

“Success Road” – 2nd Workshop

Education and Mentoring – Fusion of Entrepreneurship and Regional Authorities

PURPOSE

The purpose of the meeting was to design a workshop for the Agencja Rozwoju Mazowsza [Mazovia Development Agency] and other partners within the scope of the Interreg project. The project is partnered by the Greek Ministry of Entrepreneurship, Spain, Lithuania, and, finally, Poland. The goal is to create a regional policy supporting the businesses (here – leather/footwear businesses) helping them throughout the process of succession, understood as business survival over the first generation – business transfer is also a viable option here. Our workshop is aimed at devising ways to fuse education and mentoring activities with administrative and regional policy support – all to facilitate the succession processes at enterprises.

The purpose of this second workshop was:

- To discuss succession in the SME sector and the preparatory steps that need to be taken before succession,
- Discuss the educational/mentoring aspect of EWE in the succession context.
- Address the succession-related challenges in the area of leather and shoemaking industry in Poland.

During the seminar, we revised the ways that the family business owners could use to approach the issue of succession. We addressed the challenges of the succession process and the possible approaches that could be adopted to avoid mistakes and errors. The seminar also covered the matter of succession education and awareness-raising, among the business owners and stakeholders. We also brainstormed the ideas for the regional administration that could be used to create a business-survival-friendly ecosystem, beyond the term of the owner's career.

The primary question asked were as follows:

- What the succession process challenges are, what needs to happen to make succession reality and how one can avoid potential mistakes?
- How could business owners and stakeholders be educated, within that scope?
- How the NGOs, organizations, and regional administration could support the succession processes to create a business-survival-friendly ecosystem so that the businesses could live beyond the horizon set at the end of the owner's career?

SPEAKERS

The seminar involved the following participants:

- Sabina Klimek, PhD, Warsaw School of Economics
- Dariusz Wasylkowski, Wardynscy I Wspólnicy Law Firm, EWE Mentor;
- Patryk Filipiak, Filipiak Babicz Law Firm, EWE Mentor;
- Agnieszka Simon-Adamczewska Expert on controlling/finances, EWE Mentor;
- Tadeusz Sudoł Expert on management, EWE Mentor;
- Agnieszka Czajkowska-Wendorff, psychologist, EWE Mentor;
- Marcin Ochnik (family business co-owner, successor)
- Ewelina Pisarczyk, family business co-owner, EWE Mentor;
- Monika Saczewicz, EWE Mentor;

CONCLUSIONS AND NEXT STEPS

Homework

We would like the partners to create a roadmap for potential administrative support of the succession processes at SMEs.

