Enhance the Competitiveness and Sustainability of European SMEs through succession procedures and models

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EXPERT REPORT

ENHANCE THE COMPETITIVENESS AND SUSTAINABILITY OF EUROPEAN SMES THROUGH SUCCESSION PROCEDURES AND MODELS.

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Introduction

The outlook is that many of the EU's family businesses will suffer over the next few years and even disappear as a result of poor planning and organisation to deal with the generational changeover. In fact, the chances of a business surviving tends to decrease as successive generations take over.

As a rule, changeovers are poorly planned and late, forcing risky decisions. The two essential factors that make transition a success are that the person handing over the company is aware of the need to prepare it well in advance and that the person receiving it understands the structure.

For family changeover to be successful and enable the survival of the business, existing gaps, the roles of stakeholders and the current state of the company are analysed and appropriate training is designed. An action plan needs to be drawn up including the measures necessary to ensure the survival of the company and to protect its capital.

There are certain points to be considered which show the need for an action plan.

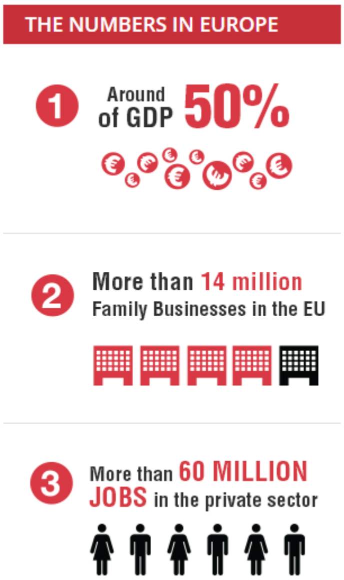
- ***3 out of 10 companies survive the handover to the second generation***
- ***1 in 10 survive the handover to the third generation***

According to the European Family Businesses Federation (GEEF), there are more than 14 million family businesses across Europe employing over 60 million in the private sector, accounting for around 50% of GDP.

These statistics show a worrying trend in which, in just 25 years, 33% of the 14 million family businesses throughout Europe could disappear, along with the employment they provide.

This implies not only the loss of employment but know-how, innovations, investments in assets and their social role in their local communities, among other aspects that enhance local wealth.

This would mean the loss of the knowledge that these companies have developed, the assets invested, as well as the disappearance of corporate social responsibility that they hold within their geographical radius of action.



In order to overcome this possible scenario, corrective measures must be taken which take into account three main aspects:

- The objective we want to achieve.
- Points of improvement to be addressed.
- Improvement actions to be implemented.

Goal:

Design and develop an Action Plan to improve the introduction of regional development policies and programmes, in particular succession programmes for improving the competitiveness and sustainability of European SMEs.

Improvements that can be made to succession procedures and models:

1. Conflicts within the family company

The peculiarities of a family business, combining business and family issues, are prone to generate a breeding ground for conflict.

The main reasons for this are the different perspectives and opinions in different situations: everyone perceives reality, facts and relationships in a different way. Conflicts arise from the differences in perception of each person of a circumstance, making them adopt different attitudes. People also attach different meanings and importance to things, creating differences of opinion. It is these differences that form the basis of the conflict, and for a family business the probability increases as the differences stem from three areas: family or personal, business and external. Depending on the degree of impact they are classified as first, second or third level according to the capacity to cross areas, depending on the stakeholders involved.

For example, at level one, a problem or conflict in the family sphere would not cross over to other areas.

Conflict is present in every organisation, but assessment has its own peculiarities in family businesses, where the clear overlap of family and professional dynamics adds complexity to the conflict and determines a particular style of the strategy followed to deal with it. (Hsu, Dan, Wiklund, Andreson, Stella et all.,2016)

Company conflicts can be categorised into three types (Jehn, 1997):

- Task conflict: different visions related to work and business and what are the objectives or goals to be achieved.

- Affective conflict: issues related to emotions and interpersonal relationships.

- Process conflict: related to disagreements as to the forms or methods used.

Conflicts that occur in the family business are stressful for everyone, even affecting those who are not family but employees who notice the tension, influencing daily business.

Unresolved conflicts in the family business increase instability and have negative consequences on other points, as listed below.

