 25 seminars and workshops for family businesses and three national conferences and visited over 170 family businesses. The experiences are comprised in numerous press articles and multimedia materials and in a compendium of succession, of which 1,500 copies were sent to Polish family

entrepreneurs. This guidebook for succession aims to prepare family business owners who plan to execute the succession independently. "A guide to succession" exists as a guidebook in the form of a book and an audiobook as well as two applications NOE and NEO.

What is unique about PMDG?

They not only advise and train, but also assist in obtaining EU funds.

Further information:

 sukcesja.org/sukcesja/

 sukcesja.org/sucesion/#product

 www.pmdg.pl

Strategisk Generations- & Ejerskifte

What is "Strategisk Generations- & Ejerskifte"?

The Danish project "Strategisk Generations- & Ejerskifte", which translates to "Strategic Generation & Ownership Change," had a main focus on owner-managers of micro and small enterprises (particularly in the craft, service, and small-scale production sectors). It aimed to increase awareness and clarity about succession and transfer. That was achieved with 1 to 1 sparring and advice and the strong involvement of consultants.

What does "Strategisk Generations- & Ejerskifte" do?

The project was targeted only at the transferor. A full-time consultant was employed, and several local advisers in business development, strategy, accounting, law, business brokers, and more took part in the project.

The program offered four meetings:

1. An introduction with a presentation of the program, the company and a 360 degrees analysis of the situation.
2. Clarification – with feedback on the analysis and advice on how to proceed.
3. Guidance on specific thematic and how to solve challenges
4. Evaluation and next step. (Assessment of how far the owner-manager is with his or her preparations for the transfer and information about where they can find further specialized advice and support.)

What is the role of “Strategisk Generations- & Ejerskifte” in business transfer and succession?

The program offered detailed consultancy and created awareness in the region.

What is unique about “Strategisk Generations- & Ejerskifte”?

A survey shows an outstandingly high level of satisfaction among the participants.

Erhvervshus Sydjylland

What is Erhvervshus Sydjylland?

Erhvervshus Sydjylland is one of six business centres in Denmark, the one for South Jutland Denmark. These business centres aim to make a positive contribution to the economy, growth, entrepreneurship & employment. The business centres’ team consists mainly of business developers, project managers, communication & marketing consultants, and

other business consulting experts. The local offices work together in clusters and cooperate with regional & national business support agencies. Their partners are business service providers, universities, and many others.

What does Erhvervshus Sydjylland do?

All business centres serve primarily as sparring partners and information providers. Business development is at the heart of this. In the centres, you can exchange ideas, get advice, and above all, be inspired. Typical development topics in which the centers can provide support are growth (increasing the number of employees or income), management & strategy, internationalization, sales & marketing, export, technology & innovation, developing new products, digitalization, green change, business & finance, rationalization, rescuing businesses from the crisis and also preparing for a change of ownership. Aside from serving as sparring partners, they also offer workshops, webinars, and various intensive programs that can be subsidized. The programs are aimed at different target groups and are very topic-specific with in-depth advice. Besides, the centers also have access to numerous cooperation projects between companies and partners, which develop knowledge and new concepts and also promote competitiveness. They also connect with established growth companies as sparring partners. Each Business Center has a newsletter and distributes business news from its region.

What is the role of Erhvervshus Sydjylland in business transfer and succession?

The centres also serve as sparring partners in the event of a transfer or succession. In doing so, they clarify the opportunities and risks and try to make the process as transparent as possible. Several topics can be discussed including the evaluation, law, taxes, models of change, exit strategies, generational change in the family or employees, how the process needs to be started, and more.

There was also a program for successors. This program was designed as a small network of 8 successors from different industries, which met every two months for two years and discussed succession issues with experts such as lawyers, business developers, accountants, and mentors. The topics were, for example, business plan or strategy, leadership style, tax, law, or paperwork. The successors learned from each other's good and bad experiences; they were prepared for their management position and were provided with a toolbox. They can also benefit from a network of peers in the long term.

