



REGIONAL ACTION PLAN FOR Lithuania

Lithuanian Innovation Center
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LITHUANIAN
INNOVATION
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Lithuanian Innovation Center

Part I – General information

Project: Enhance the Competitiveness and Sustainability of European SMEs through succession procedures and models (SuccessRoad)

Partner organisation: Lithuanian Innovation Center

Other partner organisations involved (if relevant):

Country: Lithuania

NUTS2 region: Lithuania

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Part II – Description of the Lithuania

Lithuania's and Europe's economic growth and jobs depend on the ability to support the growth and sustainability of private enterprises. Entrepreneurship creates new companies, opens up new markets, and nurtures new skills. The most important source of employment in both Lithuania and EU is Small and medium-sized enterprises (SMEs). In 2018 SMEs accounted for 99.6 % of all enterprises in Lithuania, of which the majority were micro-enterprises. SMEs also employed 71.6 % of all employees in the private sector and created 65.5 % of business added value.

In the European context SMEs account for over 99 % of all European enterprises – the vast majority of which are family-run enterprises. According to various calculations, family businesses make up between 65 to 80 % of all companies in Europe and around 38 % in Lithuania. According to OECD, around 450 000 SMEs change ownership annually in the EU, affecting more than 2 million employees, but up to one-third of these transfers may not be successful, thus endangering around 150 000 enterprises and 600 000 jobs. Regarding business succession, this process is even more problematic.

Generally, younger generations in Lithuania, who grew up in families that have established their own businesses, are reluctant to take over and lead the business. Some of them might want to try themselves in the new spheres, other are afraid to work with their parents. Some people also emphasize that they have always seen how much and how hard their parents worked to establish their own company, so they do not want such a life for themselves. Also, people who have entrepreneurial mindset and understand the newest management principles face the resistance of parents who established and developed a business themselves when trying to modernize and adapt it to the current trends. On the opposite, some young talented and professional people want to establish their businesses. Not a continuation of what has been started already, but the creation of something new is very popular among young people in Lithuania. These aspects can be explained by the fact, that in Lithuania there is no business succession culture and tradition.

In Lithuania, only 1 of 10 business owners has fully started the succession planning process – he/she thinks about the transfer of business to a successor, the preparation of company for transfer, the transfer of business ownership, the legal structure that would ensure a sustainable transfer of the business to several generations of successor. Meanwhile, only 3 out of 10 entrepreneurs have started thinking about succession planning, but have not taken it structurally and have taken only a few steps. Many businesses in Lithuania fail in the transfer phase because of these reasons:

- Business succession is a very long (from 5 to 10 years) and a complex process. Because this process mostly happens once in a lifetime, owners-managers have no or just a limited amount of experience and knowledge of how to handle this situation. In addition, owners-managers very often do not know who to contact for the help or where to find information.
- Business succession could also be a problematic process due to the national legislation, in particular company law, taxation, and administrative formalities.

- Entrepreneurship consists of many complex activities in which a lot of tacit knowledge is present that cannot be easily transferred from one generation to another. There are many deeply ingrained routines and experiential knowledge that makes the company successful and can be acquired only by learning by doing in which younger family members work together with elders adopting their experiential knowledge and skills.
- Many owner-managers, who have created and built up their own businesses over a number of years, are very reluctant to let go and to prepare the transfer of their business. The transfer of know-how and skills takes place very late, if at all. There are many invisible, "soft" or emotional problems that play a major role in successions, especially where family enterprises are concerned: owner-manager being too busy running and controlling the enterprise, owner-managers fears of losing a central role in the family, owner-managers different excuses which are more or less connected to feelings of rivalry and jealousy toward potential successors, and owner-manager very often associates retirement with his or her own mortality;

The second set of issues related to the successful business succession are related to the potential successors. As the question of business succession is becoming more important in Lithuania, in the nearest future there will be a high demand for competitive business successors. A smooth leadership transfer will never take place unless there is an interested and well-prepared successor. The importance of business successors is clear, however, some family businesses in Lithuania might find it difficult to find the right person, because of several reasons:

