

Action Plan for the Region of Southern Denmark



European Union
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1. General information

Project: STOB regions

Partner organisation(s) concerned:

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2. Introduction to the topic of Business Transfer

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

– Commissioners Tajani and Hahn, Foreword of Guidebook No. 3 – Facilitating Transfer of Business 2012.

General Project Description



The STOB regions project addresses the challenges of this third phase of business transfer in nine EU regions.

There has been a strong focus on start-ups across Europe; however, of equal importance is ensuring the survival of existing businesses. Safeguarding SMEs, arguably, has a higher impact on jobs and growth. This is reinforced by the fact that the success rate of transferred companies is higher than that of start-ups.

The STOB regions partnership comprises a range of different experiences and levels of expertise, including regional authorities and business support institutions. The interregional approach explores and examines the challenges faced by succession and seeks to find new or improved methods to support business transfers.

Over three years of sharing experiences of the wide range of institutions and also participating in interregional learning, the partners benefit from improved knowledge on the various approaches across the regions. Peer reviews and workshops on specific topics related to business transfer aid in promoting the learning process and enhance the implementation of ESIF programs. The regional action plans are a key output of the program. These plans will contain concrete projects that build on the identified good practices and transfer new ideas to partner regions with recommendations made for a future regional strategy to support succession. STOB regions also offers input to the debate on a European and regional level, encouraging greater attention on business transfer in the future cohesion policy with two high-level dissemination events (e.g., SME assembly in Finland 2019).

Fundamentally, the project addresses all types of successions and transfers of business, family-internal transfers from father to son or mother to daughter, external transfers to investors or employees, or even shared solutions where only management is handled externally and ownership is not transferred.

Known Issues and Challenges

Transfer of business (ToB) is a crucial phase in business as well as in the entrepreneur's life cycle. The importance of ToB for jobs and growth can be demonstrated with the estimated number of 450.000 companies in Europe, providing two million jobs that are transferred every year (see Entrepreneurship 2020 Action Plan).

Additionally, we can observe further trends within the EU:

1. The importance of ToB increases resulting from demographic change (the population is getting older, and therefore also owners). Additionally, there is a declining number of potential buyers.
2. An increasing number of ToB will take place outside the family to third parties.
3. A growing number of entrepreneurs will only stay in the same company for a shorter period (not for a lifetime).
4. Personal decisions (change of interests, family situation, early retirement) will trigger transfers.

The European Commission (EC) has analyzed the conditions for ToB in the Member States (MS) and has issued some recommendations to each MS what needs to be done to facilitate ToB and safeguard jobs. Moreover, research shows a positive relationship between transfer and business growth. However, only a few MS have adopted comprehensive strategies for business transfers.

It is often forgotten that starting a new firm is not the only way to become an entrepreneur. Taking over a business is a real alternative for aspiring entrepreneurs to start a business. Safeguarding existing companies has a higher impact on jobs and growth than start-ups: the success rate of transfers is higher than of start-ups and transfers conserve on average more jobs.

A transfer involves complex issues like valuation, matchmaking, and financing (see aspects of ToB). STOB regions addresses the complexity of the whole transfer process from the first thoughts of an owner to sell the business to the actual transfer. The project partners have had thorough discussions on the challenges that regional authorities face while implementing local policies and on ESIF instruments to support business transfer.

In the learning process, the partners had an in-depth look at the differences between the partners from Eastern and Western Europe. Enterprises in Eastern Europe were mostly founded after the political changes in the early nineties. For the first time, these businesses are (or will be in the coming years) in the situation to look for a successor. Traditional SMEs, in particular family businesses, in Western Europe often were transferred at least one time in their existence.

The smallest enterprises are the most vulnerable to failed transfer. These micro-enterprises are often closely related to their owner's skills. The low value and the size of the business often hamper transfers. Considering the fact that nine out of ten of all firms within the EU are SMEs with fewer than ten employees and a Commission's study from 2011 on "Business Dynamics" estimated the loss of non-efficient transfers on

150.000 companies and 600.000 jobs per year clearly shows the importance for regions to have a closer look on the topic of business transfer.

Aspects of Business Transfer

Regarding the STOB regions project, there have been eight different topics, encompassing most of the current issues of business transfer. Regional stakeholders and interest groups presented these topics. Additionally, each subject was discussed by the delegates of the respective workshop. In the following section, the different topics are presented, and a brief introduction regarding the challenges and most pressing issues within the topics is shown.



Business succession is a topic of utmost importance all across Europe. Statistical data shows that (e.g., in Germany), almost half of the senior-entrepreneurs are not prepared for the succession. In other regions with less experience, this figure is even higher. All involved institutions (ministries,

chambers, banks, etc.) are asked to raise awareness for this economically relevant field and to create an environment for a successful succession process. Owners have to be sensitized to start preparations early (at least five years before the transfer is supposed to be completed). At the same time, potential successors need to be made aware of the opportunity to continue existing businesses with proved structures, skilled staff, customers, etc. instead of starting from zero.

Many regions started to raise awareness with activities like

- providing informational events
- offering seminars and workshops
- establishing networks
- publishing of good practices
- establishing of contact points
- providing staff for consultation (e.g., in universities and chambers)

In order to ensure that raising awareness is targeted to the right audience, it is essential to gain an understanding of specific issues. First and foremost, giving a lifetimes work in someone else's hands is a very emotional and sensitive challenge for entrepreneurs. Their expectations and wishes are often in conflict with those of the successors. Uncertainties, fears, and resistance are the consequence. Emotional conflicts arise. They can only be solved by active communication based on trust, openness, and transparency. In many cases, this requires external support, e.g., an independent advisor. Second, "Hard factors" like the company valuation and the purchase price are often seen to be the most critical issues in successfully transferring a company. Third, since several parties with partly diverging interests are involved in the succession process: the transferor, the transferee, the affected employees, family members, etc. raising awareness needs to ensure facilitating and addressing the specific needs of each group.

Challenges faced by project partners:

- lack of programs to promote and sustain business transfer.



Family Business

Family businesses are the most common form of companies in Europe. Particularly in rural areas, family businesses are a strong factor influencing the prosperity and innovation of a region. In addition to the usual business challenges, which affect all types of companies, family businesses are forced to seek solutions to the generational change caused by succession.

Family businesses have the most predominant issues regarding the challenges of business transfer. The broad topic and the multiple obstacles that arise with the transfer of a family firm, such as the interwoven aspects of ownership and management and the somewhat arbitrary decision-making processes by owner-managers, it is no linear process.

