

SUCCESSION AND TRANSFER OF BUSINESS IN REGIONS

ACTION PLAN TO SUPPORT THE TRANSFER OF
BUSINESSES IN THE MAŁOPOLSKA REGION



TABLE OF CONTENT

LETTER OF ENDORSMENT	4
LIST OF ABBREVIATIONS	5
PART I: ABOUT THE PROJECT	6
Introduction to the topic of Business Transfer	6
General Project Description.....	6
Known Issues and Challenges	6
Aspects of Business Transfer	8
PART II: THE REGIONAL ACTION PLAN.....	15
Region-specific issues and challenges.....	15
SWOT analysis of the Małopolska Region.....	17
Basic conclusions from the study carried out as part of the STOB regions project.....	21
Policy context.....	24
Purpose of the Action Plan	24
Description of the policy instrument	25
Measure 3.2 "Promotion of entrepreneurial attitudes and BEI potential"	26
Measure 3.4 "Development and competitiveness of the Małopolska Region SMEs"	26
Impact of the Action Plan on the policy instrument	27
PART III: DETAILED ACTIONS.....	28
Action 1: Direct introduction of procedures and processes related to strategic planning and implementation of succession to the catalog of consultancy services provided under Sub-measure 3.4.5 "Vouchers for consultancy" of the Regional Operational Program of the Małopolska Region 2014 - 2020.....	28
Context	28
Contribution of the STOB regions project	28
Characteristics of Action 1	29
Entities involved in the implementation of Action 1	31
Timetable	31
Costs.....	31
Sources of funding	31
Action 2: Increasing access to knowledge and raising awareness about business transfer among entrepreneurs from the Małopolska Region	32
Context	32
Contribution of the STOB regions project	33
Characteristics of Action 2.....	34

Sub-measure 2.1: Increasing the availability of information regarding the proper preparation and carrying out of business transfers by creating a subpage devoted to the topic of succession on the main website of the Małopolska Region.	35
Sub-measure 2.2: Dissemination of knowledge about the succession process thanks to the issue of the magazine Innovative Start dedicated to business transfer.	36
Entities involved in the implementation of Action 2	37
Timetable	37
Costs.....	38
Sources of funding	39
Action 3: Increasing the level of readiness for succession among Małopolska Region companies thanks to the organization of the pilot edition of the program entitled the Małopolska Region Network of Successors.	40
Context	40
Contribution of the STOB regions project	40
Characteristics of Action 3.....	42
Entities involved in the implementation of the Action 3	43
Timetable	43
Costs.....	44
Sources of funding	44
Action 4: Strengthening the cooperation of institutions in the region in the field of promoting available succession support instruments	45
Context	45
Contribution of the STOB regions project	46
Characteristics of Action 4.....	47
Entities involved in the implementation of the Action 4	48
Timetable	49
Costs.....	49
Sources of funding	49

LETTER OF ENDORSMENT

Business transfer issues have gained in importance in recent years and become increasingly popular in the context of entrepreneurship and economic development. The Małopolska Region, in anticipation of the expected wave of succession in business, in January 2017 started the project under the Interreg Europa Program "STOB regions - Succession and Transfer of Business in Regions". The international partnership of the project and close cooperation with institutions in the region enabled the development of solutions tailored to the needs and specificity of the region. This Action Plan describes the activities of the Małopolska Region in the area of supporting succession processes in 2020-2021.

LIST OF ABBREVIATIONS

BEI	<i>Business Environment Institutions</i>
EBIT	<i>Earnings before Interest and Taxes</i>
EBITDA	<i>Earnings before Interest, Taxes, Depreciation and Amortization</i>
ESF	<i>European Social Fund</i>
ESIF	<i>European Structural and Investment Funds</i>
MS	<i>Member States</i>
NOPAT	<i>Net Operating Profit After Taxes</i>
ROP MR	<i>Regional Operational Programme of the Małopolska Region</i>
SME	<i>Small and Medium Enterprises</i>
ToB	<i>Transfer of Business</i>

PART I: ABOUT THE PROJECT

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:

- 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.
- An increasing number of ToB will take place outside the family to third parties.
- A growing number of entrepreneurs will only stay in the same company for a shorter period (not for a lifetime).
- 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. Therefore, business succession is a topic of utmost importance all across Europe.



Raising Awareness

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 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.



Financial Instruments

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.

PART II: THE REGIONAL ACTION PLAN

Region-specific issues and challenges

In Poland, due to historical conditions (the functioning of the socialized economy), most private enterprises were established after the period of political transformation. The legalization of private business in 1989 gave rise to the flourishing of Polish entrepreneurship. In less than 30 years, few companies have had the opportunity to undergo generational change since then. 89% of family businesses are in the hands of the first generation¹. According to statistics, the founders of the companies from that period who, for nearly 30 years, accelerated the Polish economy, are entering their retirement age and are trying to transfer their businesses to successors, whether in the family or outside. According to research, nearly 40% of private business owners in Poland intend to transfer their powers over within the next 5 years². However, among many companies, the topic of such a transfer is not taken up, and the consequences of inadequate succession are often underestimated. The reasons for such a situation can be seen, among other things, in the absence of sufficient examples of good practices and examples of successful successions in the Polish market. Family business ownership was transferred in only 15% of cases, at present, however, the number of companies for which this knowledge is of particular importance is rapidly increasing³.

A few years ago, family companies in Poland were stereotypically regarded as unprofessional, currently they are in their renaissance, being the subject of research, the topic of conferences and press articles. The interest in family business issues is growing rapidly. Their significant contribution to the development of national economies has been widely recognized, thanks to, among others, their stable functioning, job creation and undertaking entrepreneurial initiatives.

In Poland, among the SME sector companies planning succession in the coming years, a vast majority - 82% consider keeping the ownership and power in the family⁴. Only 10% are considering selling or listing⁵. This is the reason why the concept of succession is identified with family companies in Poland more than in other countries.

The available literature provides different, very divergent, values concerning the number of family businesses in the Polish economy. This is due to the lack of a homogeneous definition of a family that would be accepted by most researchers. The authors of the most representative survey of the family business sector commissioned by the Polish Agency for Enterprise Development (PAED) have defined a family business as an economic entity in which at least two family members work together, at least one having a significant impact on the management of the company and the family holding a majority shareholding⁶. The survey excludes large

¹ M. Adamska, PM Business Consulting, *Guide to succession in Polish family businesses. Compendium of knowledge*, Krakow 2014, p.16.

² PwC, *Survey of Family Businesses 2015. Poland against the background of Central and Eastern Europe and the world*, Poznan 2015, p. 12.

³ M. Adamska, PM Business Consulting, *Guide to succession in Polish family businesses. Compendium of knowledge*, Krakow 2014, p.16.

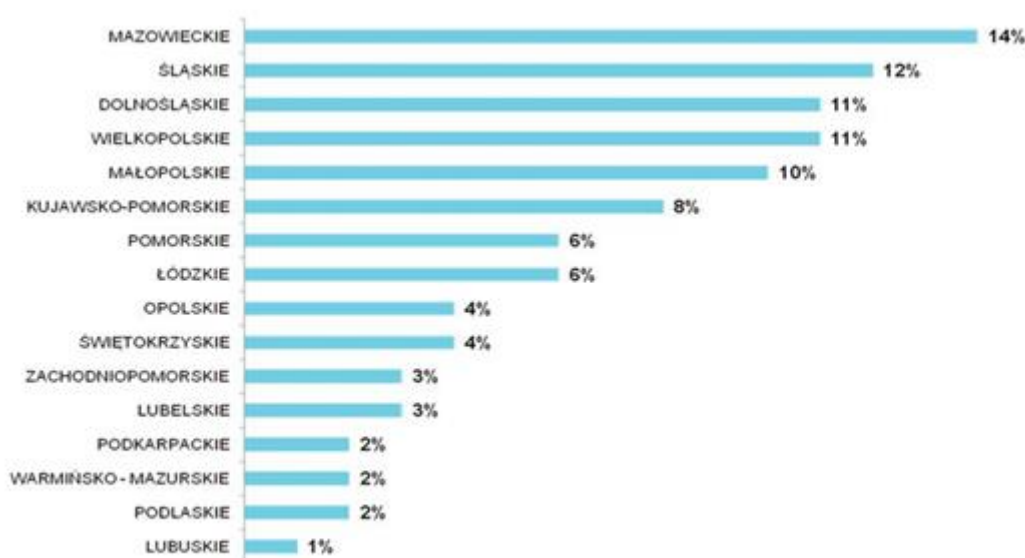
⁴ PAED, *The SME Sector Report*, Warsaw 2016, p. 110.