2. Leadership in the family business.

One of the critical points in a family business is leadership. The family business, which evolves over time, takes different forms because ownership is fragmented. Its challenge is to find a way to ensure a balanced transition so as not to hinder the stability achieved by the previous leader. This requires a leader with enough authority to manage in an effective, constructive way to create and motivate the team.

This is one of the improvements highlighted by the participants in the stakeholder meetings. Footwear companies were founded by people with drive and strength of character, but transitions create uncertainty and fear as leadership changes hands. There is concern about whether the new person will maintain stability and growth to guarantee employees' jobs. The stakeholders said it was difficult to achieve good leadership, as in many cases it requires balanced co-management, which is difficult unless functions and responsibilities are clearly defined, while bearing in mind that the same strategic business line should be followed. Many companies turn to external consulting firms for technical assistance. However, some who have tried this route have not been successful and still lack a figurehead, with all the unrest this entails.

It is important to detail the different typologies that have been established to define leaders, specifically in the family business (Ernesto Poza):

- The monarch: they do not leave until something forces them to do so. Normally through death, illness, poisoning or palace revolutions.

- The general: they are also forced to resign. The leader leaves his post with many reservations and plans his return to power. He returns to rescue the company and save it from the clumsiness of his successor.

- The ambassador: leaves because they are enthusiastic about the possibilities of representing business interests in the government, abroad or on the open market.

- The governor: leaves freely after their turn is up and devotes themselves to other interests, giving successors ample scope to establish their leadership.

-The inventor: returns to the laboratory or market development. Their great passion has always been to create new products that meet market needs.

-At this point, it is worth mentioning ESADE's and the Family Business Knowledge (FBK)'s recent report in which 1,237 Spanish companies belonging to the Family Business Institute (IEF) were surveyed. The report mentions another type of leadership in the family business and ranks them by prevalence in the sample of companies studied. The results are shown below:

Leadership	Definition	% of cases	Average age
The capitain	Little family or business complexity. They are SMEs largely controlled by the founder.	24%	28 years.
The emperor	Much more complex company. They are companies of considerable size. Family complexity is also notably greater.	19%	41 years
The family team	The complexity of the company is low but the complexity of the family is high. There is a lot of family for little company	22%	45 years
In the structure	The complexity of the company is high with a relatively low family complexity.	16%	37 years
In the corporation	Both complexities are very high. They are large companies with large families.	18%	61 years

Drawn up by the radiographical study of family businesses.

All this highlights the types of complexity that arise when running the family business and the specific treatment it must receive so that a leadership process can be established that guarantees the continuity and profitability of the company, as well as the integration of the family into the business project.

3. The succession process

Succession is one of the most difficult strategic issues for family businesses to deal with, it is a complex situation further complicated as it involves emotional and family aspects. It could be said to be the most difficult challenge for management to handle because of the responsibility it entails and its consequences for the future.

Considering succession from the point of view of handing the company over to the next generation, evidence suggests that typically it is handed down to the family siblings, typically the eldest male. While this may make sense in terms of familiar hierarchy, it does not necessarily make good managerial sense. Successors must be sufficiently prepared in attitude, capability and actions, to ensure they meet the objectives and guide the new stage successfully. The focus of attention is the training and commitment of the successor and the key role of the predecessor and the environment in effectively handling the transmission of the company's success.

There is no right way to guarantee that a business will be successfully passed on from one generation to the next, or that it will be sold at the best price if that is the best option for the family. However, effective long-term planning will ensure a much higher probability of success. First, there are a number of factors to consider that suggest whether a business is ready to make the generational jump successfully. Good planning in advance can ensure that favourable factors are part of the business and that the impact of unfavourable factors is reduced as far as possible. The first part of the planning process is to look for these four factors: psychological, legal, financial and fiscal.

4. Fiscal and inheritance aspects.

It is vital to look closely at is the management of business assets and the taxation of inheritance and gifts. With regard to Spanish inheritance tax, it should be stressed that this is a key factor because in our country it is excessively heavy compared to others. Added to this is the fact that taxation, its modifications and reductions depend on the autonomous region in question.

Therefore, the objective for family businesses is to make the most of tax reductions allowed by regulations. In the case of the Valencian Community, the reduction has been increased to 99% with the last modification of the regional budget. However, it is limited and applies only to small companies with a turnover of less than 10 million euros. This leaves out a significant number of family businesses, which are subject to the state reduction 95%.