1. Family internal succession. Most successions are within the family, thus being transferred from father/mother to their children. This aspect tackles a variety of challenges, like the basic qualification (e.g. formal training within the business or higher education), the general readiness of the succeeding generation, intra-family conflicts or feuds, the acceptance by employees or the unwillingness of children to take over the parental business.
2. Firm internal succession. Many family firms are also transferred from owners to employees of the firm. This especially applies to many micro and small family firms, due to the lower price, which can be afforded by a single person (or a small group).
3. External Succession. Selling family firms is becoming more and more frequent. As the “natural successors” – children, do have more options in their career choices or are not interested in the family firm, selling a business to an external may become the last option for a family firm. Although, research shows that family firms owners seek and wish to transfer their firm within the family.

Another critical factor concerning succession in family firms can be found in the readiness of the generation handing over the business. Frequently, owners are not ready to hand over their business and then find themselves in situations where age has become such a pressing issue that a more thoughtful procedure is barely possible due to constraints of a lifetime.



Advisory Services

A business transfer is not a single event, but a process that needs to be well planned in order to succeed. The diversity and heterogeneity of SMEs also affect transfers. The issue differs according to the size of the company, the size of the family and/or the age of the company. The problems are not

the same for a large company (managed or owned by the third generation of a family) and for a small company with only one owner (who may also be its founder). That is the reason why companies can't use the same solutions, tools or mechanisms. Every case needs an individual approach. Professional advisors can provide such kind of support.

Four different types of professional advisers typically serve family businesses. Each of them uses a different, yet often related, approach to change based on various tools and disciplines of origin. The approaches can be from:

- Lecturers transmitting knowledge;
- Consultants (private and public) offering expert advice;
- Coaches (private and public) supporting new interpersonal and work skills; and
- Therapists working on new behavior and deep insights.

Many failures could have been avoided if transfers were planned well ahead and specialized advice was sought. Professional advisors can help to lead an objective research and facilitation process whereby the family is more able to explore its values, goals, strengths, and weaknesses.

Furthermore, advisers can help to disentangle knotty emotional issues and look for win-win situations. Especially for founders, it is psychologically difficult to hand over their business and witness changes introduced by the new owner. Mentoring the transfer process by neutral and informed third parties can help to overcome such challenges.

Succession involves many interests and parties, which calls for expertise in a wide variety of fields, e.g., legislation, taxation, valuation, organization, strategy, psychology.

A crucial factor is the availability and quality of advisory services. Studies show that advisors are ill-equipped to provide advice over the entire transfer process and that the market fails to offer adequate professional services and support. A good solution could be to create "one-stop" business support services that deal specifically with business transfers or to integrate them into existing business support centers at a local, national, or regional level.

Challenges faced by project partners:

- lack of specialized advisory services in the business transfer field.



Valuation of Companies

Valuation requires special competence and experience that the seller or owner-manager may not have. When a company needs to be valued, it is usually experts who do this. Valuation is the basis for a company's price. For the seller and the buyer, the valuation must be correct. As often the

seller accounts the price as an essential part of his pension and for the buyer, the price is decisive for his own and the company's future finances. The Person who evaluates a company needs methods and insight into special industry conditions to assess the right price.

Common valuation methods are:

1. Discounted cash flow (a mathematical method that calculates the value based on the company's free cash flow, debt, tax, investments, etc.). Requires skills and competences in using the model.
2. Asset-Based Approaches (e.g. Asset Deal) Requires knowledge of asset value and goodwill calculation.
3. Multiples (selected key figures -EBITDA, EBIT, NOPAT-multiplied by a factor) Requires considerable insight into the specific industry.



Target Groups

All target groups and potential buyers have different backgrounds and qualifications. In the STOBregions project, the partners discussed experiences with different strategies on how to address the groups, e.g. on how to attract more women as buyers. The project partners also discussed if

buyers from other countries are an option if the SME doesn't find a local successor.

During the workshops different challenges regarding target groups were identified:

- Young people (18 – 30 years old) - young companies for young people, funding models need to be adequate.
- Women – what are the differences compared to men as a target group in respect to needs of support; what are the top business preferences for women entrepreneurship.
- Migrants / Foreigners - Foreign Direct Investments linked to BT; Consultants with intercultural competences and language skills needed; mentoring services for migrants (ESF funded- business plans, bank concept, legal and cultural aspects).
- Internals / Employees – how to retain the best employees. Development of help or support to employees, who want to buy companies.
- Identification of students as a legal group; Universities of Applied sciences – include lectures on business transfer.

Challenges faced by project partners:

- brain drainage;
- emigration of the entrepreneurs;
- lack of awareness regarding business transfer.



Willing sellers and potential buyers often have difficulties in finding the right counterparty to enable a transfer. For a successful transfer, both parties must have defined (and later agreed on) the crucial criteria and requirements.

Besides valuation and financing, matchmaking is one of the most complex aspects within the business transfer process - creating a link between the buyer and seller, opening the path for business valuation.

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

1. The classical approach is to go to an intermediary (usually a business broker who is well connected to the business market and entrepreneurial events) who knows the right person (buyer or seller).
2. They could also go to events for business transfer where buyers and sellers are meeting face-to-face and talk, offering or getting more information about the company, setting an official meeting (if the company information were satisfactory), deciding to go to a business broker (for advisory services).
3. Another option is to use online apps where interested buyers are searching for suitable companies to take over, finding the right ones, and contacting the owners for more details.

As opportunities the workshops identified:

- Using or developing entrepreneurial networks at the EU, but also at the national and regional level;
- learning from programs developed by project's partners and adapt them to national/regional specific requirements, improving existing or creating new programs;
- creating return incentives for the young generation (with competences and knowledge);
- internationalizing the business



Developing an ownership succession plan is especially challenging in rural areas where many small businesses are at risk of closing down due to the structural challenges within the next years. Furthermore, since the children of rural small business owners are either not available or not interested in

taking over the family business, a lack of possible successors further intensifies the issues. However, young people can also be motivated to stay in their home region when they see an economic perspective through becoming an entrepreneur. A key challenge to succession is often national legislation over inheritance, which

can have a crucial impact on the consolidation, or on the fragmentation of businesses due to multiple siblings (e.g. of land and farm assets.)

Furthermore, the rural embeddedness of firms and the close ties these firms form with the respective region may make it hard for the owner to sell their land due to the attachment to a location many generations have called their home.