SUMMARY OF SEMINAR ACTIVITIES

SESSION SUMMARY

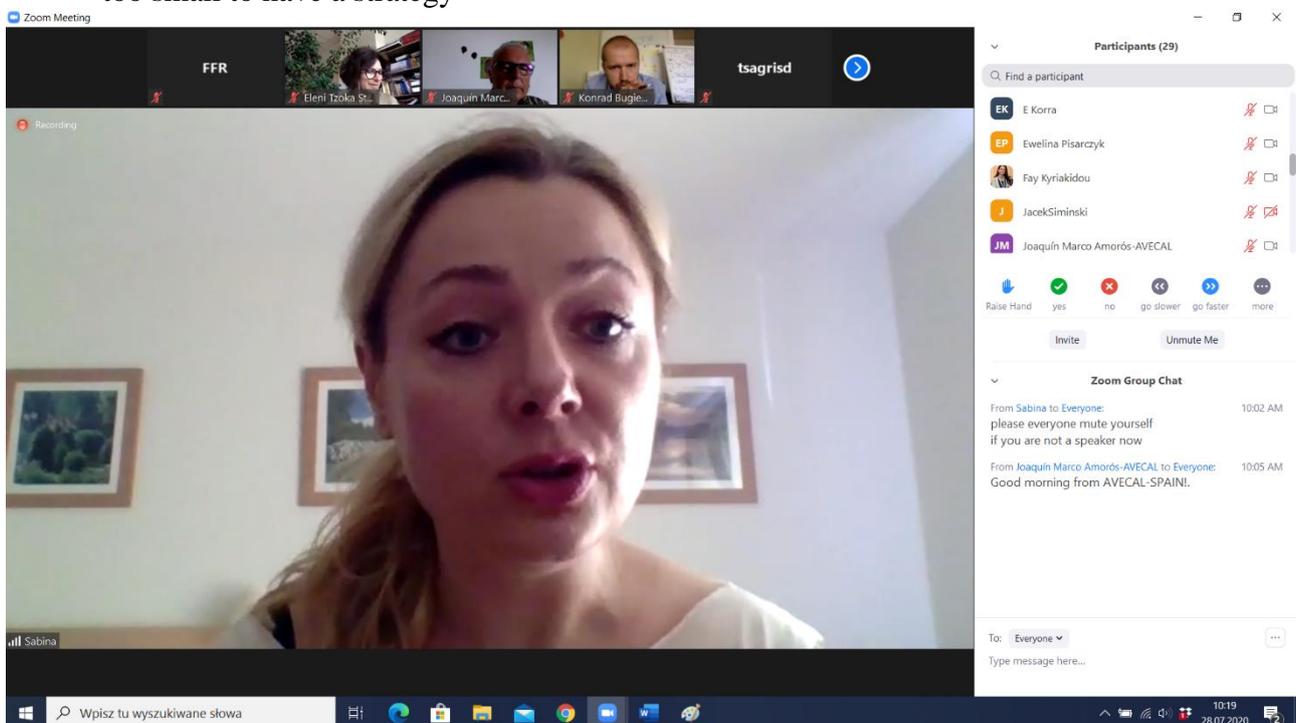


First, Eleni introduced the seminar topic and the hosts. Then Katarzyna Gierczak-Grupańska, the President at the FFR launched the meeting introducing the topic. Konrad Bugiera, PR manager for FFR/EWE in Poland and Eleni, the matchmaker in EWE Poland, explained their roles in the project.

Sabina Klimek was the first speaker – having a Ph.D. degree and being a lecturer at the Warsaw School of Economics and entrepreneurship researcher, being a trade commissioner for Poland for a long time. Sabina Klimek did an introduction to the meeting – with advice provided to family businesses. Klimek emphasized the importance of succession and the experience of succession in her own experience. She emphasized the problems related to the cross-generational transfer:

Klimek said that it would be disregarded by the seniors as to whether the next generation of managers would be better or worse at running the company. This fear emerges alongside the fear of retirement. Thus, it is crucial, Klimek said, for the owners to have a vision of their life after retirement. Another issue that is detrimental to the rate of business survival may be seen in a situation in which nobody would want to take over the family business from the previous owners. Here, a possible solution would be to sell the company, but this should not be done in a way that would undermine its value. **The parents are often, Klimek said, due to the patriarchal nature of society, inclined to transfer the company the wrong child – the oldest son for instance.** Sabina Klimek also suggested possible solutions to the problems:

- No strategy – no succession – businesses need to adopt a strategy that is a core element of the business.
- Strategy and knowledge-based development – survival factors
- Craftsmen – educating their children in a different direction when they are facing the problem – educational discrepancies as a problem in succession strategy
- Guidelines and succession strategies would help the companies to survive
- Good examples – large enterprises. SMEs have a tough time understanding that you're never too small to have a strategy



Then Katarzyna Gierczak-Grupińska introduced Dariusz Wasylkowski and Patryk Filipiak, from law firms and Agnieszka Simon-Adamczewska (controlling), Tadeusz Sudoł, Agnieszka Czajkowska-Wendorff, a business psychologist. These people, working within the EWE initiative, explained the succession process and the common mistakes.

Konrad Bugiera, FFR’s PR consultant, described the succession process as a journey and asked the experts to outline the tools needed for that journey, to be put in the metaphorical backpack given to the child going on a long journey.

Dariusz Wasylkowski said **that the parents should primarily equip the children with values, rather than legal tools. He emphasized the instrumental role that the law has in supporting the business strategy.** Succession, as such, as he said, in successful companies is viewed as a journey, not as a single event. The businesses need to take into account the legal instruments that

would secure that journey, with **a particular emphasis placed on the incorporation of the business, with limited liability and tax transparency being proper instruments** – unfortunately – not available in Poland. Wasylkowski also stressed the importance of openness in management – transparency and openness make the potential business transfer easier, as there are no gray areas or gaps that would need to be filled, based on intuition.