- Younger generations are more active regarding innovation, development of new products, search of new partners or markets, they have a modern understanding of how business should be run. However, they might lack a lot of practical knowledge, which can be acquired only through practice: how to manage risks; how to act in stressful, unforeseen circumstances; how to negotiate and communicate with partners or employees.
- Sometimes there can be more than one equally suitable potential successor. They can have a different set of competencies and personal features which makes decision even more difficult. The decision for the owner-manager can be very emotional, while on the other hand, there also can be some hostility between potential candidates understanding this situation. All in all, it makes succession difficult and in the long run it can negatively influence the business.
- Some of the family businesses might operate in the fields, which have low growth potential or are declining. With this in mind, young people might not want to risk and instead choose other spheres. Cultural aspects also can influence potential successors: certain types of businesses lose a positive image in society; some of them are established in smaller cities or towns which are declining. Also, the spread of start-ups culture in Lithuania negatively influences the possibility for young people to take over other businesses, as they are keen to create their own businesses.

In the Lithuanian context, business development and implementation of various innovations is one of the major issues, challenging business succession. This is important due to the fact that in order to encourage a business transfer, the business to be transferred must be promising and attractive to its successor. On the one hand, it is difficult to change place, where business is operating and it is quite difficult to change the scope of the company. On the other hand, what business leaders can do now and relatively more easily is adapt to different business trends to make company as attractive as possible. With company succession, a primary concern is whether the company in focus has the potential for a sustained existence. Consequently, a business transfer will also be assessed as a failure, when the company enters a state of crisis or consequently disappears from the market shortly after succession has taken place. Therefore, it is important to extend the list of traditional issues related to business succession such as tax, legal, psychological or financial aspects with the business development and innovation. Potential business successor, would it be from the family or outside of it, analyse companies of interest and it constitute the crucial part in the succession process. During the company analysis process a firm's strengths and weaknesses are analyzed and prioritized in line with the successors key (strategic) objectives with regard to company succession. Taking into account the importance of innovation in today's business environment, this is also one of the key points potential successors consider and think if business in the long run will be competitive.

However, this issue could also be seen from the other perspective. Those entrepreneurs who have a potential successor and know that their company will survive behave differently along the life cycle of a company to those who have problems finding a successor. A logical consequence of an entrepreneur not having a successor is that they stop investment as they might have to close their company and the investments in the long term will disappear. Investment increases the value of a company, however, very often people are not willing to pay these costs and it can turn to an uneconomic situation for senior entrepreneurs. Those

entrepreneurs who have a successor aim to handover a stable company and continue with investment and are more open to innovations. Lack of successors leads to a high degree of investment and innovation lack in the life cycle of a company.

As a result of both perspectives, a rather delicate situation arises. Business leaders who are unsure whether their business will be taken over reduce investment in innovation. Yet, potential business successors, be they family members or people from outside see this situation and understand, that business in the long term may face competitiveness and development issues. This ultimately means that taking over a business is not an attractive decision. It is this situation that leads business leaders not to think that their business will be taken over and they have no incentive to invest in the development of the company. Finally, by understanding each other's operating principles and intentions, a cycle ensues in which there are challenges for both business transfer and innovation development.

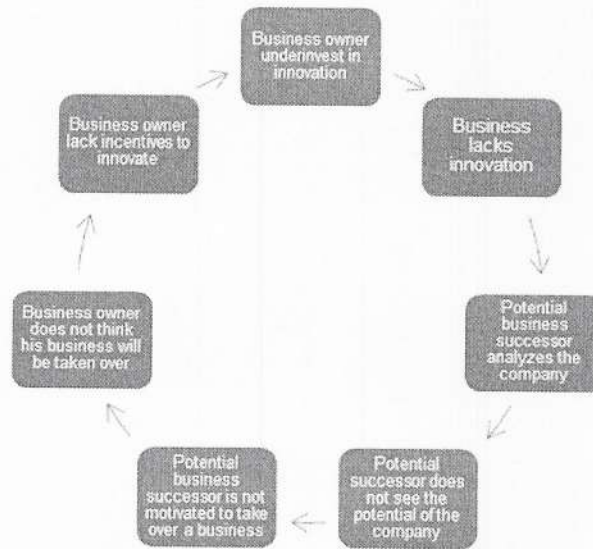


Figure 1. Business succession and innovation.