Besides the children of the owners, another group that might be interested in sustaining the business and its legacy are the firms' employees. Provided that the owners are willing to complete full ownership transfer, the interested entrepreneurs or employees often face difficulties in taking substantial loans in rural areas since banks may not see a prosperous future in rural areas.

Challenges faced by project partners:

- political and legislative unpredictability.



How to finance the transfer of business is a crucial question for both - buyers and sellers. Special programs for Startups exist in many European regions. However, programs dedicated to ToB are scarce. This might be due to the individual and heterogeneous needs of different businesses

(and types of industry) and involved persons. Therefore standardized financial support may be challenging to develop.

However, it is crucial for the sustainment of businesses that governmental support for financing transfers is implemented (be it by better loan conditions, e.g. for farmers or businesses in rural areas).

Nevertheless, many countries have established financing instruments, which are suitable for founding a business, and also applicable to business transfer needs.

Challenges faced by project partners:

- lack of financing instruments and programs for buying a business.



Transfer of Knowledge

The aspect explores the concept of how a change in ownership provides a pivotal point in time to introduce new knowledge into a company and strengthen innovation in businesses, as a way of keeping all maturing businesses competitive and ensuring demand from potential buyers.

The main objectives for knowledge transfer are:

- Understanding how a business innovation strategy and/or technical innovations introduced by the new owner can raise the value of the company and changes the overall business management strategy.
- Uncovering the relationship between corporate strategy and culture in order to foster a successful innovation.
- Initiating and supporting knowledge transfer from regional advisory partners.
- Investigating possible synergies with other projects in relation to knowledge transfer

Amongst the thematic lectures, partner contributions, and subsequent discussions the following opportunities and challenges were identified:

Opportunities:

- Creating a regional/local knowledge and experience exchange platform amongst cross-sectoral entrepreneurs (aiding in practical recommendations for business transfer).
- Transitioning from a problem-based (age of entrepreneur) approach (shifting the generation) towards an innovation-based, structured and progressive approach, (increasing attractiveness and growth potential of the company). Linking valuation to business development actions (business improvement). Strengthening the role of valuation and encouraging project-based funding for it.
- Considering the different demand sides in ToB - is it a buyer or an investor? (In terms of valuation, a buyer values the current entity; an investor values a more holistic approach and considers future demand trends).
- Developing business innovation management before a generation shift occurs (a transition from only survival to developing/creating innovation strategies).

Challenges:

- Great distance and lack of accessibility to higher education are a factor of knowledge retention. Region's without access to such institutions, should create knowledge-based linkages and transfer from outside of the region.
- It is difficult to successfully transfer tacit knowledge from the existing generation to the next generation. When the senior and the succeeding generation share time in the company, this ensures the absorption of tacit knowledge from the transferor to the transferee which is key success factor in the innovation renewal.

3. Background Information for the Region of Southern Denmark

Reports and statistics

Succession of SMEs is a very important topic in Denmark, as the following information shows. The information presented comes from reports by Morten Bennedsen and Kasper Meiner Nielsen, Center for Ejerledede Virksomheder (COMB) as well as CBS, INSEAD, and the Danish Industry Foundation.

From report 1 of the series of reports about ownermanagement and succession “Ejerledelse baggrund og udbredelse” (Owner Management Background and Number) a few highlights can be mentioned

- Based on the figures available, we can conclude that in the period 2015 to 2025 approx. 17,000 owner-managed companies are expected to be transferred. Furthermore, a large amount of non-owner-managed businesses are expected to be transferred in the same period. This brings the total amount of transfers to approx. 23,000 business by 2025¹.
- The estimate for the Region of Southern Denmark is 3,400 companies for the period 2015 – 2025².

Statistically, more than one company is expected to transfer every day in Southern Denmark. However not all firms will transfer, some will close due to lack of successors or buyers. If companies with growth potential do not transfer in time it has a negative impact on growth and employment in the region.

From report 3 “Ejerlederne og ejerskiftet” (Owner Managers and Succession) a survey among 13.593 owner-managers showed the following challenges:

- 37,3 % believe that succession and age are linked together³ (succession means one is old)
- 24,7 % did not know the value or how to value their company³
- 14,9 % were unprepared for the future after the transfer³
- 11,3 % did not have a successor³

In the same report 9.205 owner-managers who expect to transfer their business within few years answered as following concerning their planning:

- 33,6 % Yes I have a plan⁴
- 29,3 % Yes, I am in the process of planning⁴
- 36,7 % No⁴
- 0,4 % don't know⁴

As the figures show, the owner-managers tend to start their succession planning late.

The above-mentioned findings show that dealing with the topic of succession is of utmost importance, as it can be assumed that with such a high rate of future successions, but at the same time such low awareness and planning will have immense consequences for the economy, jobs, and growth

¹ Ejerledelse i Danmark, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2015, Report 1, P. 54

² Ejerledelse i Danmark, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2016, Report 2, P. 50

³ Ejerlederne og ejerskiftet, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2016, Report 3, P. 50

4 Ejerljerne og ejerskiftet, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2016, Report 3, P. 25

Report 4 “Det gode ejerskifte” (The Good Succession) shows the importance of planning in time in order to obtain a successful transfer. Succession is a long-term process that demands careful planning and processing.

In the report a guideline for good planning is presented with the following main steps:

- Identify owner-manager resources (competencies, network, experience) and challenges⁵
- Plan the future (succession or exit and emergency plan, etc.)⁵
- Implement the plan⁵

The report specifies how to work with the plan. The owner-manager is in the focus but also topics like family, employees, professionalization, investors, and exit are included.

The online tool “Ejerstrategi-kortet” (owner-strategy-map) <http://www.ejerstrategi-kortet.dk>, consisting primarily of a survey, is used as a basis for the planning. The survey is taken directly by the owner-manager. A personal report based on your answers as well as a benchmark from the answers of other owner-managers can be downloaded.

More than 13,000 owner-managers have taken the survey and more than 5,000 owner-managers in Denmark have downloaded a personal report⁶.



Picture displaying the frontpage of the website.

5 Ejerljerne og ejerskiftet, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2016, Report 4, P. 17

5 Ejerlærerne og ejerskiftet, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2016, Report 4, P. 16

Regional Figures and Facts

The Region of Southern Denmark is characterised by a number of different specifics in relation to the business community.