⁵ PwC, *Survey of Family Businesses 2015. Poland against the background of Central and Eastern Europe and the world*, Poznan 2015, p. 12.

⁶ A. Kowalewska, PAED, *Family businesses in the Polish economy - opportunities and challenges*, Warsaw 2009, p. 31.

and one-person businesses that do not employ workers. According to such a definition, in 2010, family companies accounted for 36% of the SME sector in Poland⁷. The inclusion of one-person business activities not involving employees in the category of family businesses would artificially inflate the ratio, which would amount to 78%⁸. However, part of the one-person business activities that do not employ workers are *de facto* family businesses, as family members work in the companies, despite the fact that they are not formally employed in the company. The 60% value found in studies and articles appears to be the mean of both the above-mentioned values and represents a compromise⁹. Assuming the value as granted and taking into account that, according to the Central Statistical Office, at that time, i.e. in 2010, there were 1.72 million enterprises¹⁰, the number of family businesses can be estimated at approx. 1 million¹¹. Irrespective of the definition by which the size of family businesses is measured, their role and importance in the economic and social life have certainly been recognized.

The region ranks among the regions in which the number of family businesses is the highest. According to the research conducted, 10% of Polish family businesses are located in the Małopolska Region¹². Family entrepreneurship basically coincides with the regional distribution of entrepreneurship in general (the number of enterprises in individual regions). In total, over half (58%) of family businesses are concentrated in five regions: Mazowieckie (14% of all family businesses), Śląskie (12%), Dolnośląskie and Wielkopolskie (11%) and Małopolska (10%)¹³.



Source: A. Kowalewska, PAED, *Family businesses in the Polish economy - opportunities and challenges*, Warsaw 2009, p. 65.

⁷ Ibid.

⁸ PAED, *The SME Sector Report*, Warsaw 2016, p. 96.

⁹ Ibid.

¹⁰ Non-financial corporation activity in 2010, CSO, 2011.

¹¹ PAED, *The SME Sector Report*, Warsaw 2016, p. 96.

¹² A. Kowalewska, PAED, *Family businesses in the Polish economy - opportunities and challenges*, Warsaw 2009, p. 64.

¹³ Ibid.

The high level of entrepreneurship in the region is maintained, inter alia, through the actions taken by the self-governments of the regions aimed at promoting and supporting business. Entrepreneurship is supported, among others, thanks to the EU funds under the *Regional Operational Program for the Małopolska Region for 2014-2020* (ROP MR 2014-2020). The funds are invested by regional institutions in the creation of good conditions (including infrastructure) for the development of companies and, directly, by the companies that, through the measures, implement new products and services. Within the *Regional Operational Program for the Małopolska Region for 2007-2013* (ROP MR 2007-2013), entrepreneurs from the region executed over 2.1 thousand projects worth approx. PLN 950 million. As a result, more than 3,400 work places were created in the region, more than 2,600 innovative products and technologies and more than 2,500 new services were marketed. In the 2014-2020 perspective, more than EUR 870 million has been allocated to support entrepreneurship in the ROP MR to be successively used in subsequent competitions. Entrepreneurship and innovation are promoted among the people to encourage them to run their own businesses and invest in implementing new solutions in the existing companies, through such periodic events as the World Entrepreneurship Week in the Małopolska Region¹⁴ and the Małopolska Innovation Festival¹⁵.

Such actions have also been recognized internationally - the EU Regions Committee awarded the Małopolska Region a prestigious title of the European Region of Entrepreneurship 2016 (ERP). The ERP2016 title is a distinction for the Małopolska Region and, at the same time, confirms that the activity of the region and the actions undertaken by its self-government and partner institutions for the development of entrepreneurship are appreciated and treated as worthy to be followed. The Małopolska Region has been appreciated above all for the efficient use of its potential, especially in the sectors characterized by rapid development (intelligent specializations), strong partnerships with institutions from the region and optimal management of European funds.

By joining with the *STOB regions - Succession and Transfer of Business in Regions* in January 2017, the Małopolska Region has responded to the succession wave expected in the coming years in companies. The aim of the project is to streamline the process of succession in small and medium-sized enterprises through the exchange of experience and good practice in the interregional partnership and, in cooperation with business transfer stakeholders in the Małopolska Region, the aim is expected to be achieved by developing effective solutions at the level of a regional policy.

SWOT analysis of the Małopolska Region

The SWOT analysis of the Małopolska Region in terms of succession support is the fruit of cooperation between the Marshal's Office, the Regional Stakeholder Group and the work of the STOB region's project partners during the international peer-review workshops for the Małopolska Region, which took place on December 13-14, 2017 in Krakow. The following points summarize the results of the workshop.

¹⁴ <http://tydzienprzedsiębiorczosci.malopolska.pl/>

¹⁵ <http://www.festiwalinnowacji.malopolska.pl/>

SWOT analysis for the Małopolska Region

STRENGTHS <ul style="list-style-type: none"> S1 High attractiveness of individual consultancy as a form of acquiring knowledge about succession among entrepreneurs (a universal form available in our region) S2 Online tools availability (<i>Succession Guide</i>)¹⁶ S3 Vouchers for consultancy (financial instrument) under the ROP MR for 2014-2020 S4 No inheritance tax 	WEAKNESSES <ul style="list-style-type: none"> W1 A short tradition of inheriting family businesses W2 Low level of entrepreneurship education in schools No inheritance tax W3 Lack of entrepreneurship education in the field of entrepreneurship (owners' generation) W4 No emergency planning W5 No communication strategy in companies W6 Lack of narrative about the company and human life cycle (fear of talking about death) W7 Reluctance of the older generation of business owners to incur costs for business consulting
OPPORTUNITIES <ul style="list-style-type: none"> O1 Exchange of experience and information on succession as part of cooperation undertaken with associations and popular networking of family businesses O2 Amendments to the law (Act on succession management) O3 Market changes, new opportunities/consolidations O4 Strategic location between west and east Europe O5 Relatively young seniors 	THREATS <ul style="list-style-type: none"> T1 Underestimating the importance/consolidation of ownership transfer and the time one should spend preparing their business for succession T2 No inter-generational interaction (transfer of knowledge between generations) T3 Lack of good practices in the area of business transfer (90% of companies are in the hands of the first generation) T4 Property structure (sole proprietorship)

The SWOT analysis identifies strengths, weaknesses as well as opportunities and threats of the Małopolska Region in the context of intergenerational changes taking place in the ownership structure of The Małopolska Region enterprises. Despite the approaching wave of succession in the coming years, an important and strongly accented conclusion was the young age of company founders to properly prepare and carry out this succession.

¹⁶ The guide to succession in family businesses is a tool developed as part of the project implemented in 2012-2015 by PM Doradztwo Gospodarcze, co-financed from EU funds. The guide is available in the form of a book and in a multimedia version, audiobook and the NOE diagnostic and planning application NEO, more info: <http://noeandneoapp.sukcesja.org/>

Among the strengths of the Małopolska Region, there have been instruments and projects functioning in our region for several years, i.e.:

- A guide to succession,
- Vouchers for consultancy.

In the Małopolska Region, activities to support family businesses have been undertaken so far mainly by consulting companies. According to interviews conducted as part of the STOB regions project, PM Doradztwo Gospodarcze Sp. z o.o. and the Family Business Initiative association have gained the greatest experience in this area. Both institutions cooperated with the Polish Agency for Enterprise Development (PARP) as part of nationwide projects focused on supporting succession. Based on the research carried out by PARP, a training and consulting service was designed, addressed to a group of family businesses. Research has shown that one in four family businesses would be interested in training/consulting services for family businesses, which confirms the need for this type of service.

The precursor in the area of succession consulting is PM Doradztwo Gospodarcze. The knowledge and experience gained during the implementation of the project co-financed from EU funds, the **"Guide to Succession in Family Businesses"**, enabled the development of a guide, unique in form and content, targeted at companies on the threshold of generational changes. A publication was prepared, including the multimedia version, audiobook, as well as the NOE diagnostic and planning application NEO (detailed below).