Business development and its competitiveness highly depends on the ability to create and implemented innovations. In order to scale business up and expand, there are many ways, one of which is the rethinking of products, business models, or both. Creation and implementation of various innovations also allow companies to stay relevant. Business environment is constantly changing, and in order to remain relevant and profitable, there is a need to adapt in order to meet these new realities. When done right, business innovation takes stock of where the market is going due to potential disruptors or changing consumer demands. Currently, various trends, such as digital transformation and sustainable business development shape the way companies have to operate and compete in the market. In this context, it is necessary to ensure that companies are given the best possible conditions for the implementation of innovation related to these trends. Also, innovation allows business to differentiate themselves from others. If organization is using innovations on its products, for example, then the goal is to develop or update the products until they are different or better compared to others. If business is using innovations on its processes, it is because doing so will allow it to save some time, money, or other resources, and it will give business competitive advantage over other stuck with the traditional processes. A lot of business innovation happens by making existing business processes less costly, less time-consuming to complete, and more sustainable. Those changes save time and make it easier for an organization to adapt to industry shifts with agility, which cushions against volatility and risk.

In general, family businesses face some challenges related to the implementation of innovations:

- Over time family businesses become conservative and unwilling or unable to assume the risks associated with new activities. In general, innovation projects are highly risky and risk aversion tendency of family firms are found to be negatively affecting the creation of innovation-friendly climate in the organization;
- Generation to which business owner belongs can influence attitudes towards innovation. The younger the generation to which the management team belongs, the more dynamic the company's culture of innovation would be, since new generations are characterised by being the driving force

behind innovation due to their ability to identify new business opportunities and their tendency to create new ways of doing things;

- Limited exposure to innovative ideas from other industries, particularly in families where business leaders have not worked anywhere else. Lack of willingness to adopt outside ideas due to a feeling that family members, who may have been in the business for decades, know more than anyone else about what it takes to succeed;

Firms with a high level of family ownership tend to reduce the amount of R&D investment and thus may discourage risky long-term R&D investment. Businesses with high family ownership closely and carefully monitor innovation activities, thus they seek maximum efficiency in their use of R&D investment and thus tend to invest less compared to firms with low family ownership. Companies, with a family ownership actually invest less in long-term project than others. Taking all of this into account, business succession in Lithuanian requires the creation of an enabling environment, which would include business digitisation and innovation as key elements.

Part III – Policy context

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instrument addressed: Lithuanian OP 2014-2020 for investing European Structural and Investment funds, Thematic priority (TO3) "SME Competitiveness" and also Lithuanian OP 2021-2027 for investing EU funds program.

Further details on the policy context and the way the action plan should contribute to improve the policy instrument:

In order to strengthen Lithuania's economic development as well as tackle social exclusion, unemployment, energy security and other related challenges, The Lithuanian Operational Programme (OP) has been designed. It brings together several key EU investment funds aimed at helping Lithuania to tackle its most important issues. It reflects the goals of the Europe 2020 strategy with a clear emphasis on boosting research and innovation, SME competitiveness, the shift to a low-carbon economy, the promotion of human capital, especially of young people, and the fight against the poverty. The OP support will substantially contribute to Lithuania's ability to achieve the key EU and national development priorities. In the framework of *SuccessRoad* project, investment priority No 3 "Promoting competitiveness of small and medium-sized business" is particularly important. Around 7.92% of the OP resources are allocated to support SMEs' competitiveness, entrepreneurship, new business models, internationalisation and productivity.