What is unique about Erhvervshus Sydjylland?

The Business Centres' unique aspect is that they are a strong network across Denmark, which offers free of charge sparring partnering to develop and promote ideas that enhance entrepreneurship and the economy.

Further information:

 ehsyd.dk

Informational Tools

The good practices presented here are tools to help with succession. They provide valuable information and are transferrable and adaptable for other regions.

Nachfolgewiki

What is “Nachfolgewiki”?

The “Nachfolgewiki”, in English “Succession Wiki”, is a comprehensive online encyclopedia on the subject of business succession. It is aimed at those who hand over their business, potential successors, descendants from entrepreneurial families, and anyone interested in the succession process.

The wiki was created and is administered by the “EMF Institut” (Institute for Entrepreneurship, Small and Medium-sized Businesses, and Family Enterprises) at the Business School for Economics and Law Berlin.

In principle, however, anyone can register as a user and create or change articles.

The wiki aims to create more clarity for all those involved in succession and explain important terms and provide instructions and checklists. Through cross-references (or browsing of the user), it might be possible to make people aware of previously unknown but critical aspects or possibilities of the succession and make them understand them quickly.

What does “Nachfolgewiki” do?

In the “Nachfolgewiki”, there are detailed articles, for example, on the following topics:

- ▶ Forms of succession (e.g., Management Buy-Out)
- ▶ Legal issues (legal form, articles of association, inheritance and gift tax, liability, family foundation and more)

- ▶ Financing (preparation for bank talks, funding opportunities, external and internal funding, payment methods, leasing, etcetera)
- ▶ Planning (emergency planning, succession concept, business plan, and much more)
- ▶ Evaluation and purchase price determination
- ▶ Advice on succession
- ▶ Preparation of succession (e.g., of the company, the transferor, the successor)
- ▶ Strategy (e.g., family strategy, corporate strategy, market strategy)
- ▶ Synergies of succession
- ▶ Brand (brand formation, brand identity, brand image, brand positioning, brand transfer)
- ▶ Management style
- ▶ Change management
- ▶ and many other topics.

There are also comprehensive checklists on topics such as:

- ▶ Finding the right company
- ▶ Examination of the suitability of the successor
- ▶ Preparations for the succession
- ▶ Succession planning
- ▶ Preparation and verification of the completeness of emergency regulations, contracts, and documents

Besides, the Succession Wiki also offers a detailed list of other external websites on succession. This list with the corresponding links includes qualified advisory partners, research institutes, foundations, markets, and regional web-offers sorted by federal states.

What is the role of the “Nachfolgewiki” in business transfer and succession?

The wiki deals exclusively with the topic of succession and simplifies the information gathering process. Essential terms are not only explained, but background information and cross-references are also provided. Moreover, checklists make it easy to assess one’s situation. The simplicity of use is a significant advantage. Everybody knows Wikipedia, and the succession wiki utilizes the same principles and navigation structure.

What is unique about “Nachfolgewiki”?

The remarkable thing about this Good Practice is the way information is presented. The online encyclopedia offers the possibility to quickly get the information you need by a simple and, at the same time, targeted search using search terms. The bundling of information makes it easier for those interested in succession to deal with the tricky subject. If questions remain, one can contact the EMF-Institute, which will then prepare a relevant article. The use of the wiki is free of charge, and you don’t need to register.

Further information:

 nachfolgewiki.de

Emergency Manual

What is the Emergency Manual?

The Emergency Manual is a free online manual provided by the German Chambers of Industry and Commerce. It summarises essential precautions to be taken in the event of an owner entrepreneur’s absence or loss. For a clear overview, the handbook has a checklist

and template character. It contains detailed information and guidelines to ensure a business's continuation in case of illness, accident, death, or other owner emergencies.

What does the Emergency Manual do?