The "Guide to Succession in Family Businesses" consists of:

1. KNOWLEDGE COMPENDIUM on succession change management in a family business in the field of strategic succession planning, the organizational structure in a family business, the financial side of the succession process, legal issues and personnel matters related to succession.
2. The compendium has a BOOK version, AUDIOBOOK version and MULTIMEDIA version intended for use on a computer or tablet, with educational materials, animations, interactive exercises, films, etc.
3. The IT APPLICATION, "ANALYSIS AND DIAGNOSIS OF A SUCCESSIVE SITUATION IN A COMPANY", performs automated analysis and diagnosis of the succession situation of a family company on the levels of strategy, organization, HR, legal and financial matters after entering objective data about the company (e.g. financial, legal, organizational, personal).
4. The IT APPLICATION, "PLANNING SUCCESSIVE CHANGES", gives the entrepreneur the elements necessary to include in the succession plan, along with their prioritization after taking into account the results of the analysis and provision by family business owners of answers to questions about the most important areas of succession, time horizon of activities, potential and preparation of successors.

The "Guide to Succession in Family Businesses" is available free of charge on the site https://www.parp.gov.pl/storage/publications/pdf/przewodnik_po_sukcesji.pdf

The guide was reported as a good practice on the Policy Learning Platform under the Interreg Europe program (<https://www.interregeurope.eu/policylearning/good-practices/item/2225/the-family-business-succession-guidebook/>). Based on the experience gained and materials developed, PM Doradztwo Gospodarcze started the implementation of a new project called "Through succession with a guide" in November 2018. The project will be implemented in 3

regions, including the Małopolska Region. Information about the project is available on the website: <https://sukcesja.org/sukcesja/>

The vouchers for consultancy implemented under the 3rd priority axis of the Regional Operational Program of the Małopolska Region for 2014-2020 (ROP MR 2014-2020), Measure 3.4. Development and competitiveness of SMEs in the Małopolska Region, Sub-measure 3.4.5 is an important tool available to companies in the SME sector. Vouchers are a non-returnable subsidy for the development of companies that have their headquarters in the Małopolska Region. Detailed information is provided in chapter 1.2.2 Measure 3.4 of this Action Plan. Information on the possibilities of obtaining support under vouchers is available on the website <https://www.rpo.malopolska.pl/skorzystaj/nabory/poddzialanie-3-4-5--bony-na-doradztwo---rmp-03-04-05-ip-01-12-071-18> and <https://www.marr.pl/bonysukcesu/>

The vouchers, as a form of supporting succession processes in the region, have been reported as good practice on the Policy Learning Platform as part of the Interreg Europe program (<https://www.interregeurope.eu/policylearning/good-practices/item/2522/vouchers-for-advisory-services/>).

The vast majority of the Małopolska Region's weaknesses indicated in the SWOT analysis surround the characteristic of Polish entrepreneurship associated with its short history. In the minds of Polish entrepreneurs, inheritance has only recently started to function as a form of maintaining the business and stability of the company. Due to the short history of inheritance and the lack of narrative about the company's life cycle, there is a noticeable deficit of emergency planning in companies. In addition, education both at school and later requires further improvement. The dissemination of knowledge and raising awareness about the proper preparation and implementation of succession are an important challenge for the Małopolska Region.

According to the analysis, among the opportunities, the most important is the change in Polish succession law. The Act on the management of the successive enterprise of a natural person (Journal of Laws of 2018, item 1629), which entered into force on November 25, 2018, aims at providing entrepreneurs who are natural persons with legal conditions to maintain business continuity after their death, by considering that the company should be seen as a legal asset. It also introduces solutions regulating the principles of temporary management of an enterprise after the death of an entrepreneur who performed activities on his own behalf on the basis of an entry in the CEIDG - introduction to the legal system of the institution of the succession board and the successor manager. Under the current legal status, it has been impossible to maintain full business continuity. Only the resumption of activity could be involved, but the length of time that elapsed between the entrepreneur's death and resumption of activity depended on the entrepreneur's personal situation, compliance with the legal successor's plans and their willingness to jointly engage in activities aimed at continuing the enterprise.

The most important element of the act is the creation of the institution of a succession administrator. This is a natural person with full legal capacity who will run a business after the death of the entrepreneur until all inheritance formalities are completed and the heirs decide whether or, if so, what legal form the enterprise will continue to operate under. The successor administrator may be appointed by the entrepreneur himself or may be appointed by authorized persons after the entrepreneur's death. It can be one of the family members or someone outside of the family. The deadline for appointing an administrator is 2 months from the day of the entrepreneur's death. The succession board may last a maximum of two years from the day of the owner's death. In exceptional cases, the court may extend this time to 5 years.

The Act also provides for the introduction of regulations enabling heirs taking over sole proprietorships to benefit from an exemption from inheritance tax and donations. The necessary conditions are the notification of the acquisition of business property to the head of the tax office and running the business by the buyer for a period of at least 2 years from the date of its acquisition.

The Act, in force since November 2018, is an innovative solution on a European scale that provides an opportunity to maintain the functioning of many companies in the SME sector.

In terms of threats identified in the SWOT analysis, the greatest seems to be the underestimation by entrepreneurs of the importance/significance of business transfer as a critical stage in the company's life cycle, as well as the time needed to be well-prepared for succession. The threat is compounded by the fact that the issue of handing over the company will affect almost 90% of SME sector companies in the coming years, which according to statistics are currently in the hands of the first generation¹⁷.

Basic conclusions from the study carried out as part of the STOB regions project

The results of the survey carried out under the STOB regions project are an important source of information about the state of awareness and the needs and deficits of entrepreneurs of the Małopolska Region.

An analysis of the available literature indicates that business transfer is usually considered from the perspective of the entire country. The available reports describe the specifics of companies undergoing generational changes in relation to national statistics. Given the family nature of SME companies and their local range of activity, it was justified and necessary to base the succession analysis on the results of research at the regional level. As part of the STOB regions project, the Marshal's Office carried out a survey in which 50 companies located in the Małopolska Region took part. The office also addressed questions in the form of a survey to institutions involved in the implementation of the STOB regions project. The study was aimed at enabling the analysis of the situation of the regional enterprises in terms of succession processes and diagnosing possible difficulties in order to effectively eliminate them by means of policy measures at the voivodship level. The survey results were used to develop the "Opening report" document as part of the STOB regions project.

The survey shows that 58% of companies that responded have plans to succeed. Nearly 45% of them would like to hand over the company within the coming 10 years. However, only 32% indicated that some steps have been taken in this direction, e.g.:

- 8% have taken formal steps (e.g. change of legal form from a sole proprietorship to a commercial company),
- 14% have a succession strategy/plan, but it is not written.

Interest in succession among the surveyed companies is disproportionate to actions undertaken in this direction. Awareness of the complexity and time-consuming process of business transfer remains at a very low level, which is confirmed by the lack of activities related to the transfer of companies. Research in Switzerland shows that the average duration of the

¹⁷ M. Adamska, ed., *A guide to succession in family businesses*, Krakow, 2014.

succession process is 7 years, whereas in Poland 40% of the founders and successors believe that one year is enough to transfer a company.

As part of the survey conducted within the STOB regions project, entrepreneurs were asked if they met possibility of expanding knowledge about processes related to the transfer of a company. More than half of the answers were affirmative (58%).

When asked about the sources of their knowledge about succession, the same business owners pointed out: other entrepreneurs (22%), consulting companies (18%), Internet (15%), business environment institutions (9%), family (6%), literature (5%) and traditional media (4%).

The premise for undertaking activities by government and local government authorities for supporting enterprises in handing over business is, among others, the number of enterprises whose owners are currently entering retirement age.

As part of the survey conducted within the STOB regions project, entrepreneurs were asked about the institution in which they are searching or would search for support in the event of the need to transfer their business. Most often they indicated: consulting companies, Business Environment Institutions (BEI), chambers of commerce.