Within the help of the *SuccessRoad* project, it is expected that the implementation of policy instruments under the OP 2014-2020 and policy instruments preparation with implementation in the framework of OP 2021-2027 will be improved. This action plan with the learning experience within *SuccessRoad* project and the shared good practices aims at *promoting targeted support for family businesses regarding innovation and digitisation, and monitoring the use of support measures by family businesses in order to understand their needs and improve future policy instruments.*

These include study visits, exchange of experiences and good practices, expert discussions that happened during the implementation of the project. For the first action, learning experiences and exchange of knowledge between different stakeholders and experts, that happened during the study visits in Lithuanian and Spain are particularly important. During these meetings, experts emphasized the need for family businesses to increasingly use a variety of financial instruments (such as R&D subsidies) due to the rapid changes in innovation and digitalisation, and the need to promote soft consulting services specifically designed to help family companies access existing support measures. For the second action, the good practice of TRANSEO presented during the online study visit in Greece was important, as it emphasize the importance of monitoring and studying of business succession ecosystem in order to improve it. Also, project partners from Greece shared good practice "Interventions to Implement Institutional Reinforcements to Promote Business Transfer / Succession", which also emphasised the importance of business succession policy observatories, in order to collect and analyse data on the systemic basis.

Therefore, it is expected that the implementation of the actions will allow to implement structural changes by including a new priority of family businesses in the framework of Lithuanian OP and/or specific policy measures will include family business as a priority for innovation and digitisation support measures, whereas this has not been a priority so far. Lithuanian Innovation Center is constantly involved in the development of the Lithuanian OP and related various innovation and digitisation support measures under this programme by providing recommendations and insights based on the expertise and knowledge gained within business support activities. In this way LIC can impact policy directions and governance, policy target groups. Organization is also one of the key actors in Lithuania implementing innovation and digitisation policy, and policy measures in order to foster business growth.

Foreseen action will impact Lithuanian OP for 2021-2027 in the way of showing that support for family businesses to innovate and digitize their activities is particularly important as it allows businesses not only to improve their business development, but also it creates more favourable conditions for business succession.

The actions planned to be implemented in the second phase of the project will help the creation of specific support for family businesses in the framework of Lithuanian OP 2021-2027, as family businesses have not received any specific attention in Lithuania so far. Currently, Lithuanian OP 2021-2027 is under the preparation and coordination stage and the implementation of upcoming OP together with first business support policy measures dedicated in particular to provide targeted and specific support for family businesses in the context of innovation and digitisation should start in the last quarter of 2022.

Via Action Plan, we are going to be demonstrating that our Actions will result in SMEs been taking up forms of funding; our self-defined performance indicator in the project is 50 SMEs support in the region, which experience structural change.

The ways we expect our action plan will allow the greater support for family businesses are:

- 1) Consultations for family business regarding innovation and digitisation support measures;
- 2) Monitoring and evaluation activities, dedicated to analyse the use of support measures in order to understand to what extent family businesses use support measures and how the situation could be improved.

Family businesses play an important role in the Lithuanian economic and social development. However, their development and creation of suitable conditions for business transfer in Lithuania has so far received practically no attention at policy level.

With the implementation of the action plan we are aiming to create a specific focus on the family businesses, their innovativeness and digitisation in the framework of OP. Foreseen actions will increase the awareness of family businesses about the OP and the opportunities it offers for companies. This should increase the interest of businesses in the available and future support programmes. In addition, action plan will also allow to us to inform policy makers, responsible for the implementation of the Lithuanian OP about the needs, challenges and issues family businesses face, when it comes to the use of policy measures, so it will allow us to improve policy creation, management and evaluation.

Part IV – Details on the actions envisaged

ACTION 1: Promotion of innovation and business digitisation in family companies

- ***Relevance to the project / Inspiration***

Throughout the Success Road project duration, LIC, as a project partner, gained a lot of experience and knowledge from the partnership, which consists of partner-organisations with high expertise, and advanced knowledge about family businesses. During the various activities of the project, the project partners realized that digitization and the promotion of innovation were necessary to strengthen family businesses. This is particularly important in the Lithuanian context where family companies find it difficult to create and implement new digital and green innovations.