Zoom Meeting



Patryk Filipiak, a lawyer specializing in restructuring law, said that running a sole trader enterprise is not a bad idea, but one needs to have a strategy and checklist to pull out in case of accidents. No more, as Filipiak said than 65% of the Polish business people have an idea what to do in dire circumstances. Hence – planning is the key here. **Filipiak recommended that any entrepreneur/shareholder/manager who has not got ready to hand over the business should talk to somebody who already got ready for succession. Succession is a two-dimensional process – the first dimension concerns the force majeure and unexpected events (family as the successor of the late owner), the second – is the long-term process of getting the successors ready for transition over the years. In the absence of close successors, one may sell the company. However, it's best to combine both scenarios.** The sudden passing away needs to be managed immediately. Being a sole trader it is crucial to secure the stability of the business from the moment when you leave and to the moment when the heirs become ready. Filipiak also outlined the role of a succession manager – the entity in Poland that is tasked with taking care of the company's survival. In the case of LLC or JSCs the succession path needs to be clearly defined, Filipiak suggested. Once you handle the succession well, there is not much for the media to cover – so this is also important from the PR standpoint.



Katarzyna Gierczak-Grupińska added that sometimes the owner of the business does not have too much time to talk about the succession, also asking Tadeusz Sudol about succession-related education.

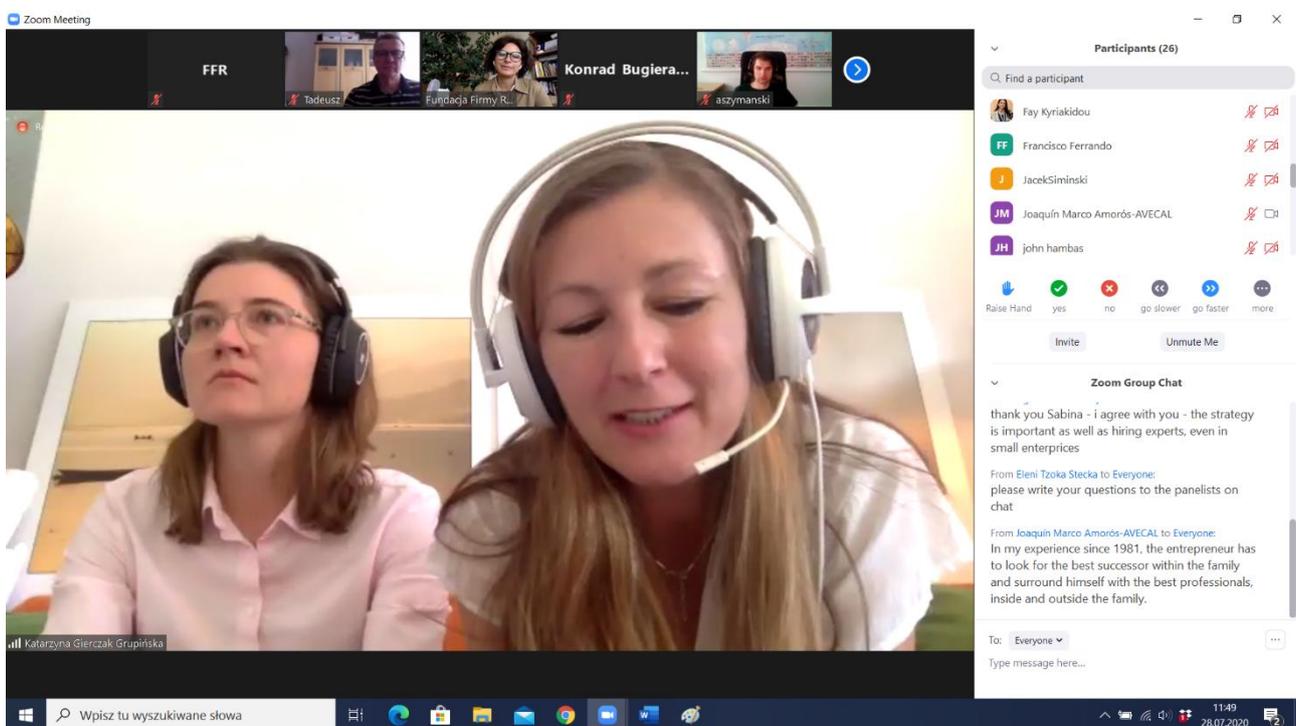
Tadeusz Sudol said that educating the owner of the company is almost impossible since they are resistant to external help. Sudol, yet again, used the journey metaphor, pointing out the importance of the start of the journey. **The owners usually fail to identify the moment when the preparation for succession shall begin.** First, the owner usually mixes the family and the company in case of the family businesses – the successor should ask himself the question of whether he/she wants this to continue. The answer is usually obvious: no. This cannot continue. The question here is to retain the business stability, also retaining the work-life balance. Also, the owners often make decisions not discussed with anybody - this is where transparency should come. **One should perceive the business as a football team – this forces the owner to design the development of the business differently – as he/she would begin to look for the best players to win – gain success.**