- Approx. 80 % of the companies are owner-managed⁶
- Approx. 82 % of the enterprises employ less than five employees⁷
- Approx. 4.000 transfers or shutdowns are expected in the period of 2015 to 2025 (continuously)⁸
- The region contains 22 municipalities with a population of approx. 1.223.000 inhabitants, about 560.000 are employed in the private and public sectors.
- The unemployment rate is low with 3,8% according to Danmarks Statistik 30. September 2019 – Nr. 360
- The region has a free public advisory service. The business service guides and supports private companies, especially SMEs in relation to their growth and business developments.
- The public advisory service is organised as follows:
 - A local service in each municipality. Business consultants have local knowledge and general competencies.
 - A regional service with specialised service and programme offers in two Business Development Centers across the region. Business consultants have specialised competencies.
 - The local and regional levels cooperate and support each other.
- Initiatives to promote and support succession and transfer have been carried out, fx Strategisk Generations- & Ejerskifte projekt (SGES) (Strategic Succession) developed by Funen in the period 2013-2014. The project, which involved private advisers and specialists, was a success. The project documented in the report Strategisk Generations- & Ejerskifte, Afsluttende projekt rapportering by consultant Torben Grodt Petersen (SEGES final project report) that especially micro-companies need support for transfer.
- There has not been a coordinated long-term effort to support succession in the region.

The above-mentioned figures and facts show that owner managed companies in the region has employees. If succession fail jobs will be lost with consequences for the economy, jobs, and growth in the local community. Unemployment rate could raise and growth decrease. Experience from former projects show a demand among owner managed companies for the need of support with succession. The structure and organization of independent public advisory service is established.

⁶ Ejerlærerne Baggrund og udbredelse, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2015, Report 1, P. 7

⁷ Ejerlærerne Baggrund og udbredelse, Center for Ejerledede Virksomheder, CBS, INSEAD og Industriens Fond, 2015, Report 1, P. 12

4. Findings and Experiences from the Partners

The Region of Southern Denmark has challenges with the succession and transfer of micro-companies and SMEs in rural areas. A consequence can be a loss of jobs and tax income as well as a decline of growth. Despite this, the region has a good opportunity to prevent the consequences by using some of the tools already available and combining them with the experiences of the STOB regions project.

Through the STOB region's project, knowledge, experience and inspiration for efforts in the region have been collected. This section reviews the most important of the knowledge and experience transferred to the region.

Learnings from the STOB regions partners in general:

During the STOB regions program learning has various angles. The thematic workshops in each region have been a source of inspiration and learning. Also the network with the other participants from each region, the specialists and owner-managers have transferred experience and knowledge to us. Especially the local thematic workshop in our region did give a lot of very relevant recommendations, constructive critic and input for improvement. Some of the most important learnings are listed below.

Differences

- Significant differences concerning competencies and experiences with transfer between the STOB regions
- Stronger focus on family-businesses from most partners compared to the Region of Southern Denmark
- Big differences between the financial support and financing within the STOB regions

Similarities

- Transfer and succession are difficult subjects to discuss and feel a bit like a taboo for the owner-manager
- Planning and preparation of the transfer in proper time is a challenge in all regions
- Lack of experience and owner-manager qualifications of the next generation
- The gap between generations is increasing. The young generation has their own career plan and maybe is not interested in the succession of the family business
- Especially micro-companies (retail, service, handcraft, gastronomy, etc.) are challenged
- The financial, social, and employment impact is significant for the community when succession and transfer fail in rural areas.

Policy differences in the regions

- Public advisory service (Denmark has a well organised and competent local and regional advisory service)
- Laws that regulate transfer (Denmark has laws and traditions for handling legal transfer aspects)
- Taxation with very differentiated tax laws and traditions for taxation (inheritance, profit by sale, etc.)
- Corporate structure (Denmark has excellent possibilities to establish an optimal corporate structure)

Good practices from STOB regions

- Regional Succession Programme for Owner managers (Denmark)
- Establishing Romanian Productivity Center (Romania)
- Vouchers for Advisory Service (Poland)
- NyCompetence, the Bulgarian National Platform (Bulgaria)
- Succession in Rural Area (Slovenia)
- Local Transfer Network (Denmark)
- The Family Business Succession Guidebook (Poland)
- The Business Adviser's Companion for Family Business (Bulgaria)
- Andalusia Emprrende, Support to Business Transfer (Spain)
- The Emergency Manual (Germany)
- The Business Mentoring Service (Germany)
- Network of Universities Offering Family Business Courses (Spain)
- Next Generation – Planray Case in Family Transfer, Innovation. (Finland)
- The Successionwiki, On-line Lexicon (Germany))
- The "Succession-in-Germany" information platform (Germany)
- Nachfolgefahplan/Succession Timetable (Germany)
- The "Succes-O-Meter": a Self-Assesment-Tool (Germany)
- SOWACCESS "Wallonn Business Transfer Ecosystem" (Belgium GP presented in Sevilla)

Workshop in the Region of Southern Denmark

The workshop held in the Region of Southern Denmark gave a lot of relevant input. Some of the most important statements from the SWOT analysis and the peer review are listed below.

Strengths

- Efficient and well-organized public advisory service
- Trust and confidence between private companies (clients) and business services
- Law and regulations for transfer and taxation of transfer

Weaknesses

- Strong focus on technical (finance, law, etc.) aspects rather than the owner-managers personal challenges in transfer
- Lack of planning and preparation in time (mental preparation, planning, etc.)

Opportunities

- Access to competent and experienced private advisers and transfer specialists
- Experience, knowledge and good statistical material about owner-managers and succession

Threats

High age of the owner-managers (+60 and +65)

- Not enough qualified advisors in the field of succession and business transfer (public advisory service)
- Thematic concerning gap between generations and the owner managers age and succession taboo