Issues related to business succession and innovation were discussed in the online study visit on the topic 'The role of the social partners in facilitating the transfer process in the textiles, clothing and footwear industry', organized in the 21st and 22nd of October 2020 by the Valencian Association of Footwear Entrepreneurs (AVECAL) and The Valencian Institute for Entrepreneurial Competitiveness (IVACE). During the discussions between project partners and their stakeholders, participants agreed that the success of business transfer strongly depends on the level of attractiveness of the company. Also, it was noted that it is important to

encourage companies to adapt to the latest business trends and business models. Project partners agreed that businesses are currently strongly affected by a wide range of economic and social changes, such as the digital transformation, sustainability and the circular economy, the aging of society and so on. At the same time, some partners also noted that countries are increasingly focusing on policy interventions that encourage business investment in R&D activities and business innovation. In today's business climate, companies resort to subsidies in order to undertake projects with a considerable inherent risk that would otherwise be unfeasible for an SMEs and particularly family businesses. The number of applications for various support measures and programmes is constantly growing and the programmes themselves are becoming more competitive and intensive, but above all, the culture of applying for subsidies and grants is much more widespread than in the past. Taking advantage of the fact that over the last few years most SMEs have overcome the barriers to accessing subsidies, which has been further boosted by the sheer number that have been implemented because of COVID-19, this trend looks set to continue.

Strengths, weaknesses, opportunities and threats regarding family businesses and their succession were also discussed in the thematic workshop organized by the Lithuanian Innovation Center on 30th and 31st of January 2020. During the physical meeting, all project partners and their stakeholders took part in the thematic workshop 'Analyzing the gap between the existing and desired succession / transfer status and investigating the parameters and obstacles delaying its bridging into the textiles, clothing and footwear SME' by getting involved into the brief qualitative research based on individual expertise and experiences in Family business and related areas. After identifying the main trends and risks, all participants were encouraged to think about the potential risk management tools and overall possible enhancement scenarios, including local and regional development solutions based on global trends and potential cooperation opportunities. Public business support tools were identified as one of the most important components in business development ecosystem. Project partners from The Valencian Institute for Entrepreneurial Competitiveness emphasised the importance of the direct various financial support measures, including subsidies, grants or soft loans, as family businesses usually lack financial capital to implement innovation projects. Yet, at the same time, partners from Spain noted, that family business consultations are crucial to inform companies about the opportunities to undertake fundable projects at European, national and regional level and apply them to the promotion of family businesses. Similarly to this, partners from the Ministry of Development and Investments in Greece also emphasised the importance of direct support for companies, but in the form of soft support services, because family business not only lack financial resources, but also knowledge and understanding about the opportunities to adopt innovations. Partners from Greece emphasised that family business consultations on various topics, including business development is becoming more important in their region. For family businesses to stay in the market and to be attractive for potential successors, it is important to implement various digital technologies and this requires public intervention in the development and delivery of various measures to promote innovation, as it is known, that family businesses are risk-averse and they lack innovation. Correspondingly to the online study visit in Spain, participants from all regions agreed that the challenge of new technologies (AI solutions, big data, cloud computing, globalization et al) may become the core parameter and target (direction) of competitiveness growth of particular set of family businesses, as well as observing new trends of circular economy, "green" policies and related tendencies. In the face of these global trends, public support measures will become even more important, therefore advising family business about them will be highly important.

- **Action**

The action aims to create a specific support for family businesses within innovation, digitisation and business succession topics. The approach when family businesses should get targeted consultations is inspired by the regional learning experiences and exchange of knowledge among experts from different organizations. Learning experiences have allowed us to notice the need to consult family companies about innovation, digitisation and the importance of businesses succession in this context. Currently, family businesses do not get enough targeted support in the framework of the Lithuanian OP 2014-2020. During the second phase of the project, our action will bring specific support for family companies and it will be achieved by providing consultations for family companies about innovation digitisation and business succession.