The handbook summarizes the most important precautions and, above all, saves essential information for the dependents. As there are often no emergency plans, arrangements, or regulations, and no one other than the owner feels responsible or knows whom to contact in such a case, this manual aims to record the most necessary information and ideas of the owner so that the company can continue to operate.

The entrepreneur should consider the following aspects and make the necessary information available in case of an emergency:

- ▶ Provide contact details of the persons to be informed in an emergency (private environment, employees, but also lawyers, notaries, tax advisors, auditors)
- ▶ Define visions, goals, personal wishes and ideas, or write down strategic considerations
- ▶ Write down actions for the company's continuous operation (e.g., rights and duties for the advisory board or crisis management team and corresponding attorney powers). If not done yet, consider installing an advisory board.
- ▶ Determine substitute/representation/successor (Consider to train them beforehand).
- ▶ Issue written directives, grant powers of attorney (if necessary, give procuration) and prepare dispositions (including patient's provision and health care proxy).
- ▶ Write down or, if necessary, define responsibilities for critical operational processes
- ▶ Disclose information and contact persons, grant attorney powers for business accounts, safe deposit boxes, securities, guarantees, payment obligations such as rents, loans, credits, insurances, memberships, etcetera.

- ▶ Provide further relevant information on contracts (leasing, rental, employment, and factoring contracts), powers of attorney & authorizations; deeds & certification; industrial property rights, and other vital documents such as motor vehicle registration certifications, tax declaration, annual statements, list of pending litigation, extract from the commercial register, extract from the land register, and much more
- ▶ Also, deposit relevant company data (including documents, contact persons, and passwords) about significant customers, suppliers, orders and calculations, list of pending legal disputes, list of warranties given and received.
- ▶ Create a directory or access to passwords, other access data, and keys.
- ▶ Determine contractual arrangements (certificate of inheritance, testament, articles of association). Consider making provisions for life partners and children and clarify whether claims to a compulsory portion are payable or waivers of forced heirship rights are possible.
- ▶ Estimate the consequences of inheritance tax and liquidity squeeze and make provisions accordingly.

What is unique about the Emergency Manual?

The manual provides a comprehensive and simple checklist for the entrepreneur, which can keep a business alive in case of an emergency. It saves the successors much work and is free of charge.

Further information:

 www.ihk-ostbrandenburg.de

Funding & Finance

In this section, we present some good practices that help to finance the transfer or obtain funding.

Serwis Regionalnego Programu Województwa Małopolskiego

What is “Serwis Regionalnego Programu Województwa Małopolskiego”?

“Serwis Regionalnego Programu Województwa Małopolskiego”, which translates to “service of the regional program of the Małopolska province”, is a platform that makes it easier for entrepreneurs to obtain EU funding. It helps with orientation, creates clarity, and reduces barriers.

The website is co-financed by the European Social Fund under the Regional Operational Program of the Małopolska Voivodeship for the years 2014 – 2020.

What does “Serwis Regionalnego Programu Województwa Małopolskiego” do?

The platform provides extensive information and guidance at each step of the process to help entrepreneurs obtain funding. In its details, it looks like this:

The website precisely explains how to participate in a funding program: What prior preparation must be done, how to apply for funding, and much more.

A subsidy finder helps find a suitable program, which works similarly to a search engine. There are also regular calls for applications for various programs. You submit your project idea, then usually a competition is held, and the most suitable ones receive the subsidies. This process can take several phases, where you will be examined more in-depth.

Also, registration deadlines are given on the website. It lists everything you need to know to participate in a program, what requirements you have to meet for a particular project, and how the competition takes place – like the evaluation criteria. Rules and conditions for participation are listed for each program so that you can find out in advance the number of things that need to be taken into account during the program. For example, you are obliged to ensure equal opportunities, sustainability, and, if necessary, even to support public projects. Besides, each participant must comply with the principles of accounting.