The percentage of reduction independently means that certain requirements are fulfilled. However, they often are not, despite the fact that a company is large with a high turnover. Meeting these requirements needs good planning and organisation to ensure they are met.

The Valencian Community created the Valencian Tax Agency to replace the IVAT, with more than 600 staff and a powerful body of inspectors trained to look into assets, idle cash, etc. in companies. Their job is to confirm whether wealth tax is correctly applied and whether there is a right to full exemption or full reduction of 95-99%, further justifying the need for caution and proper estate management planning.

5. Financial aspects

Looking more closely at alternative means of carrying out a transfer to generational succession, there is the possibility of a cash injection from third parties in part or in full. This may be important when family businesses do not have successor or a particular situation has arisen. This helps guarantee the continuity of the business activity and the jobs it provides.

Regardless of the size of the company and the case, there are two fundamental points to analyse each company as regards the succession process.

First, planning and preparation for handover. The more prepared the company is, the easier it will be and the broader the alternatives.

Second, the moment of the handover and the Macro/Micro condition of the company. If this is not managed properly, the financial possibilities and company value will be lower.

Taking a planned case at a normal moment, what options would a family business in Spain have when facing a handover? The Spanish investor in family businesses is becoming more professional and there are many opportunities for companies in the footwear sector, with 2nd or 3rd generation family management whose case requires the help of a professional investor.

In these cases, there are two options for the handover:

-Capital option. An investment fund or a family office enters into the capital of the company by acquiring a majority or minority share.

- Option with debt. Bank debt or specialised debt funds (which are currently very active) helping companies to buy back shares from other partners or to buy back shares from funds from an earlier phase, etc.

Debt funds are more expensive than bank funds and require more collateral, but it is perhaps clear that the entrepreneur also has more control over how they operate.

It is important to understand how venture capital funds in particular work. They are mainly concerned with companies of a certain size, with a growth plan. There are two types of growth and the more opportunistic ones. The latter come into play in complex situations, where there are balance sheet tensions, where speed is of the essence in situations where the shareholder cannot maximise the value and needs a quick solution. That is when this type of fund comes in to play, and it does not have to be vulture funds.

Then there are growth funds, which may be the most interesting. These are of all sizes. For large and small companies alike. For small companies, they tend to be national funds that understand the sectors and dynamics very well, as well as which sectors, they are interested in.

6. Legal aspects

Our systems are considered more rigid compared to those in other countries.

There are two main succession systems:

Roman or Latin type system, in which the heir is seen as a continuance of the deceased personality, in whose legal position the latter is subrogated. In the historical origin of this system, the heir does not acquire anything but takes on the mantel of pater familiae. Rather than acquiring goods, he assumes burdens and functions. The original concept of the Roman family as a political group necessarily demands the arbitration of a system for the appointment of its new head that avoids the disintegration of the family, since the division of the family into so many groups (filiifamiliae) was seen as an undesirable situation.

Anglo-Saxon system in which the inheritance enters into a process of liquidation after the death of the deceased. The heirs do not subrogate themselves to the deceased, but acquire the balance resulting from the liquidation of the assets. Once the testator has died, the executor or the administrator takes charge of the estate with the broadest powers, settling the debts and collecting outstanding debts in order to hand over the liquid assets to the heirs; the heirs are not liable for debts with their own assets.

7. Family protocol

Family protocol is the tool that every family business should have.

According to data and information published by the *Instituto de la Empresa Familiar IEF*, the feeling of guaranteeing the continuity of the company outweighs the economic objectives that characterise companies that are not family run.

Therefore, one of the most important challenges facing family businesses is to adequately plan generational succession to guarantee the continuity of the company and to develop programs aimed at the professionalisation of the company.

These processes have to be planned in advance professionally and meticulously, like any strategic plan since succession is the most critical moment in the life of a family business.

To do this, it is essential to take into account the complexity of the three elements that make up the family business and understand them from three points of view:

- Family: its values are the care and protection of its members.

- Business: the main value lies in the individual's contribution to profit.

- Property: based on the return on investment.

Depending on the organisation or system in which one finds oneself, the points of view and problems vary. The combination of these permanently evolving elements is key to the success of the family business. Treating them separately is a mistake.

There is often a tendency to think more about how the family affects the business, i.e. how emotional factors affect business, rather than vice versa. The business affects the family and the continuity of the family business depends, to a large degree, on family harmony that requires a clear distinction between the family and business roles of individuals, in planning the processes of generational succession and in an adequate design of the governing bodies, both for the company and for the family.