The implementation of this activity will allow our project team to inform family companies about the possibilities to use state support measures, and to apply and receive grants in the context of Lithuanian OP 2014-2020 and 2021-2027. This will be done by providing soft support services. These will include consultations about innovation, and digitisation, and within these consultations, LIC will also provide some information for businesses about the need to think and prepare for business continuity and succession. This activity should

allow LIC to reach its target under this project, that is 50 companies in the region, which experienced structural change.

LIC main aim is to provide innovation support services to enterprises, research institutions, industry associations and business support organisations. Currently, most support services provided by organization are related to innovation and businesses digital transformation and that is highly important for family companies. For example, LIC assist businesses with strategic sessions on enterprise innovation; advise companies on innovation funding opportunities, both national and international; inform businesses about the opportunities to participate in international R&D&I initiatives. However, the institution's activities focused mainly on various companies, whether it would be from the public or private sector; regardless of their size or the sector to which they belong; regardless of their legal form and status. Therefore, there is a need to focus on family businesses that have not received any specific attention so far.

It is highly important to identify as many family businesses as possible and seek to advise as many of them on various business development and continuity issues, including innovations and digitisation. To identify these companies, LIC in the second period will:

- contact project stakeholders, that previously were involved in various project activities, such as stakeholder meetings;
- contact project stakeholder Lithuanian Apparel and Textile Industry Association (LATIA), which include some family businesses;
- contact Lithuanian Family Business association;
- contact Vilnius Chamber of Commerce, Industry and Crafts, who have previously implemented project Innovative Business Transfer Models for SMEs in the BSR (INBETS);

In order to create favourable conditions for business development and business continuity, in the second semester LIC will focus on the implementation of these activities:

- Physical or virtual individual consultations for family businesses, represented by their current and / or future leaders. This activity would be implemented by the experts of LIC and it would be directly dedicated towards specific family businesses. At least 15 SMEs are expected to take part in the consultations. This activity should be implemented systemically and continuously throughout phase two.
- Physical or virtual information events and seminars, dedicated to raise awareness about the importance of innovation, digitisation and family succession. Within the framework of this activity, LIC experts could participate in various events and discussion. It is expected that the experts will participate in at least 2 events with will involve around 30 SMEs in total. Experts main aspirations would be to attract the attention from various players involved in the ecosystem (family businesses, business support organizations) and also to initiate the dialogue about innovation and business succession between key stakeholders.

To fill the existing gaps currently faced by the family companies, the planned activities will focus to:

- Inform family businesses about the business development trends, such as green and digital 'twin' transition;
 - Inform family businesses about the importance of innovation in order to adapt to the current business trends;
 - Inform family businesses about the existing public innovation support measures under Lithuanian OP 2014-2020 and the upcoming EU investments for the period of 2021-2027;
 - Inform family businesses ecosystem about the issues related to business succession and why it is important to tackle this challenge;
 - Inform family businesses why the implementation of innovation are important and how they can support business continuity in the future.
- **Players involved**

Lithuanian Innovation Center - the organization responsible for the preparation of the action plan, organization of the information events, delivery of presentations about the existing and future support possibilities

Lithuanian Apparel and Textile Industry Association – stakeholder organization which will help to attract family businesses to be consulted

Lithuanian Family Business association - stakeholder organization which will help to attract family businesses to be consulted

- **Timeframe**

February 2022 – January 2023. The planned individual consultation activities will be continuous and implemented in throughout Phase 2 of Success Road. Regarding the events / seminars, one of them will be implemented until May 2020 and the second one until October 2022.

- **Costs**

Costs will be coming from the stakeholders involved in the project

- **Funding sources**

Action will be financed from the project *InoSpurtas* which is implemented in the framework of Lithuanian OP 2014-2020, under the priority Axis 1. This project aims to foster business innovativeness by financing consultations and innovation support services for companies. Lithuanian Innovation Center is one of the organizations implementing this project.