Business owners mentioned the following as the most attractive forms of raising knowledge:

- individual counseling (e.g. by business environment institutions or companies that have succession experience - mentoring) – 27%,
- websites (portal devoted to this issue) – 24%,
- information provided via electronic mail (e.g. newsletter sent by a chamber of commerce) – 22%,
- training, conferences – 21%.

The above indicates which activities entrepreneurs are interested in, and thus what BEI offers most often catches their attention.

Business owners asked about areas that they consider the most difficult in the process of transferring business, i.e. those that require special attention and wider support in the future. Some 20% of respondents indicated legal and tax aspects as being the greatest challenge in business transfer. The following were also listed: financial (e.g. company valuation) - 19%, organizational (e.g. adjustment of the company structure) - 17%, psychological (e.g. building a successor position) - 15%, strategic aspects (e.g. no company strategy acceptable by Successor) - 15%, no potential / relevant buyers / successors - 14%.

Among the deficit areas of business owners in the process of business transfer, the most severe was the lack of knowledge in the financial/tax area - 14%, organizational - 14% and legal area - 13%.

An analysis of the reasons for the failures of family businesses built and developed over the years in Poland clearly indicates a deficit of knowledge in the legal and tax areas. Among the most common reasons are:

- running the company in an inappropriate legal form,
- incorrectly constructed company contracts,
- no wills or incorrectly prepared wills,
- unlimited liability with personal property for the company's obligations,

- prolonged inheritance proceedings¹⁸.

Given the number of unforeseen circumstances that may occur, such as an accident or illness, it is recommended that business owners take action in good time to protect their company against uncontrolled succession.

¹⁸ *Succession processes in the Małopolska Region. Opening report prepared as part of the "STOB regions - Succession and Transfer of Business in Regions" project.*

Policy context

Purpose of the Action Plan

The Action Plan aims to impact:

- ☒ Investment for Growth and Jobs program
- ☐ European Territorial Cooperation Program
- ☐ Another instrument of regional development policy

The name of the policy instrument to which the Action Plan refers:

Regional Operational Program of the Małopolska Region for the years 2014 - 2020.

The Regional Operational Programme consists of different Investment priorities one of them is the Investment priority 3a. Investment priority 3a is focused on the promotion of entrepreneurship, in particular by facilitating the economic use of new ideas and fostering the creation of new companies, including through business incubators.

Activities under the investment priority 3a, such as:

- promoting business attitudes,
- support for early-stage SMEs,

are in line with the objectives of the Europe 2020 Strategy, the Strategy for Responsible Development, the Strategy for Innovation and Economic Efficiency "Dynamic Poland 2020", the Strategy for the Development of the Małopolska Region for 2011-2020 and the Regional Innovation Strategy for the Małopolska Region 2020.

Priority axis 3 "Entrepreneurial Małopolska Region".

The aim of priority axis 3 is to build and strengthen the competitive position of the SME sector. This goal is implemented by supporting the creation of conditions for a more flexible functioning of SME sector entities on the market and an increase of their economic importance.

The intention of the created Action Plan is to improve the abovementioned policy instrument, thus contributing to the construction of mechanisms aimed at supporting the sustainability of existing enterprises. This goal is the result of the exchange of experience under the STOB regions - Succession and Transfer of Business in Regions - project and the result of the SWOT analysis of the Małopolska Region in terms of succession processes carried out among foreign partners and members of the Regional Stakeholder Group of the STOB regions project during interregional workshops that were held in Krakow on December 13-14, 2017.

Description of the policy instrument

The aim of the "Entrepreneurial Małopolska Region" priority axis is to build and strengthen the competitive position of the SME sector, which is implemented by supporting activities:

- Measure 3.1 Economic activity zones,
- Measure 3.2 Promotion of entrepreneurial attitudes and Business Environment Institutions (BEI) potential,
- Measure 3.3. Internationalization of the Małopolska Region economy,
- Measure 3.4. Development and competitiveness of the Małopolska Region SMEs.

The implementation of measures under priority axis 3 contributes to creating conditions conducive to dynamizing the economic development of the Małopolska Region. The level of entrepreneurship is increasing due to the support that focused on equipping the region with a basic infrastructure that is conducive to business development and investment placement in the Małopolska Region. The importance of repayable instruments in supporting the activities of SMEs is also increasing.

The funds are invested by regional institutions both for creating good conditions (including infrastructure) for the development of companies, as well as directly by companies that, thanks to the funds allocated, implement new products and services. In the 2014-2020 perspective, over EUR 870 million was allocated to support entrepreneurship in the Regional Operational Programme of the Małopolska Region (ROP MR), which was successively launched as part of subsequent competitions. Entrepreneurial attitudes and innovation are promoted among residents to encourage them to operate their own businesses.

However, in the face of the wave of succession expected in the coming years, creating the best conditions for the development of entrepreneurship takes on a new meaning. Currently, maintaining the functioning of existing enterprises is becoming a challenge for both business owners and the entire economy. The transfer of ownership is the third important stage in the life cycle of an enterprise, after its creation and development. Therefore, succession is a prerequisite for the survival and continued development of a company, but it is also an act of responsibility, of which entrepreneurs should be properly prepared and support business environment institutions along with their adequate tools from the level of regional policy.

The Małopolska Region is one of the leading Polish regions in terms of creating an environment for the creation and development of new companies. In 2016, it was awarded the title of European Entrepreneurial Region by the Committee of the Regions and the European Commission. Krakow belongs to the group of 3 main start-up centers in Poland, following Warsaw and Wrocław¹⁹. Among others, this is due to the high availability of support for start-ups and young companies, which are composed of a vibrant environment of young, active people. However, the challenge for the coming years is to intensify operations and strengthen mechanisms supporting existing companies in a smooth transfer of ownership to the next generation. The intention of the Action Plan is to initiate and strengthen actions to promote and support companies in the effective business transfer.

¹⁹ M. Beauchamp, J. Kryzstofiak-Szopa, A. Skala, Startup Poland Foundation, *Polish startups 2018. Report 2018*, Warsaw 2018

Measure 3.2 "Promotion of entrepreneurial attitudes and BEI potential"

Measure 3.2 "Promotion of entrepreneurial attitudes and BEI potential" supports projects in the field of entrepreneurship promotion, creation of entrepreneurial attitudes and building BEI capacity. Two types of projects are co-financed under the measure:

- Project type A - activities implemented as part of projects aimed at supporting companies from the SME sector in the early stages of development (i.e. those that operate on the market for no longer than 36 months)
- Project type B - focused on increasing the availability of high-quality, consulting services provided by business environment institutions, specialized and tailored to the needs of final recipients (SMEs)

Measure 3.4 "Development and competitiveness of the Małopolska Region SMEs"

Measure 3.4: "Development and competitiveness of the Małopolska Region SMEs" provides the opportunity to obtain funds from the European Union, which are available to enterprises interested in creating, developing and strengthening their position on the local, national and international markets. The measure is divided into five sub-measures:

- Sub-measure 3.4.1: Financial instruments for SMEs - early stage of development - Main objective: supporting projects in the field of creating financial instruments for SMEs at an early stage of development, i.e. operating on the market for no more than 24 months, i.e. loan instruments.
- Sub-measure 3.4.2: Financial instruments for SMEs - over 24 months - Main objective: support for projects in the field of creating financial instruments for SMEs operating on the market for more than 24 months, i.e. loan instruments.
- Sub-measure 3.4.3: Subsidies for SMEs - early stage of development - Main objective: supporting enterprises of the SME operating on the market for no longer than 24 months, in the scope of using the results of R&D works or inventions covered by patent protection or utility models protected by protective rights or having an application for patent protection or protection right for a utility model by introducing new or significantly improved measures on the market in terms of function or functional characteristics of products (i.e. products or services) or processes.
- Sub-measure 3.4.4: Subsidies for SMEs - over 24 months - Main objective: support for enterprises operating on the market for more than 24 months in the field of:
 1. using the results of R&D works or inventions covered by patent protection or utility models protected by protection rights or having an application for patent protection or protection right on a utility model by placing on the market new or significantly improved measures in terms of function or utility features of products (i.e. products or services) or processes.
 2. investments by SMEs - producers of final equipment necessary for the production of energy or biocomponents and biofuels of the 2nd and/or 3rd generation.

- Sub-measure 3.4.5: Vouchers for consultancy - Main objective: increasing the availability of high-quality specialized consultancy services tailored to the needs of SMEs.