The succession should be based on the best players. However, the succession does not happen sometimes as the owner wants to keep the company. This is because he/she did not take time to create a journey of his own, namely, he/she should know what to do, when the company is handed over, with the business being a successor's full responsibility. Asking the successor to analyze the position of the company, setting the succession point, and creating the strategy over a period of 3 years would be optimal here. He're a *Succession Level Agreement* would be helpful (like a SLA – Service Level Agreement). The use of external experts in defining the shape of the process should also be the case.

Agnieszka Czajkowska-Wendorff, a psychologist, answered the question of how succession should be talked about it. **She said that talking about succession should be the starting point, without treating the successors as little kids. The parents are afraid of retirement and would still like**

to feel like owners after retirement. They need to give themselves inner permission to leave the company - the succession is thus difficult for the owner. Czajkowska-Wendorff also emphasized the importance of finding a new life for them. This could be done through conversation with the children. They should feel that their opinion is important and the other way round. The parents, meanwhile, should feel encouraged to engage in the new lifestyle. Mentoring processes are also a good solution within that regard. Gierczak-Grupinska said that it is important to know how to let go.

Agnieszka Simon-Adamczewska explained the meaning of numbers in the succession process. She also said that the successor should have an ability to view the process from the numbers-focused point of view. **The founders usually manage the companies listening to their hearts, also designating their favorite successor. Both the overall, as well as numbers-focused perspectives are important for the successor. Simon-Adamczewska also said that the successor should be able to improve the business. The plans should incorporate numbers, and they should involve experts.** From the controller's perspective, there are also some 'do-nots' – the most common numbers-related mistake is not following the right numbers. Here, a piece of external and expert advice is important, to follow the right numbers.