ACTION 2: Monitoring and evaluation of family businesses using innovation and digitisation support measures

- **Relevance to the project / Inspiration**

The status of family business is not defined legally in Lithuania. The closest legal description of a family business is set in the Civil Code under articles that regulate the legal regime of matrimonial property. The Civil Code defines family business as an individual enterprise that has been established during the marriage. The closest legal form of family business in Lithuania is the "small partnership" which was adopted for companies in 2012. This form of a business can be employed as a facilitating tool for micro-enterprises and family businesses among them, and the number of established "small partnerships" has been growing.

Lithuanian Department of Statistics or other official institutions do not track any records on family businesses, business transfers or especially business transfers within the families. Yet, a few existing pieces of research investigate some characteristics of family businesses and family business transfers. In addition, there are also some practical assessments regarding business succession. As family businesses in Lithuania are generally not monitored, there is no systematic monitoring of the level of use of business support measures.

Family business in Lithuania has comparatively young traditions – the majority of businesses are still in the first generation (95%). Lithuanian businesses count around 30 years of activity and as a result, there has been no long-standing history during which they could have gained notable succession experience. As a result of it, the topic of business succession is becoming increasingly important, however, it is still far from being a priority.

SMEs are the backbone of both Lithuania and the EU economy. However, policymakers and business owners themselves usually do not pay so much attention to the business transfer/succession and related processes. Lithuanian Entrepreneurship Action Plan 2014-2020 clearly stated that there is no concise regulation on business transfer and the main obstacles for this kind of business continuity are related to the lack of information on business transfer possibilities, necessary preparatory works and transparent market for the transactions; regulatory burden; digitisation and innovation. According to this plan, the promotion of business transfer is attributed under the objective to create a favourable environment for business creation and its development. The main areas of activities include the dissemination of good practises on business transfer, and especially practices related to the application of financial measures, together with the creation of transparent market for business transfer.

Throughout the Success Road project duration, LIC team participated in various project activities dedicated to discuss issues related to family businesses. One of the biggest issues in Lithuania regarding family business and business succession is the lack of data and information about both phenomena as these questions are both quite new in the Lithuanian context. In order to create a favourable environment for family businesses, it is important to track as much information about them as possible, as it can allow to create evidence based and specific policy instruments, which would help them to grow and sustain after business succession.

The importance of data, monitoring and evaluation was discussed and presented during online study visit organized by Lead Partners on 8th of July, 2021. During the meeting, representative of TRANSEO Association delivered a presentation on how to prepare an ecosystem, which would foster business development and continuity of family companies. During the presentation, it was emphasized that it is necessary to thoroughly study the family business systems in the different countries, by gathering as much specific information and data as possible. Also, it was noted that it is important to implement various research with the goal to identify family businesses needs and development trends and also based on this information it is vital to formulate business support priorities and action areas. Last but not least, it was also noted that there are no one-size fits all approach to support family companies and it is highly recommended to correctly choose country-specific priority areas. It is important not to copy and paste business support instruments from other regions, but to adapt them based on the regional needs.

Also, throughout the implementation of the project, lead project partners from Greece Ministry of Development and Investments also shared good practices regarding possible Interventions to Implement Institutional Reinforcements to Promote Business Transfer / Succession. Based on them, for different countries and regions it is important to set up business succession policy observatories or implement actions related to it. For example, countries should collect and analyse on a systematic/periodic basis micro- and macroeconomic figures and data related to the phenomenon of succession/transfer within the country or within the reference sector (e. g. number of companies that were transferred to successors, number of companies transferred, reasons for transfer, problems during the transfer / succession process, businesses economic performance, business innovativeness, etc.).

- **Action**

The action aims to create favourable conditions for data collection and evidence-based family business support within the general business support ecosystem. At present, there is no systemic monitoring mechanism in Lithuania that would target family businesses and their use of public support measures under any of the programmes, including Lithuanian OP. During phase two of the project, the new element of our action plan will be targeted monitoring of the use of innovation and digitisation support measures by family businesses and suggestions for policy makers. This action is inspired by the good practices and the exchange of experience in the project, that focused on the importance of monitoring, as it is important in order to collect various information about family businesses and justify policy action according to collected evidence and experiences.