Impact of the Action Plan on the policy instrument

As part of the Action Plan, the following activities were implemented and planned for implementation:

- Action 1 - Direct introduction of procedures and processes related to strategic planning and implementation of succession to the catalog of consultancy services provided under Sub-measure 3.4.5 "Vouchers for consultancy" of the Regional Operational Program of the Małopolska Region 2014 - 2020;
- Action 2 - Increasing access to knowledge and raising awareness about business transfer among entrepreneurs from the Małopolska Region;
 - Sub-measure 2.1 - Increasing the availability of information regarding the proper preparation and carrying out of business transfers by creating a subpage devoted to the topic of succession on the main website of the Małopolska Region;
 - Sub-measure 2.2 - Dissemination of knowledge about the succession process thanks to the issue of the magazine Innovative Start dedicated to business transfer
- Action 3 - Increasing the level of readiness for succession among Małopolska Region companies thanks to the organization of the pilot edition of the program entitled the Małopolska Region Network of Successors;
- Action 4 - Strengthening the cooperation of institutions in the region in the field of promoting available succession support instruments.

As part of the STOB regions project, the Małopolska Region sought effective ways to modify procedures and new solutions aimed at supporting succession processes in the region. In the first phase of the project, special attention was paid to Sub-measure 3.4.5 "Vouchers for consultancy" implemented under priority axis 3 of the Regional Operational Programme of the Małopolska Region for the 2014 - 2020. The change of the instrument (Action 1) implemented the possibility of financing under the sub-measure 3.4.5 activities related to business transfer.

The rest of the actions planned under the Action Plan are a pilot nature and will help to effectively design the policy instrument for the next programming years. In addition, as part of developing a strategic document called Development Strategy of the Małopolska Region 2030, the area of business transfer support was reported as one of the key directions related to the development of the region.

PART III: DETAILED ACTIONS

Action 1: Direct introduction of procedures and processes related to strategic planning and implementation of succession to the catalog of consultancy services provided under Sub-measure 3.4.5 "Vouchers for consultancy" of the Regional Operational Program of the Małopolska Region 2014 - 2020.

Context

It is worth noting that a common barrier for entrepreneurs in properly carrying out the succession process is the costs of professional advice in areas related to business transfer. This trend also applies to companies from the Małopolska Region, which was confirmed by the SWOT analysis for the Małopolska Region carried out during the workshop in December 2017. Consultations with the Małopolska Center for Enterprise - the institution responsible for the implementation of ROP WM 2014-2020 (in relation to Sub-measure 3.4.5) - pointed to low use of allocations as part of the first edition of the "Vouchers for consultancy" competition. Therefore, the determinant of the modification of this policy instrument was the implementation of procedural improvements and optimization of the competition formula in order to increase the use of funds allocated to Sub-measure 3.4.5. It is an activity under which the existing companies on the market can obtain financial support for specialist consultancy in the field of business transfer. Vouchers are a non-returnable subsidy for the development of companies based in the Małopolska Region.

The aim of implementing this instrument is to increase the availability of micro, small and medium-sized enterprises to high-quality specialized consultancy services, tailored to their needs, for increasing the competitiveness and productivity of the company (i.e. the purchased consultancy service(-s) will contribute to improving competitiveness and productivity, e.g. by entering new markets or extending the company's product/service offer or acquiring new clients). According to the competition documentation, specialist consultancy services are understood as consultancy services that are not continuous or periodic in nature and which are not associated with the enterprise's usual operating costs, such as routine tax consultancy services, regular legal services or advertising. In addition to the grant component (transfer of funds), the support also includes substantive involvement consisting in the diagnosis of the need for consulting (identifying the actual consulting needs).

Contribution of the STOB regions project

The exchange of opinions and experiences of entities involved in the work of the Regional Stakeholder Group (RSG) of the STOB regions project resulted in changes that were introduced to the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region for the years 2014-2020. As a result of meetings of representatives of institutions directly involved in the development of competition documentation and benefiting from support, the range of activities subject to co-financing under Measure 3.4.5 explicitly

introduces the possibility of financing consultancy in the field broadly understood as business transfer.

Due to intensive cooperation within the Regional Stakeholder Group (RSG), which was created as part of the STOB regions project, it was possible to widely consult support instruments for companies, as well as work on changing these mechanisms so that they were better suited to the needs of companies in the succession process. Therefore direct introduction of procedures and processes related to strategic planning and implementation of succession to the catalog of consultancy services provided under Sub-measure 3.4.5 "Vouchers for consultancy" of the Regional Operational Program of the Małopolska Region 2014 – 2020 **was a direct result of cooperation between members of RSG created within the STOB regions project**. In the case of this instrument (Action 1), examples of other regions were of limited importance because this type of mechanism was not presented by other partner regions. However, vouchers for consultancy are a good practice for other project partners. During workshops and partner meetings vouchers for consultancy were often presented and also changes in this instrument aimed at even better support of the succession process were positively evaluated by STOB regions partners.

Relation to the SWOT analysis

SWOT analysis for the Małopolska Region – strengths S1 High attractiveness of individual consultancy as a form of acquiring knowledge about succession among entrepreneurs (a universal form available in our region)

SWOT analysis for the Małopolska Region – strengths S3 Vouchers for consultancy (financial instrument) under the ROP MR for 2014-2020

SWOT analysis for the Małopolska Region – weaknesses W7 Reluctance of the older generation of business owners to incur costs for business consulting²⁰.

Characteristics of Action 1

The STOB regions project initiated the functioning of the word "succession" in strategic documents of the Małopolska Region. Thanks to the cooperation within the Regional Stakeholder Group of the STOB regions project for the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region, the possibility of financing activities related to the transfer of business has been introduced (Measure 3.4.5 Voucher for consultancy). In addition to expanding the range of financial support for companies, the functioning of the concepts related to business transfer in strategic documents of the Voivodship has an added dimension of disseminating information regarding this topic.

The previous provisions allowed indirect financing of this type of consultancy, however, the introduction of literal "succession" to the above document allows for a clear and easy way to draw attention to such a possibility.

Taking into account the update, support under Sub-measure 3.4.5 is intended for specialist development-oriented consultancy services (legal analyzes and expertise - including legal, economic, marketing and technical services), in accordance with the needs of the diagnosed enterprise in the field of:

²⁰ See section 1.2.2. SWOT analysis of the policy instrument in question, p. 7.

- a) monitoring and forecasting market trends aimed at determining the directions of further development of the enterprise,
 - b) organization and management of the enterprise, determining the further development of the company's operations or efficiency,
 - c) obtaining compliance certificates issued by notified certification bodies in accordance with the Act of 30 August 2002 on the conformity assessment system for products, services, machinery and equipment, control and measuring apparatus, product testing or technology testing in connection with the planned launch of a new product or service or process solutions or business expansion, including obtaining the above certificates,
 - d) optimizing the costs of doing business through the use of modern solutions that reduce the cost of market activity, resulting from less energy consumption or more efficient use of raw materials,
 - e) design, implementation, and improvement of quality management systems and environmental management, including obtaining certificates in the field of quality management and environmental management,
 - f) the use of advanced information technologies or information and communication technologies in the enterprise, e.g. customer relationship management systems (so-called CRM), enterprise resource management support systems (so-called ERM),
 - g) enterprise risk management and mapping instruments (e.g. market risk, transaction risk) and risk management strategy,
 - h) procedures and processes related to strategic planning and implementation of succession, with particular emphasis on protecting the sustainability of a functioning enterprise,**
 - i) developing specialist documents for the grant recipient's basis for applying for the funds of the framework program (e.g. Horizon 2020), e.g. preparation of research concepts that can be the basis for applying (does not apply to the preparation of application documentation, e.g. application for support)
- and
- j) expenses related to obtaining intellectual property protection in connection with the preparation of patent applications, protection rights for utility models or rights from registration of industrial designs or proceedings in this respect.

In addition, discussions within the Regional Stakeholder Group and inspiration gained as part of international science have initiated a change in the formula of the competition, i.e. from limited time recruitment to the selection of an operator that will issue grants on a continuous basis. As a result of the competition for the operator announced by the Małopolska Region Center of Entrepreneurship, one project was selected for the grant amount of PLN 36,974,424.43. The operator under Sub-measure 3.4.5 was the Małopolska Regional Development Agency (Resolution of the Board of the Małopolska Region No. 560/19 of April 9, 2019)

What steps have already been taken to implement the Action 1?