The continuity of the company within the family requires a broad agreement between the partners, and those of the future generation, to resolve any type of debate or discrepancy within the company without interfering with its functioning. It is important to define the succession process, the entry of family members into the company, the strategic objectives of the company, the policies for applying profits and the exit clauses of the family partners from the company.

Broad and transparent communication policies must be established, to create specific mechanisms that allow general agreements to be reached within the family. Family meetings aim to foster relations between the different members, detect possible disagreements and transmit or reflect on the different aspects linked to the philosophy of the family business and to design a general framework of action for all family members and their relationship with the company. This will establish the 'rules of the game', all issues that may create tension are considered and the decisions or solutions to be adopted in each of these issues are anticipated.

All this is included in what is known as a 'family protocol', a written agreement that includes and details all these elements. It is a contract by which the family establishes in writing the subjects on which it wishes to have a regulation agreed upon in relation to the company. This instrument forms a code of conduct that regulates the professional and economic relationships between the members of the family and the company, and its main objective is to ensure the continuity of the company.

The family protocol is an important tool to regulate the operation of the company and the family involvement in the business in the long term. And yet, in most family businesses the family aspects that affect the company are still dealt with in a relatively informal way, lacking protocols or planning in such important issues as succession. Not having a plan in place can put the family business and family relationships at risk

8. Training and Coaching

Both here and abroad, there is a wide range of courses and studies on business management. However, specifically for the management of a family business, the number of courses is limited. This disparity is greater for subjects including legal, commercial, asset management, protocol, etc. providing training in exclusive aspects of succession and generational transmission of the family business, and this must be improved. Nevertheless, lessons can be learned from the specific training in family succession that is offered by the network of family business associations and the Family Business Institute nationally.

This data contrasts with the need to professionalise and improve the succession of a family business to ensure its survival, wealth and protect jobs.

Formal and informal training is required that deals with the issues mentioned here. It is also necessary to be aware that the two parties involved in the succession process, the predecessor and the successor, must be open to training and mentoring in order for the process to be successful, and this must include the work team and family members involved so that they have a greater understanding of what the process involves.

Improvements to be developed and introduced.

Conflicts: how to resolve them.

- The creation of governing bodies such as the family council, which anticipate future conflicts and establish the rules in advance.
- Developing programmes to evaluate and intervene in the dynamics and operation of the family business (family meetings) to recognise the demands and needs of the different groups involved and to increase conflict resolution skills.
- Role of external professional mediation. Win to Win, taking into account the interests of each interest group (successor, leaders, founder, family - whether they work in the company or not -, employees, investors and suppliers).
- Create a space for people to share emotions. This is important psychologically so that everyone involved is able to express their feelings, fears and reservations to create an area of confidence that minimises and relieves the tensions to contribute to a calm and effective resolution.

Planning the company handover.

- Protocol is the key and implies drawing up a real family strategic plan in a contract whose fundamental objective is to lay a solid foundation to facilitate the basic objective of the family business, its trans-generational continuity. Remember that it is not merely a legal document, but that it integrates a holistic approach to provide reflection and a strategic plan. Where we are and where we want to go as a family business. It must include psychological and emotional, business, strategic, patrimonial and legal aspects. The protocol must be customised to each company, and reflect its size and circumstances.
- Family protocols that can be registered in public records. Families with a business must get used to making family protocols that historically were parasocial pacts, binding only the members of the same family. Nowadays, the new legislative initiatives promoted by the IEF in Spain, are registrable at the public records office and are viable for third parties. This

is a great step forward to avoiding conflicts characteristic of family businesses and to establish the basis to resolve conflicts if they occur. Registration should be publicised much more through campaigns.

Financial alternatives to continuing the company.