PEER REVIEW

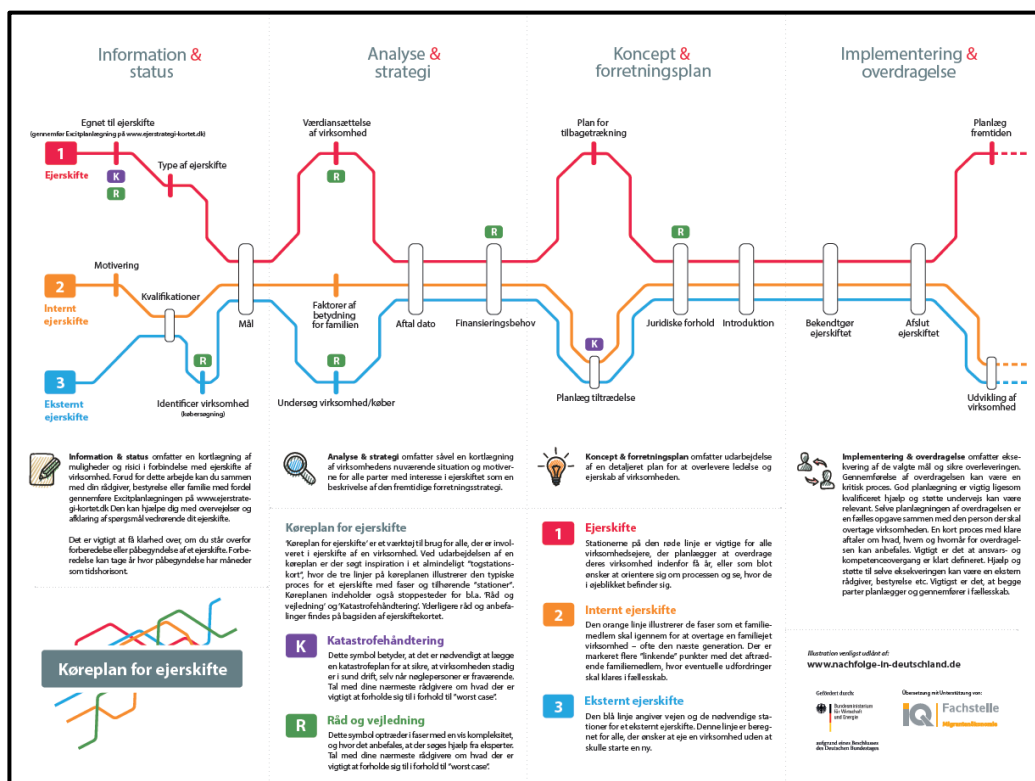
Recommendations from the STOB region and advisory partners to the Region of Southern Denmark

- Get started in time (many owner managers start the planning and succession process late)
- Keep on the track (keep the efficient and well-organised public advisory service)
- Establish systematic and institutional succession and business transfer guidance
- Expand Local Networks (Regional Succession program for owner-managers and next generation)
- Remember the mental/personal aspect of counseling
- Focus on succession (family, employees, etc.) rather than exit (sale)
- Prepare the next generation of owner managers with knowledge, experience, and owner-manager skills. Fx by workshops where the next generation can learn and be inspired how to run the family business.

Summary of Findings

From the above following findings can be highlighted:

1. At the **first workshop in Brandenburg, Germany**, we came across the dialogue tool “Nachfolgefahrplan” or “Succession Timetable” which is an excellent tool for succession planning. The tool guide can be used by advisers as a “road map” for guidance with the owner-managers.



Succession timetable in the Danish version

The Succession timetable had been translated into Danish and was tested by a number of advisers in the field with a positive result. The feedback shows:

- It is important to give an introduction about the use of the tool and the thematic in general. The consultants were generalists from the local public advisory service and not specialists within succession. The reason for local consultants in charge was due to their knowledge of the owner-manager and their confidence.
- It was positive, that the tool was translated into the Danish language.'
- The tool guide was easy to use and has been employed as a catalyst for discussions with the owner-manager

2. The "Succession-in-Germany" information platform (Germany) as an inspiration to create a "one stop shopping" information platform. The idea to collect relevant information, experience, sources to public business service, relevant links, tools etc. concerning succession on one central platform is very interesting to the region. In Denmark we have a lot of information and knowledge spread on several platforms without connection. To collect and organize this would be quite an improvement for as well the users (owner managers" at the advisors.

The technical basis is available in Denmark and only management is coordinating required.

3. Vouchers for Advisory Service (Poland) is very relevant to be able to support the companies with good growth potential with succession.

During the STOB regions project the involvement of specialists and experts in the field of succession has been a discussion. The vouchers is an excellent tool to get the experts involved.

4. The points made in the SWOT and Peer review are essential for the region and will be implemented in the action plan. Especially we notice the recommendation to build on the existing structure and successful public business service will be central to the action plan. Also the opportunity in integrating and using private experts and specialists will be taken into consideration.

In the Action Plan, the existing business service will be combined with the STOB project experience, relevant good practices and recommendations from the workshop with the local stakeholders.

5. Policy Context

The Action Plan aims to impact:

<input checked="" type="checkbox"/>	Investment for Growth and Jobs programme
<input type="checkbox"/>	European Territorial Cooperation programme
<input type="checkbox"/>	Other regional development policy instrument

Name of the policy instrument(s) addressed:

Strategi for decentral vækstfremme 2019 (Strategy for decentralized growth 2019) call for the program **"Increased competitiveness in SMEs"** funded by the European Regional Fund and decentralized business promotions funds.

The policy contributes to ensuring growth and jobs. The policy instrument prescribes nine topics to improve growth and jobs. Improvement of succession is one of the topics. The other topics are strategy & business development, sale & service, communication, sourcing & resource management, distribution, logistics, automatization & robotics, professionalization & and board.

The policy instrument defines two stages:

Stage 1: Screening and identification of companies with growth potential.

Stage 2: Activities that strengthen SME's strategy and business development. The activities include different actions like creating a network, mentoring, using experts and specialists, using institutions like universities, business schools, etc.

The target group is owner- and family-managed SMEs. Efforts must meet the need and challenges of the specific business.

6. Action 1

Name of the action:

Raising Awareness/program for owner-managers with potential for succession

The idea of the action is to raise awareness for the importance of succession-planning at the owner-managers. The concept is first to create an kind of “one-stop-shop” for free with information, guidance, links and access to personal advice for the SME’s. Second information via established channels like regular newsletters, LinkedIn and facebook updates ect. from the in the region well known public business service.

1. Relevance to the project and the policy instrument

During the entire STOB regions project, raising awareness was preeminent. It is about getting in contact with the owner-managers and getting succession planning started up in time. The general experience is that owner-managers have a lack of knowledge, and succession is a kind of taboo theme. Professionals are needed to explain the process, and especially entrepreneurs need to start the process earlier.

The action is designed to raise awareness of succession and inform owner-managers about the possibilities for support. Owner-managers with potential for succession can get relevant information and guidance about succession and interact with public consultants for further information and support.

The demands in stage 1 of the policy can be met.