- After diagnosing the possibilities of improving the policy instrument, which is the Detailed Description of Priority Axes in the scope of Sub-measure 3.4.5, talks were initiated with the Operational Program Management Department of the

Marshal's Office of the Małopolska Region, which coordinates the work related to the preparation and change of the Regional Operational Program;

- Małopolska Region apply the proposed changes and in the update of the Detailed Description of Priority Axes in December 2017, the provision agreed as part of the consultation appeared, **expanding the possibilities of financing under vouchers for consultancy, with activities related to business transfer.**

Entities involved in the implementation of Action 1

- Małopolska Region - role:
 - Consultation with regional and foreign partners of potential development paths for the policy instrument in terms of supporting business transfer in the Małopolska Region;
 - Diagnosis and development of assumptions for policy instrument changes;
 - Implementing changes in the policy instrument - expanding funding opportunities under Sub-measure 3.4.5 succession activities.
- Members of the Regional Stakeholder Group of the Małopolska Voivodship - role: consultation on the possibility of modifying the entry in the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region for the years 2014-2020 .

Timetable

The timetable of activities related to the change of the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region for the years 2014-2020:

I – IX 2017	Analysis of projects and programs available in Małopolska Region supporting succession. Identification of Sub-measure 3.4.5 SzOOP as part of further modification;
XII 2017	Implementation of changes to the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region

Costs

The costs include the work of people employed at the UMWM, involved in the development and implementation of new provisions of the Detailed Description of Priority Axes of the Regional Operational Program.

Sources of funding

Budget of the Małopolska Region

Action 2: Increasing access to knowledge and raising awareness about business transfer among entrepreneurs from the Małopolska Region

Context

For Eastern European countries where entrepreneurship flourished in the 1980s and 1990s, succession is a new phenomenon. As the results of research show, at both the national and regional levels, the awareness of entrepreneurs about business transfer remains low. The lack of a tradition of inheritance contributes to a deficit in thinking about companies in terms of their sustainability. A modest or insufficiently widespread resource of good and bad practices makes it difficult for owners of Polish companies to benefit from the experience of other entrepreneurs in this area, as is the case in countries with a rich tradition of inheritance of several generations. Research in Switzerland shows that the average duration of the succession process is 7 years, while in Poland 40% of the founders and successors believe that one year is enough to transfer a company²¹. The data illustrates the level of knowledge and awareness of entrepreneurs about the complexity and time-consuming process of business transfer.

Interest in the subject of succession in Małopolska Region is relatively new. Both self-government administration, BEI and consulting companies have only been including this aspect of entrepreneurship in their plans and activities for several years. It is worth noting, however, that the level of interest in this topic stands out significantly in terms of the pace at which new bodies are being undertaken in the environment. In the Małopolska Region, precursors in this field were consultancy companies that introduced consultancy services in the field of business transfer. Nevertheless, the low demand for this type of service meant that for most law firms and consulting companies this is sporadic activity. It is worth noting that low demand is not the result of a lack of demand, but rather a lack of awareness of the need to prepare for the stage of generational changes in the company earlier.

The dissemination of information in the region about the development conditions and maintaining the functioning of the company in the context of its life cycle is a basic element in building awareness about succession among entrepreneurs.

EU funds under the Regional Operational Program of the Małopolska Region for the years 2014-2020 (ROP MR 2014-2020) are an important tool with which the Region Board supports the innovative activity of companies, e.g. through innovation vouchers²², but also promotes what is broadly understood as entrepreneurship. Entrepreneurial and innovative attitudes are promoted among residents to encourage them to run their own businesses and invest in implementing new solutions in already existing companies, including through events organized cyclically, such as World Entrepreneurship Week in Małopolska Region²³ and the Małopolska Region Festival of Innovation²⁴. Both events and other events organized by the Małopolska

²¹ A. Lewandowska, *Value Codes. Diagnosis of the succession situation in family enterprises in Poland*, Poznań, 2013, p. 9.

²² Vouchers are a form of financial support that aims at strengthening the cooperation of micro, small and medium enterprises with the scientific and research sector.

²³ <http://tydzienprzedsiębiorczosci.malopolska.pl/>

²⁴ <http://www.festiwalinnowacji.malopolska.pl/>

Region should be enriched with an area related to the promotion of activities focused on business transfer.

Contribution of the STOB regions project

During December 2017, the Małopolska Region hosted international succession workshops in which experts from the region, the country, and other European regions participated. As a result of the meeting, an analysis of the situation of the Małopolska Region was made in terms of supporting succession processes. Partners from other countries had the opportunity to assess existing as well as propose new solutions for the Małopolska Region. Among the aspects raised during the discussion were the threat resulting from relatively low awareness of the succession process and its course, and the structure of enterprises in terms of legal form (sole proprietorship).

The cooperation of family businesses within various groups and associations was positively assessed. The age of the owners was also indicated as an opportunity for our region, which still gives the chance for successful planning and succession. The issue of current legal changes in our country that are aimed at improving business transfer has also been strongly emphasized (see SWOT analysis, page 10 of this Action Plan).

During the peer review analysis, project partners focused their recommendations for the Małopolska Region around how to best use the tools and mechanisms functioning in the region (vouchers for consultancy, projects subsidized from the EU, i.e. "Guide to succession in family businesses" and "Through succession with a guide") and disseminating knowledge about the succession process. The level of awareness and advancement of activities supporting business transfer in the Małopolska Region is similar to the level in other countries, i.e. Bulgaria or Romania, where the development of entrepreneurship took place after the stage of political changes in the 1980s and 1990s. Due to the socio-economic conditions of each of these countries, solutions created focused on supporting succession processes that were adequate and optimal for themselves. During the exchange of experience within the international partnership of the STOB regions project, the Małopolska Region drew inspiration both from countries with similar specifics and history of entrepreneurship, as well as advanced solutions from countries where the history of entrepreneurship is already multi-generational.

As a contribution to a deeper analysis, the Małopolska Region also **identified good practices of the STOB regions project partners, which are an inspiration for the activities contained in this Plan.** The list below indicates the partner country of the STOB regions project and the name of the good practice:

- Germany: The "success-o-mater": self-assessment tool for knowledge in business transfer (Institute for Entrepreneurship, German Mittelstand and Family Firms)
- Germany: The Emergency Manual (Hamburg Chambers of Commerce)
- Germany: **The "succession-in-Germany" information platform (Berlin School of Economics and Law)**
- Germany: **The succession wiki: a comprehensive online lexicon for business Transfer (Berlin School of Economics and Law)**
- Denmark: **Local Transfer Network (Growth Forum Syddanmark)**
- Finland: Southwest Finland Regional Business Transfer Platform (Federation of Finnish Enterprises, Southwest Finland)
- Bulgaria: My Competence – The Bulgarian National Internet Platform For

Competence Assessment (Bulgarian Industrial Association)
Spain: Network of Universities Offering Family Business Courses
(Chamber of Commerce of Seville)

From the above-mentioned good practices, among others, the Małopolska Region chose to implement the Danish **Local Transfer Network** solution supporting successors in the area of competences necessary to take over a company. In addition, the reference point for the tab on succession on the portal www.malopolska.pl will be the websites coordinated by the partners of the STOB regions project (**The “succession-in-Germany” information platform, The succession wiki: a comprehensive online lexicon for business Transfer**).

The first of mentioned good practices (Local Transfer Network) is an excellent example of an action that, on the one hand, raises the knowledge of successors in running business, and thus reduces their fears related to the acquisition of the company, and on the other allows the exchange of experience with other entrepreneurs who are in a similar situation. Considering the relatively low level of entrepreneurship education, as well as the short tradition of inheriting companies and the limited number of good practices in the area of succession in Poland, Danish practice offers an instrument that will comprehensively address these needs.