- Open up the options to family succession and the entry of capital from third parties. Informing family businesses of the alternatives to traditional investments to obtain financing for investments to ensure the survival of the business. Each case is special but in Spain there is a large, specialised market for venture capital in footwear companies or debt funds that is accustomed to working with simple or more complex handovers.
- How does a venture capital fund work? The fund takes a share in companies of a certain size, with a growth plan and with management teams capable of supporting that plan. More importantly, they have an exit horizon of between 3 and 7 years. If everything is good, they leave after 3 years while in more difficult times they hold out a little longer. Their purpose is to grow the company and sell it in the future for a profit, reaping the rewards of the difference between the purchase and selling price.
- These funds like the management to contribute and to have active shareholders with knowledge of the business who stay on as shareholders and after the sale leave together in a 100% sale in the majority of cases.
- In the case of minority shareholders, they tend to be more specific in that the partner has to be removed, capital has to be increased for certain investment projects in which the current shareholder needs money to make investment projects or internationalisation but there is insufficient capital. So they require an investment fund to invest, normally these capital injections take place and the money stays in the company and is invested in the project. Obviously, each situation is different. Minority shareholders also get something because although they are a minority, they are going to demand presence and some control within the company.

Organisation plan and inheritance management

Draw up an organigram with expert business management, which uses the most effective tools.

Business assets should be held by holding companies because it enables a review of compliance with such requirements. Remember to take into account whether the reduction applied to the family business is full or not, depending on whether there is unaffected cash flow, financial assets, unstaffed leased property, property that is not subject to tax, etc. In which case, that part is not included in the reduction. Investments must be planned to correctly justify the impact, to see what the real cash needs are and to see how all this excess cash can be channelled through affected investments. Options would include the creation of a real estate portfolio to later rent or sell. Now there are other alternatives available such as investing in venture capital that with a participation of more than 5%, allows the family business to increase its value and be subject to a business activity. Obviously, all this requires business planning where all the cash surplus is invested to ensure maximum reduction, as everything that does not apply to the reduction will be taxed at high rates, particularly in the Valencian Community where allowances between family members is 50%. Assuming that the business may have a high value, this could be a very considerable sum. The reason for this is that the value of the assets, with respect to inheritance and gift taxes, is in real value and is therefore very heavily taxed.

One tool to take into account is the Family office, which is useful when a company starts to generate large excess cash flow which it wants to invest in other areas such as financial assets or real estate markets. It can be a good planning tool for professional joint management of family and business wealth. The family office tool enables diversification and reduced risk, which is why it provides better professional management and protection of assets by preserving them throughout the transfer from one generation to the next. There are not too many such cases at present in Alicante, but the forecast is upward.

Improving the tax conditions

- Bonuses and exemptions.

Officially establish a body or organisation, which includes representatives of social agents (business groups) that defends the interests of the family business before the tax authorities and governments. Its aim will be to improve the fiscal aspects of the management of the family business and, above all, to defend the need to reduce taxes linked to the succession of the family business. The main argument in its defence is that the current taxation in the succession of the family business is highly taxed, upsetting the economic stability of the company, reducing its competitiveness if compared with the most advantageous tax application in other autonomous regions in Spain and in other countries.

- Good practice in other countries, how business succession/transfer is facilitated

For Spanish companies, and specifically those in the footwear sector, inheritance tax is a complex obstacle. We have analysed the recent good practices published by the Global Family business Tax Monitor-Plan for the future, which compares the impact of tax regimes on a family business[1].

United Kingdom	The United Kingdom's inheritance tax has not changed substantially in 34 years. The UK's Office of Tax Simplification is reviewing the inheritance tax system to make tax filings, payments and other compliance simpler. More broadly, the review is to look at how the UK's inheritance and gift taxes interact and whether the current framework distorts business transfer decisions.
United States	The United States' tax reform legislation increased the lifetime exemption amount to USD11.18 million (for 2018; indexed for inflation). The change became effective for transfers of assets occurring in tax years beginning after 31 December 2017 but expires 31 December 2025. As discussed later in this report, the reform allows owners to transfer more assets tax-free on death or through lifetime gifts, greatly expanding the succession options of business families.
South Africa	A South Africa government commission is looking into introducing a wealth tax,4 but its enactment is uncertain in view of the country's already onerous capital gains tax and estate duty provisions.

[1] https://assets.kpmg/content/dam/kpmg/es/pdf/2018/10/global-family-business-tax-monitor.pdf

Thailand	Thailand introduced a new inheritance tax in August 2016. To curb potential avoidance of the new tax, the country also added gift tax provisions to its personal income tax regime.
Philippines	Philippines introduced a tax reform effective from 1 January 2018 that simplifies taxes on donation and succession by replacing graduated tax rates for lifetime gifts to family members and estate tax with a flat donor's/estate tax rate of 6 percent
Taiwan	Taiwan's inheritance and gift tax changed from a flat 10 percent rate to progressive rates of 10–20 percent as of 12 May 2017.