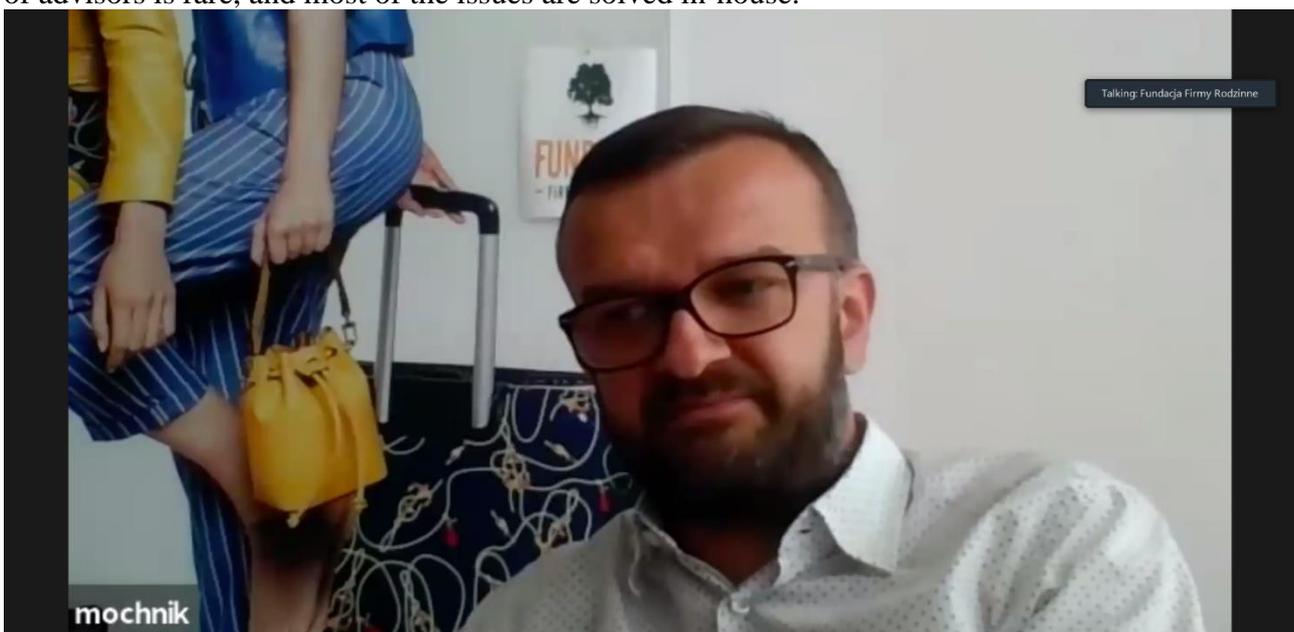


Katarzyna Gierczak-Grupińska also asked the question about an ecosystem that would be friendly for family businesses. Dariusz Wasylkowski said that there is much to be done at the dialogue level, between the businesses and the administration. Following the examples of the UK or the US where collective impact initiatives and NGOs play an important role would be key here. The EWE initiative, for that matter, could be used to help the businesses in successions. **Mediation and negotiation techniques could also be used with the third party identifying the actual interest – thus, the external advisors could help reveal the real and common interest. If the continuation is not a common interest, then the owners should get ready to sell the business.** However, this process should also be optimized and forced sales should be avoided. **It's better to sell shares, not assets.** NGOs should bring initiatives as such to the governmental level.

The local authorities could also support the NGOs, Filipiak added. **NGOs, meanwhile, could provide mentoring support to the businesses in the local economic sphere** which is quite useful

in unexpected circumstances. The 'journey backpack' should, hence, include a person who is trusted, well-known, and who could support the successor – a mentor.

The speeches were followed by a video interview on problems in the leather and footwear domain – this matter was addressed by Marcin Ochnik the CEO of Ochnik, the leading business of the leather and footwear sector in Poland – Ochnik. He emphasized the big influence the parents had on his business experience. Marcin Ochnik said that relationship with his brothers was important for him in developing the important skills. Ochnik said that both professional skills, as well as soft skills, for instance, related to the business culture, are important. He also emphasized the importance of working 'at' and 'on' the company. He said that at a medium or higher level, the personnel comes 'from the inside' of the company – from the family growing together with the business. Ochnik said that motivation and willingness to be responsible play a crucial role in the selection of proper personnel. And for the personnel – the atmosphere at the company plays an important role. The relationship among the family members is democratic in its nature, meanwhile. Marcin Ochnik only works in the Ochnik company, giving its 95% of the attention, despite having assets elsewhere – he outlined the assets/shares structure between him and his brothers. He also outlined the strategy-creation processes at Ochnik. **Ochnik also emphasized the importance of family honesty in the relationship as it mitigates any long term problems that could emerge. Looking back on the succession process, Ochnik said that expert advice of a psychologist would be useful – to understand both sides of the process.** Coaches and psychologists had an important role in the process. From the business side, business books and advisors turned out to be helpful, modifying and adopting, arranging the ideas that the family had, with regards to succession. However, the use of advisors is rare, and most of the issues are solved in-house.



Ewelina Pisarczyk, a successor at a 22-years old company, outlined the process of succession, believing that the process begins once the successor starts to work at the business. Pisarczyk began from "serving coffee" in the office, going through all steps of the business ladder, to the level of CEO, slowly taking over the company from his father. **The last two years before the succession were difficult emotionally. Development workshop on company values was quite helpful as the successors had a different vision of the future – external coaching and psychological advice turned out to be useful here, along with communications. Pisarczyk suggested that the issues among family companies and businesses are common, thus there is no shame in sharing the stories. Only openly sharing the stories would lead to a possible solution.**