On the website also questions like the following are answered:

- ▶ How does the contract signing process work?
- ▶ How to make changes to your project?
- ▶ What responsibilities do you have after the project?
- ▶ What are the principles of project funding?
- ▶ What kind of laws and documents are essential?
- ▶ How to use an IT system?
- ▶ Which effects does the project have?

You can download various document templates, such as the grant application (request for co-financing), the financing agreement (agreement on how the co-financing will be provided), and the payment request.

Most programs fall into one of the categories listed below:

- ▶ Intelligent Development (e.g., support for research, development & innovation)
- ▶ Infrastructure and Environment (e.g., support for environmentally friendly projects),
- ▶ Development of Knowledge Education (e.g., support for higher education development, support for young people, social innovation, transnational cooperation),

- ▶ Digital Poland (e.g., support for fast Internet, support for digitally excluded people)
- ▶ Eastern Poland (e.g., support for innovation, entrepreneurship, transport infrastructure),
- ▶ Technical assistance (e.g., support for efficient cohesion policy support systems),
- ▶ European territorial cooperation (e.g., support for socio-economic development of border regions and collaboration with EU partners),
- ▶ Rural development (e.g., support for agriculture),
- ▶ Fisheries and maritime affairs

There are also more publications for download, for example, about selected projects of a period or manuals. And the website also publishes articles, news, analyses, reports, and summaries. They provide a FAQ, a dictionary/wiki, and video materials too.

If it is still too complicated to apply or not all questions could be answered on the website, there is the possibility to participate in training, webinars, and conferences.

What is the role of "Serwis Regionalnego Programu Województwa Małopolskiego" in business transfer and succession?

One of the programs is the "Voucher for Advisory services", which started in 2014 and finished in 2020. In this program, SMEs can get a voucher for expert advice. The total program volume is approx. 8,000,000 euros. The grants will be given to specialized development-oriented consultancy services.

These include:

- ▶ legal analysis,
- ▶ forecasts of market trends that are relevant to the further development of the business,

- ▶ services in the legal, economic, marketing or technical fields,
- ▶ Consulting in the field of organization, management, efficiency, and business development.
- ▶ Consultancy on reducing business costs, energy consumption, or more efficient use of resources.
- ▶ Consulting on quality management systems, environmental management, and obtaining these certifications.
- ▶ Advice on advanced information and communication technologies and other systems, such as CRM or ERP.
- ▶ Consulting in the field of risk (business risk, risk management, market risk, transaction risk, preparation of risk management strategies).
- ▶ Advice on intellectual property protection, education for patent applications, etcetera.
- ▶ And much more.

What is unique about “Serwis Regionalnego Programu Województwa Małopolskiego”?

The platform removes the barriers for the entrepreneur to deal with the bureaucratic jungle, makes information easily accessible, and clearly explained like a manual. Suitable subsidies can be found easily, and they list how to apply, which conditions have to be fulfilled, and which rules have to be followed in case of approval.

Further information:

 rpo.malopolska.pl

Start-up aid for young farmers

What is “Start-up aid for young farmers”?

Start-up aid for young farmers is a state subsidy/grant/incentive for young farmers between 18 and 40. This measure aims to promote the transfer of the agricultural business to the younger generation, improve the farm owners' age structure, increase the development capacity of acquired farms, increase agriculture productivity, and support the transfer of the farm.

To meet these specific objectives, applicants must fulfil particular requirements and also comply with mandatory obligations. They must enclose a business plan with their application. They must show how they intend to achieve both economical and environmentally friendly and innovative development objectives in concrete terms.

What is the role of the “Start-up aid for young farmers” in business transfer and succession?

The support is primarily for establishing new farms and the continuation of already established agricultural businesses.

Financing is often a dominant problem for successions and therefore requires extraordinary support.

What is unique about the “Start-up aid for young farmers”?

This service does explicitly target one particular group with a clear structure and founding purpose.