Legal aspects

- The harmonisation of the conflict resolution system through Regulation 605/2012 helps to shape the areas of freedom, security and justice advocated in Article 3(2) of the TEU.
- The European Certificate of Succession crowns the harmonisation process, simplifying the documentation or cross-border management of successions, benefitting the stability of family relationships.
- Trust institutions play a special role in planning the transfer of the business, keeping family assets together and ensuring their attachment over several generations to a predefined group, although they do not have the versatility of the Anglo-Saxon trust.
- With cross-border elements, analysis is required of the different legal regimes called upon to regulate the question of succession. The possibility of choosing the lex seccessionis allows more accurate planning, insofar as testators will be able to designate the law of a country with which they have closer social and cultural ties or which offers them a system of succession adapted to the particular circumstances of their case or wishes, the supreme law of succession.

Instruments and stimuli

- Public Registration of the Family Business, through the proposed family business platform. There is a need to promote the registration of family businesses according to the definition used in this work. Its registration and updating are essential to attest that the company applying for aid, a call or incentive for example, certifies its status, giving an advantage by concurrence in a possible competitive scale of evaluation to competitive concurrence.
- Calls aimed at subsidies through regional, national and European bodies aimed at business development and implementation (incentives for the development of projects that provide a value-added effect to the process of family succession). In the case of aid and subsidies for projects to support the process of succession in the family business specifically or other calls. For example, R & D activity could be assessed positively, raining the company's score with points awarded for continuity and survival into the future. This would have to be specified and analysed with the public bodies that call for and grant public aid.
- Priority: To promote and implement direct aid to request economic support for family protocols for the family business. This planning is enormously important to guarantee successful generational handover, ensuring survival.
- Generate a pool of mediators to which companies can turn to resolve the type of conflicts which characterise this type of business and to support the design and introduction of the family protocol. This would also reduce the bottleneck existing in the courts in family business cases requiring resolution.

TRAINING AND MENTORING

Understanding both parties: the predecessor and the successor.

Training the successor, leadership training. The successor must understand their role, the organisation and the people they will work with. There are different ways of acquiring the experience and knowledge they will need:

Formal and informal training to develop the capacity to analyse and solve complex problems, the capacity to sacrifice and the capacity to continue training.

Experience from outside the family business is recommended for various reasons; so that the capacities of the future successor can be judged objectively professional and personal development and independence. To achieve credibility and probability of being accepted. To broaden their perspective. To have been an employee makes a manager with more empathy.

Obtaining experience in the company and knowledge of the business by working in lower-level posts.

Developing a career in the company requires a balance between three fundamental points to achieve satisfactory development. (Fiegener et al. 1994,1995: Foster, 1995). Challenge, Support and Recognition.

The role of the predecessor in training the successor.

The influence of the predecessor is fundamental in creating an environment that encourages the successor to learn from experience and to accept their mistakes, and where they need to develop self-confidence and managerial autonomy. (Goldberg, 1991)

The difference between successful and unsuccessful cases is not so much that the predecessor takes the less active role, but rather that they promote an environment in the company where the successor feels free to make decisions and mistakes, with the support of both the predecessor and other experienced employees.

Obviously, good relations and understanding between the predecessor and the successor must be fostered for the succession process to be successful. The predecessor must pass on their knowledge, experience and know-how for the benefit of the survival of the company.

The role of non-family employees.

The attitude of key workers in the non-family business. A positive or negative outlook in the face of change will have an influence and can ease or obstruct the process.

Key workers can be classified by the following types:

Ally/Partner, Ally/Lieutenant, Mentor, Bridge, Evaluator, Spectator, Competitor and Saboteur.

Of these, the figure of the Mentor is of great importance in training the successor and can also be a catalyst for the hand over.

Mentoring

- Mentor figure. When the predecessor is not able to teach the successor, they may propose that others in the family take on the role. On these occasions, the predecessor often turns to his trusted managers who have been working in the company for a long time. They are well regarded and well paid, and assume the role happily because they feel motivated to have been chosen. However, there can be problems when training is assigned to people with high workloads and low salaries. The reason is that they are training a person who knows less and has less experience but nevertheless earns much more than the mentor or trainer.