Internet platforms (The “succession-in-Germany” information platform, The succession wiki: a comprehensive online lexicon for business Transfer), which are another good practice for Małopolska, provide comprehensive knowledge in the field of business transfer. It seems that among Małopolska entrepreneurs this knowledge is still at a relatively low level. The preparation of a dedicated tab on the main website of the Małopolska Region providing key information on succession will be the answer to the need for wider availability of knowledge in this area and its dissemination. It will allow better understanding of the succession process by companies in the region

Relation to the SWOT analysis

The SWOT analysis for the Małopolska Region - weaknesses: W1 Short history of inheritance of family businesses, W4 No emergency planning, W6 No narrative about the life cycle of the company and human factors (fear of talking about death), W7 Reluctance of the older generation of business owners to bear the costs of business consulting

The SWOT analysis for the Małopolska Region - opportunities: O2 Amendments to law (Act on the succession management)

The SWOT analysis for the Małopolska Region - threats T1 Underestimation of the importance/significance of ownership transfer and the time that should be spent preparing the company for succession.²⁵

Characteristics of Action 2

Action 2: Increasing access to knowledge and raising awareness about business transfer among entrepreneurs from the Małopolska Region, consists of two sub-measures:

²⁵ See section 1.2.2. SWOT analysis of the policy instrument in question, p. 7.

Sub-measure 2.1: Increasing the availability of information regarding the proper preparation and carrying out of business transfers by creating a subpage devoted to the topic of succession on the main website of the Małopolska Region.

The creation of a website devoted to the subject of business transfer on the portal www.malopolska.pl aims at providing comprehensively developed information and guidelines to entrepreneurs on the threshold of generational changes in their companies. The short period of interest in issues related to business transfer in Poland is the reason for the lack of information in this area. Given the local nature of the operation of SME sector companies, it is reasonable to create a knowledge base, taking into account regional specificities and refer to institutions operating in the Małopolska Region. The action will be implemented on the basis of good practices of partner regions of the STOB regions project.

The www.malopolska.pl subpage on succession will provide transparent and simple information on:

- Formal and legal conditions related to maintaining the sustainability of the enterprise
- Institutions operating in the region in the area of financial and substantive support at the stage of transferring the company
- Implemented programs and projects aimed at supporting business transfer, both in the Małopolska Region and nationwide.
- Available online tools to help plan and carry out the company succession process.
- Good practices from the region, country, and other countries.
- Events, articles, publications revolving around issues related to business transfer.

As a result, an entrepreneur who is interested in the issue of the succession process will be able to easily and conveniently obtain both the basic - definition and more advanced information. E.g. case-study from other companies. This will help in a short time to obtain information, tips, and links to institutions helpful in particular thematic areas related to business transfer.

Subpage on succession (the most important benefits and characteristics):

- increases the availability of information on how to properly prepare and carry out succession in a company;
- systematizes knowledge of formalities and legal aspects necessary to plan the business transfer process in a company;
- increases the transparency of the network of institutions operating in the Małopolska Region in the area related to the transfer of a company, thanks to the description of the services they offer and redirection to the appropriate website;
- a tool to promote the topic of succession among entrepreneurs visiting the website www.malopolska.pl;
- the implementation of the recommendations of the STOB regions project partners for the Małopolska Region regarding the dissemination of knowledge

on business transfer in the region using the available tools (the effect of peer review carried out in December 2017 regarding the Małopolska Region).

- What steps have already been taken to implement Sub-measure 1.1?

The Małopolska Region verified the technical conditions and the legitimacy of creating a subpage in confrontation with a separate portal on succession. The large number of page views of www.malopolska.pl testifies to its widespread use by the inhabitants of the region, including entrepreneurs. Creating a tab dedicated to succession will be characterized by easy accessibility and low financial outlay.

- Further steps to be taken by the Małopolska Region:
 - analysis of legal acts and available literature on the formal and legal aspects of succession and the development of materials for a website on this basis,
 - developing a list of companies and institutions operating in the area of succession support in the Małopolska Region, together with the scope of activities and contact details. Contact and cooperation in this respect with BEI and companies operating in the Małopolska Region,
 - development of substantive input for the website (e.g. implemented programs and projects supporting business transfer, online tools, publications),
 - consultation of the substantive scope of the subpage with regional partners,
 - entering data, inaugurating the operation and ongoing updating of information contained in the tab regarding succession on the site www.malopolska.pl.

Sub-measure 2.2: Dissemination of knowledge about the succession process thanks to the issue of the magazine Innovative Start dedicated to business transfer.

The dedication of the issue of the magazine Innovative Start to the subject of business transfer aims at providing comprehensive information on the proper preparation and conduct of the succession process along with a description of good practices and projects implemented in the region and dissemination of information regarding the importance of this process. Innovative Start is a magazine that addresses the issues of supporting, creating and developing companies. The substantive input will be developed by experts, the representatives of business environment institutions. Innovative Start regarding business transfer will be available in both paper and electronic versions (pdf). The electronic version will be available at: <https://www.malopolska.pl/publikacje> and on the website www.innowacyjnystart.pl, where all articles contained in the printed/electronic edition (pdf) will also be published.

The issue of the Innovative Start journal dedicated to the topic of succession (the most important benefits and characteristics):

- It will disseminate knowledge about the impending transfer of knowledge, power, and property for some Polish enterprises;
- It will provide information on the correct planning and implementation of succession in a company;

- The narrative about a company's life cycle, including a case-study of other companies, will be made popular among readers - entrepreneurs;
- It is the implementation of the recommendations of the STOB regions project for the Małopolska Region regarding the dissemination of knowledge about succession through the available channels (the effect of peer review carried out in December 2017 regarding the Małopolska Region)
- What steps have already been taken to implement Sub-measure 1.2?
 Dissemination of the topic of succession has become a priority for the Małopolska Region. From the beginning of the STOB regions project, talks and actions have been initiated with the network of institutions operating in the region aimed at raising the awareness of entrepreneurs in the area of strategic planning of business transfer. Due to inspiration from the STOB project, regions, the following have been published:
 - Article "Succession Challenge", Anna Wojsa-Świetlik, Innovative Start, No. 2 (45), July 2018, <http://www.innowacyjnystart.pl/index.php/periodyk-innowacyjny-start>;
 - Article "Succession, but how?", Edyta Przybylska, Business Trendy Małopolska, No. 9, November 2018.
- Further steps to be taken by the Małopolska Region
 - identification of experts in fields related to business transfer and interest in their contribution to the substantive portion of the magazine, involvement of the representatives of business environment institutions,
 - developing and collecting substantive materials for publication,
 - coordinating activities related to the publication of Innovative Start on the part of the Voivodeship,
 - publication of articles available in the printed issue on the website www.innowacyjnystart.pl,
 - magazine distribution.

Entities involved in the implementation of Action 2

- the Małopolska Region - role:
 - Substantive preparation and ongoing updating of the succession tab on www.malopolska.pl
 - Coordinating the preparation of substantive input, publication, and distribution of the Innovative Start magazine

Timetable

Sub-measure 2.1: Increasing the availability of information regarding the proper preparation and carrying out of business transfers by creating a subpage devoted to the topic of succession on the main website of the Małopolska Region.

I 2020 – IV 2020	Analysis of applicable legal acts, available literature, and portals on business transfer operating in Poland and abroad.
V 2020 – VIII 2020	Substantive and graphic development of tabs on the site www.malopolska.pl .
IX 2020	Launching a new tab regarding succession on the site www.malopolska.pl
X 2020 – XII 2021	Ongoing editing and updating of materials on the succession tab

Sub-measure 2.2: Dissemination of knowledge about the succession process thanks to the issue of the magazine Innovative Start dedicated to business transfer.

I 2021 – II 2021	Identification and establishment of cooperation with experts, representatives of business environment institutions in the preparation of substantive content for the Innovative Start magazine.
II 2021 – VII 2021	Substantive and graphic elaboration of the Innovative Start magazine. Publication of the issue of the Innovative Start journal devoted to business transfer and publication of articles on the website www.innowacyjnystart.pl
VII 2021 – XII 2021	Distribution of the Innovative Start magazine among entrepreneurs

Costs

Sub-measure 2.1 Increasing the availability of information on the proper preparation and carrying out of business transfers by creating a subpage devoted to the topic of succession on the main website of the Małopolska Region.