Eleni Tzoka-Stecka outlined the mentoring activities undertaken within the framework of the Early Warning Europe initiative. She outlined the EWE project as such, with the project being organized trans-nationally. Tzoka-Stecka described the EWE idea – to provide impartial and confidential support for companies, helping them to survive or to carry out quick and honest closures, should no other way out be available. EWE is also aimed at changing the European perception of closures and “starting all over again”. The EWE initiative was also aimed at reinstating the owner’s confidence. The Family Business Foundation also gathers people who have a lot of knowledge, and their ability to become a mentor has been a successful idea. The FFR has helped 875 businesses and conducted 340 mentoring processes. Eleni also outlined the mentoring framework employed in the Polish context, describing the role of the consultants and the mentors. Then, she has shown the participants a short movie clip, outlining the EWE process. Eleni also described the primary traits that the mentor should have, ascribing the role associated with the body parts (head – life and professional experience; eyes – to see; ears – to listen to the mentee; hands – to provide support; legs – to walk the mentee through his/her problem; heart and brain should combine emotional intelligence and assertiveness). Tzoka-Stecka also emphasized the most important element – the pro bono attitude and the helpful approach that the mentors exhibited.

Eleni, during her speech, reflected on the workshops and integration of the mentor community, also highlighting the benefit the **mentors gain from the mentoring processes – emphasizing the role of networking**. The mentors were following the strategy derived during the diagnosis in the EWE process. During the mentoring process, many discoveries were also being made, thus the objectives of the mentoring could have changed throughout the process.

Eleni stressed that gathering people with proper expertise was crucial when composing the mentoring team, also listing the know-how and skill exhibited by the mentors, ranging from restructuring experts, finance professionals, tax advisers, branding, marketing or e-commerce experts, lawyers, psychologists, mediators, business coaches or any other personnel with the relevant knowledge.

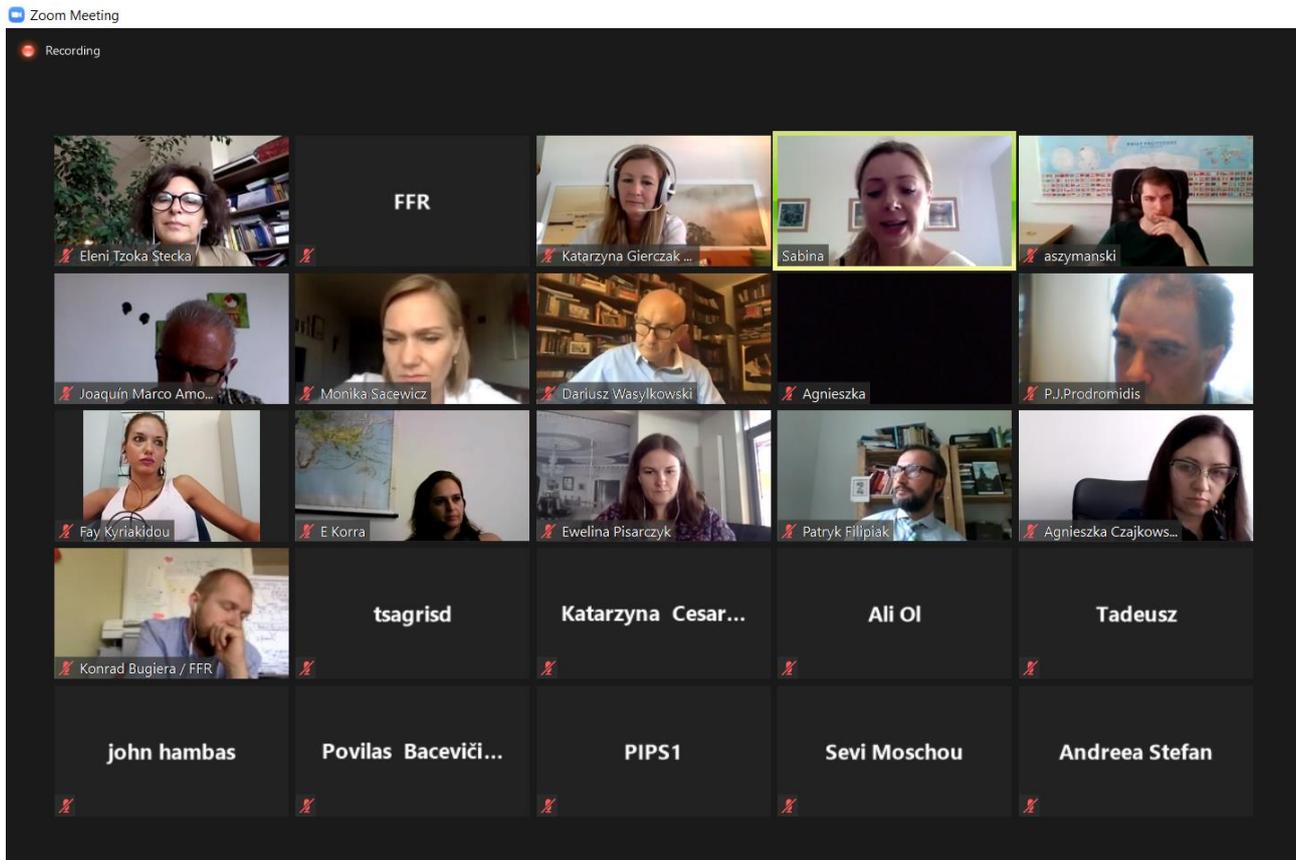
Geographically, the mentors gathered around some locations – this allowed them to meet and exchange their knowledge among themselves.