Mentoring can also be performed through an external professional who acts as a coach during the course. This is a role that must be taken into account due to the lack of regulated and unregulated training in family succession.

Strategies from a contextual viewpoint; training and mentoring.

As we have seen, there are several areas that influence and enhance the succession of the family business. On the other hand, once the weak points have been identified, one way of improving them is through the potential provided by training, learning and mentoring, coinciding with the topic that concerns this second semester.

Below is a series of strategies for improving the competitiveness of family businesses and their survival, guaranteed by successful family and generational succession.

Training for a successful family handover

The first is to have APPROVED CERTIFIED TRAINING

1. Establish the Strategy and Training Board, specifically for Family Succession.

    - Determine components, implications and their functions.
        - Social agents: business associations, trade unions, economic promotion authorities and the Ministry of Sustainable Economy, IVACE, public and private universities, Family Business Institute, LABORA, SEPE, etc.

2. Analyse the existing resources in training in the management of the family business so that personnel, time and costs are not duplicated.

3. Design and programme the contents and their scheduling aimed at analysing current bad practices, existing good practices and training content applied to family succession that improve the following areas:

    - Conflicts within the family business
    - Leadership of the family business
    - Succession Planning
    - Fiscal and Inheritance issues
    - Financial Aspects
    - Legal aspects

    a. Family protocol

    o Coaching

4. Sharing, review and correction by the stakeholders of the TRAINING FOR A SUCCESSFUL FAMILY SUCCESSION program.

5. Evaluation and approval of the training content for TRAINING FOR A SUCCESSFUL FAMILY SUCCESSION.

6. Negotiations with state and regional organisations (public and private) to certify and provide financial support for the delivery of courses, workshops and conferences, both classroom and digital.

7. Establish a pool of bodies and teachers with sufficient experience and careers in family business management and succession.

8. Implementation and delivery of the TRAINING FOR A SUCCESSFUL FAMILY SUCCESSION PROGRAMME.

a. Advertising
b. Course development
c. Results

Intra-entrepreneurship

Intra-entrepreneurship is a means of survival and expansion of the family business. Entrepreneurship inside and outside the company.

The Intra Entrepreneur is the worker, or in this case the owner, family or non family partners, capable of developing a new line of business or an innovation within a company, acquiring the responsibility of the project while maintaining their position and corresponding salary.

The capacity of many of the owners and family entrepreneurs to start up new lines of business or companies is well known, taking advantage of the entrepreneurial culture that exists in the family and the need to advance and adapt to new markets over the years.

Existing resources can be utilised to avoid duplication of resources to start businesses that already support business and start-up ideas. For example, the resources of the Science Park of the Miguel Hernandez University which is geographically close to the sphere of influence of the footwear cluster. UMH Start up Marathon.

FIGURE 1: UMH MARATHON

TRAILBLAZING COMPANIES FINANCE PROGRAMME PARTICPATE

An incubation programme managed by the Science Park at the UMH which combines strategic mentoring, sector advice, training in setting up a company, Financing to promote innovative start-ups, facilities and infrastructure for project development

Source: https://maratonstartupsumh.es/

Incentives and subsidies for specific training in matters dealing with generational handover in a family company.

To create a subsidised program to encourage and improve successful family succession. Learn about the process of succession and implementation in the SME.

Below is a model table of contents, both theoretical and practical, of the Family Business Succession Support Programme.

TABLE 1: COMPANIES AND THEIR TEAMS HAVE TO LEARN ABOUT THE SUCCESSION AND IMPLEMENTATION PROCESS IN SMEs.

Propose Topics	Work Pack
1. Models Family business, redefine? 2. Growth and innovation strategy 3. Wealth management and tax framework 4. Alternative financing 5. Conflicts in the company 6. Succession process and legal processes involved 7. Mediator Role 8. Family protocol **9.** Marketing in the family SME, succession Implementation and monitoring	1. Design Think succession (Ideas to improve and implement in the process) 2. Feasibility of Business succession 3. Start-up- succession (Small-scale implementation) 4. Scale up-succession (Implementation in the real world) 5. Accompanying coaching.

Source: in-house

- In order to facilitate training, reference can be made to specific existing content on the family business. Work is ongoing by the various Family Business Chairs in Spanish Universities, typically as optional modules in Business Administration and Management degrees.