Further information:

 arsktrp.arhiv-spletisc.gov.si

 www.gov.si/novice/

 www.gov.si/zbirke/

Support for Consultants

To ensure sufficient, well-trained, and easily accessible consultants, we present the following good practices that help consultants do a good and inexpensive job.

Family business succession and transfer: a companion for business advisors

What is the “family business succession and transfer: a companion for business advisors”?

The Companion is a PDF file that helps consultants to support the succession and transfer of family businesses in the most appropriate way. It summarizes crucial issues that require special attention so that the consultants become familiar with the different elements of the process and are enabled to advise. This project aims to improve their non-technical skills. Hence, emotional, ethical, psychological issues will be particularly addressed.

The booklet results from a research project conducted by a consortium of consultants, coaches, and entrepreneurs within the Erasmus + project. It was financed with the support of the European Commission.

What does the “family business succession and transfer: a companion for business advisors” do?

The Companion consists of four learning modules that support the advisor in the different stages of the process and the related consulting.

The first learning unit is about the consultant understanding the family business and the importance of succession, developing a sense of how best to work with the family, and succession options.

In the second training module, the consultant is enabled to successfully conduct an initial consultation and prepare the ground for a sound succession.

He or she learns

- ▶ how to check the soundness of the business;
- ▶ which soft skills s/he can use to guide the entrepreneur through the planning process;
- ▶ how s/he can help define visions;
- ▶ which psychosocial issues s/he has to consider and how s/he can evaluate and manage the dynamics in the family;
- ▶ and how s/he manages to encourage change.

In the third training unit, the focus is on how the advisor can support the planning process; how s/he can combine and integrate the different visions and what s/he needs to consider when creating the succession strategies & planning. S/He is enabled to support the process as such.

In the final learning module, the consultant is trained to assist the new generation in taking over and changing. The advisor explains how to support the implementation of change and create a structure for future generations' success.

What is the role of the Companion in business transfer and succession?

Excellent consulting is essential for succession. For this reason, the consultants must also be trained in the best possible way. Although many advisors are familiar with the technical aspects of transfer (e.g., tax minimization, family foundations, asset management, etcetera), they often neglect the non-technical issues (family communication, expectations, values, competencies, dynamics, etcetera). But they also must take these into account and advise on how to maintain family and business harmony. Often, interpersonal skills are lacking, which are necessary to pass on their knowledge to the family business. Comparatively, technical facts are "easy" to look up or learn for the entrepreneurs themselves.

Whereas soft skills, like social skills and appropriate consulting, need specific training and differentiate between good and poor consulting. The Companion covers all of these issues.

What is unique about the Companion?

The Companion is unique in many ways. It results from divers and multicultural cooperation (of Bulgaria, Greece, Cyprus, Spain, Germany, of experts, entrepreneurs, and more.)

It is not addressed directly to entrepreneurs but rather to consultants.

It emphasizes the importance of non-technical and interpersonal/social aspects in succession. In addition, it can be downloaded for free in five languages.

Further information:

 succession-project.eu

 succession-project.eu/outcomes.html

Funding for qualification and coaching measures for setting up a business

What is the “funding for qualification and coaching measures for setting up a business”?

The funding for qualification and coaching measures for business start-ups and business successions (since 2001) in Brandenburg supports by financing or subsidizing guide services, start-up workshops, start-up services at universities, and other legal entities or partnerships that provide support, advice, and coaching during the pre-foundation and transition phase.

This funding aims to develop self-employment and entrepreneurial thinking culture further, increasing the number of new self-employed persons and employment in general. Besides, particular attention is given to promoting innovation to retain skilled workers and increase competitiveness. The funding recipients' specific target group will be young people, students, and alumni; people with a migration background, unemployed persons, marginal or social insurance-liable employees, and other people willing to found a company in Brandenburg.