2. Source of inspiration

The program is inspired by the Good Practice from Germany, the “Succession-In-Germany” (an online information platform) combined with tools for dialogue (like the “Succession Timetable”) and the method of face to face meetings with the owner-managers for personal information.

The “Succession-In-Germany” information platform provides owner-managers, sellers, buyers and other participants in the succession process with valid and up-to-date information.

The Succession Timetable is an excellent dialogue tool that is easy to understand and easy to use for the owner-manager and the adviser.

3. Motivation

The motivation for this action is to raise the owner-managers awareness about succession planning. Owner-managers awareness needs to be raised, because of their need to get started with succession planning in time. They need easy access to relevant information about succession and guidance to get specialized advice about their challenges.

With the information platform, owner-managers can get information and take the first step into the succession process. Also, the owner-managers can get into contact with public business consultants in the field of succession for further information and screening for the support program.

The knowledge about the platform can be raised by information in newsletters, LinkedIn and Facebook notices directly communicated to the target group. This can be done by the public advisory services and Business Development Centers who are in contact with the most owner-managed SMEs in the region.

That's why we think an information platform, targeted communication, and personal specialist advice can be useful measurers to achieve the target.

4. Nature of the action

The action contents of:

- A) An information platform at Virksomhedsguiden
- B) Targeted communication in the form of newsletters, LinkedIn and Facebook notices - from Business Development Centers and the local public business services
- C) Access to personal contact for further information and access for screening for support program

With raising the awareness we aim to get succession top of mind at the owner-managers.

A) Information platform

The information will be provided by COMB, Development Business Centers, Ministries, Vaekstfonden, etc. There will be research and study reports, guides and tools, relevant law, financing, best practice articles, etc. The tonality will be easily understandable to the target audience, consisting of owner-managers, the board of directors, employees and their advisors. As an example, the succession roadmap will be displayed. The succession roadmap is easy to understand with its combination of graphic presentation and written guides.

Access to information, knowledge and further support is critical to the owner-managers. In Denmark,

we already see well functioning public information platforms for entrepreneurs and owner-managers.

The public platform “Virksomhedsguiden” which is a public digital business promotion platform can be used for further information and has the facility to expand its succession information.

“Virksomhedsguiden” is already known among companies and often recommended by public and private consultants and advisors.

Information platform Virksomhedsguiden

At Virksomhedsguiden owner-managers (seniors and next-generation) can get information and guides for several issues due to run a business. At the time information and guides for succession, general information about law and tax, relevant links to further information, analysis, etc. in relation to succession do not exist at the platform.

Today public advisory services in the region use Virksomhedsguiden as a digital library for valid information. At present, there are no specific succession information at Virksomhedsguiden. Succession information are currently found on several different platforms and web pages and an overview is missing. A section with succession information can easily be adapted to Virksomhedsguiden.

In the future, the owner-managers can have a one-stop shop for information about succession. The information is for free and the one-stop-shop purpose is to show all relevant information for owner-managers of SMEs in one place.

Content will be provided by:

COMB: Reports, guides like “Ejerledelse I Danmark” (guide and recommendations for succession), tests like “Ejerstrategi-kortet.dk” etc.

Ministries: Information about relevant law, tax, etc.

Vækstfonden: Financing

Business Development Centers: Succession timetable, best practices, study reports, guides, information about support and support programmes, links to personal contacts, etc.

The succession section at Virksomhedsguiden can be established, maintained and developed as an ongoing process. The first step is the layout and content planning. This will happen in the first quarter of 2020.

The second step is to collect and structure information and then launch it. This can proceed as an ongoing process starting in the first quarter of 2020. The platform can be developed and improved as a part of the ongoing process and due to the collection of experience and feedback.

B) Targeted Communication

The target groups are seniors, in general, they are able to work digital and receive newsletters from local public advisory services and Business Development Centers as well as they follow LinkedIn and Facebook.

Due to the high grade of digitalization in Denmark, most senior entrepreneurs are also capable of using these tools. Information will be shared across multiple channels to reach as many owner-managers as possible.

The public advisory service and Business Development Centers together meet most SMEs in Denmark by newsletters, LinkedIn, Facebook and by personal contact. They have the possibility to create awareness about the platform and other possibilities for the owner-managers concerning succession. Communication by newsletters and at LinkedIn and Facebook is an ongoing process.

5. Stakeholders involved

Stakeholders will be the local public advisory service (municipal/local organizations with consultants and services adapted to local conditions) and the Business Development Centers (regional organizations with specialized consultants, programs, and service. Business Development Centers are controlled and funded by the regional municipalities).

The Business Development Centers are responsible for the online platform, consulting and project management.

The local public advisory services are responsible for local personal contact and service.

COMB/CBS, Copenhagen is responsible for the training program, scientific reports, and information.

Ministries like the ministry for business affairs, law, tax, etc. is responsible for information about eksisting and new law and regulations.

Vækstfonden is responsible for information about financing.

6. Timeframe

Period	Action	Description	Task	Responsible
January 2020	Information platform, information and access to personal advice	Layout at Virksomhedsguiden	Version 1	Business Development Centers
First quarter 2020	Information platform	Collect and prioritize content	Version 1	Business Development Centers
End first quarter 2020	Information platform	Launching and communication	Version 1	Business Development Centers
Second quarter 2020 -	Information platform	Maintenance by adding and updating content	Expand	Business Development Centers

7. Impact of the action

The action will improve the owner-managers awareness and the need for succession planning and access to relevant succession information and guidance.

Furthermore the actions aims to influence strategies on a regional (Strategy for decentralized growth 2019) and national level (Strategy for The Danish Board For Business Promotion). We expect by raising awareness on the topic of succession, we will be able to influence the strategies mentioned above. This will hopefully secure funds to new projects on the topic. We will use our own board and representatives in The Danish Board For Business Promotion to raise political awareness on the topic and our channels in the business promotion system.

8. Costs

DKK 280.000 (Euro 37.000)

9. Funding sources

European Regional Fund and decentral Business Promotion Funds

7. ACTION 2

Name of the action:

Screening and Succession Mentoring

The idea of the action is by screening to recruit the most growth potential SME's for a individual succession mentoring. The concept is by individualized succession plan to create a strategy for a successful transfer of the company and secure the growth potential is realized after the succession. Mentoring from the independent public business service to support the owner-manager in his effort with succession planning. Private specialists and experts will be involved to solve specific problems and to secure a professional succession plan.