The mentoring network in Poland extends beyond the project run by COSME. This has also been emphasized by Eleni. Thus EWE continues to function on in Poland, beyond the horizon set initially by the framework of the project.

The panelists included Monika Sacewicz and Ewelina Pisarczyk - EWE mentors. They outlined the added value that the mentoring could bring to the mentoring processes. Sacewicz said that mentoring could be useful in succession processes – for instance, the family plans are separate from the business plans. Here, the mentor can be useful, in defining the strategy for the business future. Sacewicz also emphasized the importance of a dialogue one could have on goals and values and the relevance of asking the right questions. **Katarzyna Kłopocińska said that mentoring should be focused on mutual learning. Ewelina Pisarczyk, a EWE mentor, also gained some insight, thanks to her being a mentor, into succession processes at other companies.**

After that Kasia Gierczak-Grupińska addressed the questions made by the participants with regards to the FFR Family Business Tree brand and the mentor selection process. Eleni stressed the importance of open and extended dialogue in the recruitment process, done through meetings and the training sessions. A select group of mentors is created, only with those "born to do the mentoring". Here, getting to know each other well is important, hence, the recruitment usually involves the FFR network.

Part III of the meeting involved a group activity in break-out rooms. The groups were asked to brainstorm ideas for administrative support that could be provided in the succession area, especially for the leather and clothing industries.



BRAINSTORM CONCLUSIONS

During the brainstorm, the participants tried to find solutions to the succession-related problems, and the groups came to conclusions outlined below, with the proposed solutions having a relevant potential to support the succession processes:

- Activities supporting education and mentoring are difficult and important – the tools used here should be to restore the entrepreneur's image and provide information to seniors. The Universities could also run dedicated curricula for entrepreneurial skills, with succession being an element of the curriculum;
- Programs should be put in place, with mentoring support for helping the retiring business owners – tools should include dedicated consultants that would motivate the entrepreneurs to prepare in advance. Chambers of Commerce could also hold workshops on succession for the entrepreneurs gathered in small working groups;
- Graduates of business studies should be introduced to business owners who have no child capable of taking over, via, a type of online marketplace. This should be obligatory for Universities, with the entrepreneurs visiting the marketplace periodically
- The officials should perceive the significance of the succession to create strategic, public founded policies
- Succession could become a part of the TV series, so that it also becomes a natural element of the culture, beyond the realm of business;

- Family Business networking is important so that the owners share the experiences in a safe and trusted space;
- Specific training courses on conflict resolution shall be included in the business majors curricula;
- Mentor certification process should also be put in place, for building a trusted resource that can be used by the struggling businesses;
- The Administration should create a know-how base accessible by the businesses
- Real stories of succession shall become a part of the public discourse, with the government highlighting the SMEs's role in the economy;
- DOs and DON'Ts should be highlighted, with mistakes given a particular focus – to point out what does not work;
- Forum for potential buyers of companies without successor could be created, following the Spanish example;
- A succession handbook/clinic could be created and regularly held;
- The administration needs to participate in the succession processes, as some administrative aid measures could be put into place.