This action will bring policy change in practice, as it will allow to analyse the use of innovation and digitisation support instruments and make changes to the already existing support measures (under Lithuanian OP 2014-2020) or to influence the new ones (which will be created under the Lithuanian OP 2021-2027) based on the collected information. This activity should allow LIC to reach its target under this project, that is 50 companies in the region, which experienced structural change by allowing us to monitor current situation and improve policy instruments to make them more attractive for family businesses.

Taking background information into account, in the second period LIC will:

- Monitor family businesses and the use of innovation and digitisation support measures from Lithuanian OP 2014-2020 and Lithuanian OP 2021-2027, when it will be approved and support instruments for businesses will be launched.

Support for family companies regarding the possibilities to use financial measures related to innovation and digitisation should have an impact on these companies. In order to fully understand the impact, monitoring activities in the following ways will be implemented in the second phase.

- First of all, some of the information related to the use of the state support for the business development and innovation is publicly available and various public and private organizations analyse this process by investigating what type of projects were implemented, how much funding was dedicated, what kind of support instruments were used the most, what kind of businesses used them, etc. To fully monitor this process, project team will implement desk research activities and will communicate with these organizations to collect all relevant information.
- Second, project team will have formal and informal online and/or physical meetings with project stakeholders from both private business and business support sides in order to collect information about the use of innovation support instruments.

- Third, in order to achieve the best possible monitoring, the project team will also use e-mails to contact with business support organizations, associations and companies in order to collect the results related to the creation of the new transport-related priority.
- Evaluate the use of innovation and digitisation support measures.

Following the monitoring activities dedicated to gather as much information as possible, evaluation processes will need to be implemented in order to understand the use of support instruments for innovation and digitisation and the potential impact it could have on the family companies. Support measures encourage businesses to introduce new products or services to the market, implement new innovative solutions, therefore the innovativeness and competitiveness of family business are expected to increase with the increased use of support measures. For this reason, it will be important to analyse various economic indicators and innovation related data provided by various national and international statistics organizations and public institutions. To track policy impact on the family businesses, it will be important to analyse data sets such as business turnover, export, R&D spending, innovation activities, patenting and so on. Also, it will be important to evaluate specific projects implemented by family businesses to get more information what kind of projects were implemented.

At the policy level, family businesses, the promotion of their digital transformation and innovation, and business transfer are not included among priority objectives. For this reason, it is also important to encourage policy makers to pay more attention to family businesses by providing them data on these companies and their needs. Based on the monitoring and evaluation process, it will be possible to elaborate a brief and specific suggestions for policy makers how they could:

- create the new policy measures for business innovation and digitisation for the period of 2021-2027, so they could be more targeted and specific for family companies in order to respond to their needs. Recommendations will highly depend on the monitoring results, but they can be expected to relate to funding mechanisms, funding intensity, application requirements and other matters, particularly important for these businesses.

- **Players involved**

Ministry of Economy and Innovation – implements business support and innovation policy, organize discussions with relevant stakeholders and confirms policy changes, formulate business support measures

Lithuanian Innovation Center – responsible for preparing an action plan and initiating a proposal for the Ministry of Economy and Innovation / responsible for the implementation of innovation-related support instruments

- **Timeframe**

First of all, from February 2022 to September 2022 we are planning to monitor and evaluate the use of support instruments by family businesses. After that, from September 2022 to November 2022 we are planning to present our results and recommendations for the policy makers on how innovation and digitisation support measures could be improved to include family business as a priority and enable them to make better use of them.

- **Costs**

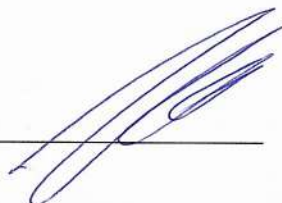
The action involves regular staff costs.

- **Funding sources**

Action will be funded by the Lithuanian Innovation Center own budget.

Date: 2022-01-14

Signature: _____



Stamp of the organisation (if available): _____