1. Relevance to the project and the policy instrument

Experiences from the STOB regions project show the need for guidance and qualifying of the owner-managers. Research from COMB (Report 4 "Det gode ejerskifte" / The Good Succession) clearly shows the need for getting started with succession planning in due time to secure a successful succession.

It takes time to reflect upon and decide what is best for the owner-manager and the company. Succession, sale or a controlled business-close-down? Experiences from the partners and also from previous programs (Strategisk Generations- & Ejerskifte project / strategic succession) in the Region of Southern Denmark show that a long term relationship between the owner manager and the advisor/mentor with meetings and discussions in a period of up to one year is needed.

The action is designed to meet the prescription in the policy instrument for identification and screening of companies with growth potential. Also, the the action meet the demand for activities that strengthen SME's strategy & business development and succession, which is explicitly mentioned as a focus area. The activities have individually to be adopted to the specific need in each company witch is central for as well the policy instrument as the action. Finnally the action described in this plan is to stay in cooperation with local, regional and national public advisory service levels with the involvement of relevant private advisors and specialists.

2. Source of inspiration

It is inspired by the German Business Mentoring Service. The Business Mentoring Service has managed to create a program with several meetings between owner-managers and public business consultants in order to build confidence to discuss relevant issues. The possibility to involve private specialists when needed is inspired by the good practice.

3. Motivation

The program is motivated by the fact that on average more than one company has to transfer per day during the coming years. A lot of jobs and growth possibilities are involved in these companies, therefore a successful succession is needed. Research from COMB and experience from the STOB program shows that most companies actually develop and create growth following a successful succession. Support for the owner-managers is therefore important to keep jobs and develop further growth.

The action is motivated by the need for individual guidance and advice for the owner-managers to transfer their business successfully.

Today we have local and regional levels of public business service. In many municipalities competences to support a succession do exist but several do not have the resources or experience demanded. To ensure optimal use of the resources, a careful coordination among the administrative levels has to be carried out.

4. Nature of the action

The action includes:

- A) Screening of companies based on objective criteria like business lifecycle, size, growth potential, impact on the society, etc.
- B) Personal meetings for the preparation of the owner-manager as well as networking events among the owner-managers.
- C) For specialized advice and support, private experts and specialists will be involved when needed.

In stage 1 the screening will be managed by 1:1 meetings between consultants from local business advisories and the owner-manager.

In stage 2 clarifying and qualifying mentoring is designed to support the owner-managers development of an exit strategy that secures future growth and secure jobs. Central is one contact person who initiates the involvement of other advisors, experts and specialists when needed. The efforts and topics for business development can be individualized according to the needs of the company and owner-manager.

Ongoing sessions with training and networking have to be held to ensure uniformity and exchange of experiences between the local public business consultants and the Business Development Centers.

The target group is owner-managers with the potential to transfer their business in the coming years.

A) Screening

Screening for participation in the mentoring program is carried out by local public business consultants.

The companies need to have existed for several years (mature) and employ a maximum 50 people. The screening is based on objective criteria like:

- Growth potential
- Executability and opportunity
- Resources
- Organisation
- Scalability

The company is scored on a 1-5 scale. Further criteria can be added if needed.

Screening meetings will be carried out by the local business service (municipality). The owner-managers know the local business service and confide in the local consultants. The meetings aim to clarify the owner's situation and, if necessary, forward him or her to specialized guidance or programs.

The local meetings consist of two meetings per owner-manager. Up to 120 companies will go through a screening during the 2 year period.

The number refers to the total number of companies expected to transfer in the period. However, not all companies will participate in the program after the screening, according to previous experiences, some will fail and some will continue on a private basis.

The Danish version of The Succession Timetable will be used as a dialogue tool and "Ejerskiftebarometeret" by COMB as a tool for personal clarification. The Succession Timetable will be used in the personal meetings with the owner-managers whereas the COMB tool is made for self-assessment online. Both tools are ready to be used.

B) Succession Mentoring

The program will after screening and selection of participants take place in the form of meetings organized by the public advisory service consultants. The meetings have to take place over a longer period of time. The Succession Timetable will be a road map for both the structure and the thematic issues in combination with relevant tests like "Ejerstrategi-kortet" from COMB.

The program is designed to fit into the need of the owner-manager and his or her company. The basic elements are:

- Succession planning with a clearly defined challenge and task list
- Guidance, follow up and support by public consultants
- Involvement of private advisors and private specialists
- Succession plan ready to execute

The public consultant will be able to offer up to five personal meetings over a period of 12 months. Up to 90 companies will join the mentoring program during the 2 years period. The number of companies refer to the number of companies expected to transfer in the period. A maximum of 10-15 % is expected to be in the target group for this program.

During the process, the owner-manager will clarify the strategy for transfer and create a succession plan to execute. Requirements for the succession plan have to follow the standard given by the Business Development Centers. This includes a well-defined problem, solutions to the problem and a clear execution plan with milestones, timetable, costs etc. The plan will be approved by the Business Development Centers.

C) Specialized advice and support

Advisors and specialists from the private sector will be involved in the succession plan. The topics for the private advisors and experts are:

- Succession plan
- Valuation
- Succession preparation
- Taxation
- Financing
- Legal matters
- Organization/HR
- Business development
- Sales preparation

Specialists from the private sector have to get paid for the job. The agreement and payment between owner-manager and specialist are handled directly between the parties. The payment can be supported with the following Action 3 “Vouchers”.

The consultants from the public advisory service and the Business Development Centers know relevant specialists and are obliged to present two or three alternative specialists to the owner-manager. Private advisors and specialists will be rated for skills and listed by the Business Development Centers.

Again, the Succession Timetable will be used as a dialogue tool and the COMB online test “Ejerstrategikortet” for clarification of the owner-managers’ situation and challenges.

5. Stakeholders involved

Stakeholders would be the local public advisory service, the Business Development Centers, COMB/CBS, Copenhagen, and private specialists in the field of succession and business transfer.

The Business Development Centers are responsible for project management, clarifying program (consultants), the network program, training, and network sessions.

The local public advisory service will participate in the screening, guidance and clarifying program. COMB/CBS, Copenhagen is responsible for the training program as well as facilitating the training.