The recipients (pilot services, etcetera) must describe how their measures contribute to sustainable development in their funding application. That can concern environmental protection, resource efficiency, climate protection, adaptation to climate change, biological diversity, disaster resistance, and risk prevention and management.

The funding is a Brandenburg Ministry of Economics, Labour and Energy program and is financed by the European Social Fund (ESF) and the State of Brandenburg. The grant is processed by the ILB (the investment bank of the State of Brandenburg).

The current beneficiaries of full funding are the regional pilot services, pilot services for migrants, and start-up workshops for young people under 30. The start-up services at universities, and the project: Innovation needs courage ("Innovation braucht Mut") are only subsidized.

What does the "funding for qualification and coaching measures for setting up a business" do?

The grant is purely financial. Thus, personnel expenses and another 15-20% of indirect costs and fees are covered.

However, it is specified precisely which services the grant recipients have to provide:

- ▶ They must conduct initial interviews to determine whether someone is suitable to start up and take over the business: By clarifying whether the personal prerequisites for participation in the project have been met; checking the development potential; checking the sustainability and viability of the business idea; checking the need for consulting, coaching, and qualification services; and establishing a start-up and succession plan.
- ▶ The pilot services must organize so-called development centres. These serve to determine individual development potential in terms of skills such as leadership qualities and entrepreneurial personality. Subsequently, development measures must be derived from this. Also, start-up ideas must be worked out and examined in the development centres. The development centres may not advise and coach more than 12 participants simultaneously but must be available regularly and on several days.
- ▶ They must offer individual and specific qualification-, consulting-, and coaching services as well as in groups. In doing so, they must cooperate with other regional actors relevant to start-ups, such as the “Agenturen für Arbeit” (state agencies for labour) and job centres. They must inform about offers from the Chambers of Commerce, the Wirtschaftsförderung Land Brandenburg GmbH (WFBB), and the ILB and pass on information. Furthermore, they have to participate in networks and events relevant to start-ups and women’s specific networks and do public relations work.
- ▶ The start-up workshops and universities must carry out measures to raise awareness and develop the entrepreneurial spirit. The start-up workshops should create a culture of self-employment by targeting young people and holding information events. The universities should “initiate” measures for a start-up climate and design and develop start-up ideas through idea castings, start-up business games, idea generators, etcetera, and expand their sensitization activities.

- ▶ The start-up workshops must support young people under 30 in finding and developing start-up ideas. They must promote the development of business and entrepreneurial skills using appropriate methods and formats. For this purpose, they should prepare the start-up in the incubator; provide individual assistance, help develop business plans, and impart theoretical knowledge for the start-up.
- ▶ Some of the beneficiaries also need to identify and mobilize the potential (ideas and people) for innovative start-ups.

What is the role of the “funding of qualification and coaching measures for setting up a business” in business transfer and succession?

It is useful for those involved in the succession process to have good contact points where they can obtain advice and coaching on all aspects of the topic of succession. It is also suitable for the growth of potential successors to sensitize them to the entrepreneurial spirit and develop it.

What is unique about the “funding of qualification and coaching measures for setting up a business”?

The project is of assistance in that succession and business transfers are financially supported. Strict conditions are that there is a particular focus on young people and migrants as successors.

Further information:

 www.ilb.de/de/pdf/richtlinie_106454.pdf

 www.ilb.de/de/arbeit/

 service.brandenburg.de

Other

In this section, various good practices are presented, which can indirectly support those involved in the transfer process.

Romanian Productivity Center

What is the Romanian Productivity Center?

The Romanian Productivity Center in Bucharest-Ilof, Romania, is still in the establishing phase. The work on the knowledge centre started in February 2019. It aims to increase productivity and competitiveness by transforming knowledge value, creating synergies and a collaborative environment of local communities, government, innovation, business, technology, research, and education. It aims at networking at domestic, EU, and international levels. A hub for information, knowledge, and networking on productivity and competitiveness will evolve. The center is based on the Korean model- the Korean productivity centre helps Romania's economy digitalize further and develop more entrepreneurship by sharing knowledge.