Training content must be developed at different events depending on the type of public attending: courses, conferences, congresses, business brunches and other formats in the circle of confidence for the exchange of good practices, and to create open spaces, off line as well as on line where attendees can listen to and learn from good practices in the following areas:

TABLE 2: FAMILY COMPANY MODULE PROGRAMME

Managing a family company
1.1. Concept, characteristics and typology **1.2. Life cycle of family businesses** **1.3. Meaning and historical evolution of the family business** **1.4. Family system and company system: relationships, culture and values.**
THEME 2.- GOVERNANCE OF THE FAMILY BUSINESS **2.1. Governing bodies of the company** **2.2. Governing bodies of the family** **2.3. Communication and conflict in the family business: problems and resolution.**
THEME 3.- CONTINUITY AND SUCCESSION IN THE FAMILY BUSINESS **3.1. Continuity and succession.** **3.2. Family protocol: content and effects**
TOPIC 4.- MANAGING THE FAMILY BUSINESS **4.1. The strategic management of the family business** **4.2. Culture of the family business** **4.3. Professionalisation of the management**

Source: in-house

NEXT GENERATION. Making the company an attractive proposal for the next generation:

Without young people, the continuity of the family business is meaningless. Therefore, an essential key is to make the project attractive and interesting for the next generation, aligning it with their objectives and life projects.

Manuel Bermejo, IE Business School's Executive Director General for Education, sums it up thus: "It is very important to make sure that children fall in love with their parents' project from an early age. To this end, we must work on a strategic plan that adapts to the new business and family environment," based on his experience as a director of numerous family businesses in Europe and Latin America.

From this point of view, we must encourage a new way of working in the company, where traditional values and adaptive innovation coexist. Family businesses are vulnerable during a family succession, so it is essential to involve the young successors.

The accompaniment and training of the future owner must be adapted to their much more digital, innovative and open-minded approach, so that they feel at ease and motivated.

In conclusion, the training channels and their delivery must be

- Adapted to new digital technologies
- Flexible
- Collaborative and open to exchange
- Innovative
- International
- Aligned with sustainability values

Looking at the data from the European Programme ERASMUS+ published by the European Commission, we see that between 2014 and 2020, more than 4 million young people have participated in this programme.

https://ec.europa.eu/programmes/erasmus-plus/about/key-figures_es

The figures speak for themselves:

Key Figures	
Overall mobility opportunities	More than 4 million people
Higher Education	Around 2 million students
Vocational Education and Training students	Around 650,000 students
Staff mobility	Around 800,000 lecturers, teachers, trainers, education staff and youth workers
Youth exchange schemes	More than 500,000 young people
Master's degree loan guarantee scheme	Around 200,000 students
Joint Master Degrees	More than 25,000 students
Strategic Partnerships	Around 25,000 linking together 125,000 schools, vocational education and training institutions, higher and adult education institutions, youth organisations and enterprises
Knowledge Alliances	More than 150 set up by 1500 higher education institutions and enterprises

Sector Skills Alliances	More than 150 set up by 2000 vocational education and training providers and enterprises
Overall budget	€14.7 billion
In addition, € 1.68 billion for funding actions with third countries (partner countries) has been made available through the EU's external action budget.	

Source: https://ec.europa.eu/programmes/erasmus-plus/about/key-figures_es

These data reveal the interest among future generations for learning in other places with new people and new experiences to maintain their impetus and motivation.

It is an innovative formula to continue learning in other environments and to apply this learning to your company. The possibility of establishing an ERASMUS_FAMILY BUSINESS programme in which the young have access to companies in the same or different sectors to learn from good practices and other ways of doing things, which they can take back to their family business. This creates more in-depth knowledge, different perspectives and collaboration between European family businesses, and all this added value will be reflected in society, the economy and the sustainability of European businesses.

Conclusions: 2nd workshop – an event organised by Polish partner ARMSA.

Date: 28th July 2020. Via Zoom

Actions proposed during group work aimed at improving the process of family succession through education and mentoring

- Networking
- Creating a Mentors' Network
- Specific courses and certificates in family handovers
- Awareness and information campaigns on handing over the family business for mentoring and support programs.
- Promotion of family succession through TV shows, series
- Official family succession website with verified information
- University courses specialised in family succession and its problems
- Interviews with mentors

- Strategic Succession Plans
- Promoting entrepreneurial activity and training on how to run a family business from the predecessor/successor point of view.