6. Timeframe

Period	Action	Description	Task	Responsible
January 2020	Screening	Planning	Tools and policy	Business Development Centers and local business service
Second to fourth quarter 2020	Screening	Screening SMEs for potential succession	Up to 40 companies for Mentoring and/or Vouchers per quarter (total 120)	Local business service and Business Development Centers
First-quarter 2020	Succession Mentoring	Coordination and cooperation planning	Tools and policy	Business Development Centers and local business service
Third-quarter 2020 to the first quarter 2021	Succession Mentoring	Mentoring sessions	Up to 20 companies per quarter (total 60)	Local business service and Business Development Centers

7. Impact of the action

The action will have a clear impact on the amount of successful succession of companies, with importance to the society and growth potential in general. A plan including strategy for succession will together with clarification of the owner manager be a specific output. This will be measured by the performance contract at the Business Development Centers.

This action is dependent on the succes of action 1. Because there are no funds available in the danish business promotion system for supporting the action. If we are succesfull with action 1, the possibility for EU-funds for a succession project is much greater and we will be able carry out the action described above. The impact of the action - if carried out – will be a fine-meshed strategy, which is able to detect SME's who are facing a succession, as well as which have the greatest growth potential through a succession.

8. Costs

DKK 1.661.200 (Euro 221.150)

9. Funding sources

European Regional Fund and decentral Business Promotion Funds

8. ACTION 3

Name of the action:

Voucher for Advisory Services

The idea of the action is to support the SME's and owner-managers in the use of private specialists and experts in the field of succession. The concept is to offer 50% payment of the costs for the private specialists and experts. Very important is that the voucher can be related to the need at the SME and the specific costs, this to meet the actual situation and demand in the SME's and at the owner-manager.

1. Relevance to the project and the policy instrument

Involvement and use of specialists and experts in the field of succession and business transfer when needed to ensure the transfer. Owner-managers do often not have experience, knowledge and tradition for the use of experts.

The policy instrument prescribes use of the use of relevant private experts and specialists to professionalize the succession and secure growth and jobs.

2. Source of inspiration

It is inspired by the good practice "Vouchers for Advisory Service" from Poland. The Polish partner has achieved nice experiences with vouchers as an instrument to bring owner-managers together with private specialists.

For stage 2 the policy prescribes the use of private specialists and experts. The use of vouchers encourages owner-managers of SMEs to use private consultants. The use will be for specialized advisory only.

3. Motivation

Experiences from the STOB regions project show very clearly the need for advisory service from specialists to ensure a successful business transfer.

The tradition to spend money on external experts is weak, and a way to encourage the SMEs, and owner-managers to do so, is to offer vouchers.

4. Nature of the action

The voucher can support the total cost of a maximum of DKK 30.000 / Euro 4.000 to DKK 200.000 / Euro 26.700 (the public support is maximum 50% of the costs). Prices are exclusive VAT.

The size of the voucher refers to the need and the potential within the company. The Business Development Centers define the need and the potential.

The vouchers can be used for advisory services like:

- Succession planning
- Valuation
- Succession preparation
- Taxation
- Financing
- Legal matters
- Organization/HR
- Business development
- Sales preparation

Vouchers can be applied at the Business Development Centers.

A total of up to 40 vouchers can be offered in the period of 2020-2022. The number of vouchers is according to the experience from other programs considering completion and quality at the same time. Only a limited number of companies in the mentioning program will have a demand for financial support and will prefer to make private arrangements with advisors.

The voucher concept and project management will be managed by the Business Development Centers. The centers are experienced in managing these kinds of programs and can provide support in management, administration, and controlling.

The quality will be assured by a succession plan according to the requirements given by the Business Development Centers. This includes a well-defined problem, problem solutions and a clear execution plan with milestones, timetable, costs, ect. The plan will be examined by the Business Development Centers.

The target group is SMEs with the need for specialized advisory service.

5. Stakeholders involved

Stakeholders would be the local public advisory service, the Business Development Centers and private specialists in the field of succession and business transfer.

The Business Development Centers and local public advisory service will cooperate in the selection of private specialists and experts for the vouchers.

The Business Development Centers are responsible for the management, voucher approval, and administration.

The local public advisory services will promote the vouchers.

Private experts and specialists in the field of succession and transfer for advice and management will provide the counseling.

6. Timeframe

Period	Action	Description	Task	Responsible
Second quarter 2020	Vouchers	Planning	Define frame for voucher and approval	Business Development Centers
Second quarter 2020	Vouchers	Organisation	Organise management, administration and controlling	Business Development Centers
Third quarter 2020 to second quarter 2021	Vouchers	Approve and assign	10 vouchers per quarter (total 40)	Business Development Centers and local business service

7. Impact of the action

The succession plan is an efficient tool to create a structured and well-defined strategy for successful succession and further growth within the companies. The vouchers will ensure the use of private specialists and experts to ensure the growth of a number SME's after succession.

This action is again dependent on the succes of action 1. Because there are no funds available in the danish business promotion system for supporting the action. The impact of the action - if carryed out – will be an increased number of succesfull succussions in SME's which hopefully again will lead to encreased awareness – from both SME's and political level.

8. Costs

DKK from 862.000 to DKK 4.262.000 depending on the size of the voucher

9. Funding sources

European Regional Fund and decentral Business Promotion Fund

9. Expected impact of the actions

Action	Activity	Good Practice/Policy	Expected result	Expected impact at policy level
Raising Awareness	One-stop shopping information platform with relevant information about succession. Links to further support and “call to action”	Succession in Germany/ Screening policy	High impact on attention about succession and transfer planning among SMEs	Implementation of succession in regional and national strategies. Allocation of EU-funds
Screening Succession Mentoring	Screenings for succession (up to 120 owner-managers) Mentoring meetings (up to 5 times over a period). Up to 60 individual processes for SMEs	Succession Timetable & Business Mentoring Service/Activity policy Succession timetable & Business Mentoring Service/Activity policy	Individual screening of owner-managers for participation in the program- Clarifying owner-manager for succession. Involvement of private specialists and experts. A clear defined succession plan to execute.	Establishment of a fine-meshed strategy, which is able to detect SME's who are facing a succession, as well as which have the greatest growth potential through a succession.
Voucher for Advisory Services	Vouchers for the support of private specialists and experts. Up to 40 vouchers in total.	Vouchers for advisory services	Involvement of relevant professional private experts and specialists for successful succession. Secure more growth and jobs. Inspire SMEs to use professional advisers when	Raising awareness at political level though successful successions I SME's

			needed. A clear defined succession plan to execute.	
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Date:

Name of the organisation(s) : :

Signatures of the relevant organisation(s):