The knowledge centre will play the role of a think tank for the improvement of national productivity. It increases the awareness for productivity and competitiveness, transfers knowledge quickly, and reduces barriers. Digitalization, industry 4.0, artificial intelligence, smart factories, and a knowledge economy can be further developed in Romania. Through this knowledge centre, innovation and efficiency can be advanced in the business environment. The mission of the Center is to enhance the capabilities of all involved organizations and individuals. The main target groups are private CEOs, managers and employees, and public officials. In the long-term perspective, also the unemployed and students are conceivable as target groups.

What does the Romanian Productivity Center do?

The Center concentrates on seven main fields of activity: Education and Training; Publicity; Survey and Research; Consulting; Networking; Certifications; Planning and Assessment.

The Center will enable partnership programs to facilitate cooperation between SMEs, large enterprises, universities, research institutes, and governments at domestic and international levels. The Center can profit from knowledge, skills, techniques, and programs from advanced countries. It can also become a platform to connect investors to SMEs and provide up-to-date financial and labour market and technical information. Hence it will reduce information barriers that SMEs are still facing.

What is the role of the Romanian Productivity Center in business transfer and succession?

The Center has not yet defined its role for succession and transfer. However, since companies' successful continuation contributes significantly to a country's productivity, this also falls within the Center's remit. The transfer of knowledge is essential for sound succession, and it is the core competence of the Center. The numerous programs, such as the training and education of, and consulting on management skills, are beneficial for successors' qualification. As the Center also serves as a vast network, it will also contribute to finding a buyer/seller or a consultant, and more by meeting and creating relationships.

What is special about the Romanian Productivity Center?

Unique about the Center is that it will serve as a knowledge hub and allow for extensive exchange and cooperation, which results in an accumulation and creation of knowledge from which all parties can benefit.

Further information:

 www.ksp.go.kr
 www.ksp.go.kr

MyCompetence

What is MyCompetence?

MyCompetence is an information system in the field of human resources management. The competence assessment system is an online platform that provides registered users with tools and other specialized services for the assessment and development of work-force competencies. It also offers a standardized exchange of information and displays and processes competence profiles and job descriptions. The project's overall objective is to increase the labour market's adaptability, efficiency, and balance by assessing competences at regional and sectoral levels. MyCompetence is implemented by the Bulgarian Chamber of Commerce and Industry within the framework of the project "Human Resources Development" (2009-2013).

The primary users of MyCompetence are:

- ▶ human resource management specialists;
- ▶ ministries, agencies, institutions, and organizations (in the field of the labour market, training, career guidance, selection and leasing of staff, career guidance);
- ▶ personnel service providers;
- ▶ all types of vocational schools;
- ▶ pupils and students;

- ▶ private persons who are in employment and persons seeking employment;
- ▶ any person wishing to assess their knowledge and skills to develop their competences.

What does MyCompetence do?

The online platform offers:

1. A database with information on competences for over 1300 jobs in 25 economic sectors. For each position, there is a typical job description and a competence frame. The job description includes:
 - ▶ the economic sector;
 - ▶ the common purpose of the position, its main tasks and responsibilities;
 - ▶ the typical working conditions, required work experience, knowledge, skills, certificates;
 - ▶ names of similar positions;
 - ▶ and more.

The competence framework includes:

- ▶ the name of the competence,
- ▶ the recommended level,
- ▶ a description of competence,
- ▶ behavioural indications,
- ▶ and more.

These competence profiles of positions can be used for career guidance, self-assessment, development of company competence profiles and competence assessment, and much more.

2. An e-learning platform with over 30 online training courses to develop and improve knowledge, skills, and competencies in various business areas.
3. An e-assessment platform with 16 online tests to assess competences. Users can self-test, for example, management competences, and many more work-related competences with the tool. They can also evaluate their satisfaction and motivation or commitment to the company.

What is the special role of MyCompetence in business transfer and succession?

MyCompetence indirectly plays an extraordinary role in succession, as one issue is that successors do not have the necessary competencies. Significant management competencies and many more are delivered via this online platform.

What is special about MyCompetence?

The unique quality of MyCompetence is the intensive and detailed examination of a wide range of work-related competences. Through free registration, users can easily find out about relevant competencies, evaluate their skills, and develop them further through training.

Further information:

 mycompetence.bg



6. Policy recommendations

Overall, we have encountered that business succession is vastly interconnected with local authorities and largely depends on specific regions' political will and abilities in implementing an overarching strategy.

However, many issues are directly linked to the attractiveness of a particular region. Thus changes are not easily implemented by short-term solutions or measures. Many cases regard the necessary infrastructure. If, for example, there is no sufficient road-network in place or a lack of fast internet, futureproofing a business can become a near-impossible task. Overall, we observed that many rural regions also face general digitalisation obstacles, be it in schools or administration.

Besides regional specificities, we would like to summarize some policy recommendations that should be considered in all regions to facilitate the transfer of small and medium-sized enterprises, to ensure their survival and safeguard the jobs. In particular, Managing Authorities are asked to take the most appropriate measures to extend their own legal, fiscal and administrative systems, to

- ▶ make the business owners aware of the problems of transfer and thus encourage them to prepare for this process,
- ▶ permit the businessman to prepare effectively for the transfer by offering suitable procedures,
- ▶ provide a financial environment which helps towards successful transfers,

Local and regional, but also national governments are requested to create and/or improve structures to support SMEs in transferring the business. Successful transfers save jobs and have high economic value.

Local government can contribute to improving the advisory services situation. This includes financial support, ensuring sufficient and well-trained advisors, an expansion of support organizations and platforms, and a minimum administrative burden and, most importantly, extensive and useful Internet access. Fundamentally, we have observed that family businesses and SMEs, in particular, do suffer from insufficient financial resources in the event of succession. Frequently there is not enough liquidity to pay inheritance taxes or to pay off co-heirs; favourable loans granted may assist in keeping businesses alive. The same applies to buyers from outside the family who do not have the capital to purchase. They should also be able to obtain loans at reasonable rates or include specific contractual clauses with the sellers to pay it off in instalments or allow the sellers to participate in future profits.

If liquidity is already not looking good, it is improbable that expensive advisors will be on-board. Particular loans or subsidies could also be made available for this. The tax burden is also a component that politicians should consider.

Rural areas are particularly at risk. It is worth considering whether threatened businesses should be rewarded with generous loans and subsidies. The fact is that any business's disappearance will cost jobs and make the region less and less attractive, thus threatening the surrounding businesses.

We condense our recommendations in a few hands-on points:

- ▶ create favourable tax legislation
- ▶ reduce the bureaucratic burden
- ▶ create contact points, e.g. one-stop-agencies with contact persons for predecessors and successors who can guide through the complex transfer process. It would primarily serve to provide advice and enable networking between all involved parties.

- ▶ foster cooperation between active actors, mainly the exchange between the public and the private sector
- ▶ offer education and training programs for potential successors to increase their competences, e.g. in general management, HR management, leadership
- ▶ create an efficient market place in which sellers and buyers can meet (also across borders)
- ▶ foster international business transfers by exchanges and cooperation
- ▶ improve the advisory services situation, includes financial support, ensuring sufficient and well-trained advisors
- ▶ offer return programs for migrants especially for Eastern European countries to attract potential successors to return from abroad

A photograph of a person's hands writing in a notebook. The person is wearing a light-colored long-sleeved shirt. A laptop is open to the left, and a calculator is visible in the foreground. The image has a red circular overlay on the left side. The word "References" is written in white on a teal rectangular background.

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