The first phase of the project, in the scope of sub-measure 1.1, was the stage of gathering information from partners (in particular from the Brandenburg Region and an advisory partner of the Berlin School of Economics and Law). According to the information obtained, the cost of creating a separate internet platform would significantly exceed the regions financial capacity for the next 2 years (the period of implementing solutions under the STOB regions project). Nevertheless, obtaining funds for financing such a platform under the next financial perspective from EU funds is being considered. It is worth mentioning that with the current level of awareness and interest of companies regarding the subject of succession, it will be equally effective to provide materials via the subpage www.malopolska.pl. In technical terms, expanding the functionality of the current portal by only one tab is not time or cost consuming. The staff of the Office will be involved in the development of materials and their ongoing updating, the remuneration of which will be financed from the regional budget (0.5 full-time).

Sub-measure 2.2 Dissemination of knowledge about the succession process thanks to the issue of the magazine Innovative Start dedicated to business transfer.

Articles for the magazine are prepared free of charge by the Editorial Team of the magazine, which includes Technology Transfer Centers at Kraków's universities (Jagiellonian University, Agricultural University, Cracow University of Technology, AGH University of Science and Technology), Tarnów Regional Development Agency and the Krakow Technology Park.

Costs of activities related to the publication of the magazine Innovative Start:

- Editor-in-chief conducts the substantive editing of the issue by reviewing the content of individual articles for publication in the magazine, corrects them if necessary, and prepares an introductory article for the issue together with a proposal for the layout of the content with an indication of the authors and topics of the articles; cost PLN 3,500 gross,
- Editorial Secretary - runs the editorial team, consults with the authors of their content and collects and edits articles for the issue; cost PLN 3,500 gross,
- Graphic design of the issue, printing, and delivery by the company selected through a tender procedure; cost: PLN 11,000 gross,

Sources of funding

Budget of the Małopolska Region

Action 3: Increasing the level of readiness for succession among Małopolska Region companies thanks to the organization of the pilot edition of the program entitled the Małopolska Region Network of Successors.

Context

In Poland, the majority of enterprises in the SME sector planning succession in the coming years - as much as 87% - consider leaving property and power in the family²⁶. Only 10% are considering selling or going public²⁷. This is the reason why the concept of succession in Poland is more often identified in a family business than in other countries. It also means that Polish entrepreneurs are looking for successors among their children. Potential successors are not always prepared or interested in running a family business. As many as 94% of children of entrepreneurs do not want to take over the company from their parents. Only 7.2% of children from family businesses declare their readiness to take over the company immediately after graduation. At the same time, 19% of senior citizens think their children are well prepared to take responsibility for the company's development²⁸. The reasons for the low level of readiness for succession can be seen, among others in insufficient entrepreneurship education at the school stage and low involvement of children in the company's life until graduation.

Currently, there are over 400,000 companies in the Małopolska Region. Many of them are or will soon be on the brink of intergenerational change. Therefore, the Małopolska Region, as a partner of the STOB regions project, had been looking for a solution that would effectively strengthen the competences of potential successors in the area of taking over and conducting business activity.

Contribution of the STOB regions project

During the implementation of the STOB regions project, the Małopolska Region analyzed a number of good practices reported by project partners. The most valuable solution for the Małopolska Region, in the context of strengthening readiness for succession among potential successors, is the Southern Denmark Region Program - Local Transfer Network. This program is implemented by the Business Development Center - a partner of the STOB regions project.

During the implementation of the STOB regions project, the partners have repeatedly signaled the need to strengthen entrepreneurial attitudes and raise the level of readiness for succession among potential successors in the Małopolska Region. The Małopolska Region **has identified the following good practice of the project partner, which best corresponds to the needs, possibilities, and specificity of the Małopolska Region.**

The list below indicates the partner country of the STOB regions project and the name of the good practice:

²⁶ M. Widz, *FACTS. Report. Succession preferences of Polish family entrepreneurs*, Poznan, 2014.

²⁷ PwC, *Survey of family businesses 2015. Poland against the background of Central and Eastern Europe and the world*, Poznan, 2015

²⁸ Global University Entrepreneurial Spirit Students' Survey (GUESSS), Institute of Family Business, *Report Succession barometer and projected career paths of children from family businesses*, 2014.

Denmark Local Transfer Network, Business Development Center, Region of Southern Denmark

The data quoted in the "Context" section clearly indicate the lack of readiness of young people (future successors) in Poland to take over the company. Therefore, it is important to provide this group with additional support. Good practice of the Southern Denmark Region - Local Transfer Network responds very well to these needs.

The network's innovation is its specific model, which is based on the cooperation of a narrow group – future successors, the next generation of owners. The network consists of about eight participants who take part in thematic meetings led by experts, at which key challenges related to taking over and running the company are discussed. Young successors have the opportunity to improve their knowledge, but also to exchange experiences. An important element of the network's operation is the fact that the meetings take place at the headquarters of the companies that the participants represent. As part of the entire cycle of meetings, opening and closing events are also organized in which senior members also participate.

All mentioned elements of Danish practice will be used in implementing the Małopolska Region Network of Successors; only some minor changes adapting to the Małopolska specificity and implementation possibilities will be needed. Therefore, **the link between the learnings from the project (best practice of Southern Denmark Region) and the measure foreseen in Małopolska Region is direct.**

Relation to the SWOT analysis

SWOT analysis for the Małopolska Region - weaknesses W2 Low level of entrepreneurship education in schools

SWOT analysis for the Małopolska Region - opportunities O1 Exchange of experience and information on succession in cooperation undertaken in associations and popular networking of family businesses.

SWOT analysis for the Małopolska Region - threats T2 No interaction between generations (transfer of knowledge between generations)²⁹.

As shown by the SWOT analysis among young people, there is a deficit of entrepreneurial attitudes and knowledge in the field necessary to conduct business. In addition, the fear of taking over the business often discourages young people from taking up this challenge. Creating a network in which young entrepreneurs could count on the support of both substantive experts and people who face similar challenges could become a platform that helps support making the difficult decision to take over a company. In relation to opportunities, it is worth emphasizing the potential of organizations and associations of family businesses that operate in the region by bringing together an increasing number of enterprises. The network of cooperation and information exchange between companies created by them is a very important link in the process of increasing the liquidity and efficiency of business transfer in the Małopolska Region.

²⁹ See section 1.2.2. SWOT analysis of the policy instrument in question, p. 7.

Characteristics of Action 3

Increasing the level of readiness for succession among Małopolska Region companies thanks to the organization of the pilot edition of the program entitled the Małopolska Region Successor Network.

The program aims at strengthening entrepreneurial attitudes and developing the knowledge and skills of potential successors of companies located in the Małopolska Region.

In accordance with the assumptions developed on the basis of the experience of the Danish partner STOB regions project and the analysis of the needs and capabilities of the Małopolska Region, networking of successors will take place in a small group of 6-8 people. Each participant will represent a different industry. Avoiding representatives of competing companies will enable greater openness of participants and an atmosphere of trust conducive to the free exchange of experiences. The duration of the pilot edition is 1 year. During this time, participants will have 8-10 meetings, each meeting being led by a different topic in the area of company management in the context of the succession process. Participants will be provided with a mentor and expert support depending on the theme of the meeting (each time an expert in a given field). The meeting places will be the seats of the pilot participants' companies. This will facilitate establishing closer relations between participants and learning about the specificity of the company and possible areas of deficit. The exception will be the inaugural meeting and summary of the project, which will be held in places neutral to the group. Company senior members will also participate in the last meeting - a summary meeting.

The planned program (the most important benefits and characteristics):

- is a new instrument for the region which, after assessing the effects of the pilot edition, may become a permanent element of business transfer support in the Małopolska Region;
- is oriented towards potential successors, on whom the success of the succession process depends, however, they are an underestimated group in the context of training, consulting and broadly understood succession offers;
- strengthens entrepreneurial attitudes among potential successors as well as knowledge and skills in key areas for successful business transfer;
- enables the exchange of experiences between companies located in the Małopolska Region;
- builds a network that in the future may result in cooperation in other areas.

What steps have already been taken to implement the Action 3?

- After the stage of diagnosing the practice most suited to the needs and capabilities of the Małopolska Region, talks were started with representatives of the partner from Southern Denmark in order to obtain detailed information on the preparation and implementation of the program supporting successors;

Further steps to be taken by the Małopolska Region:

- preparation for the implementation of new tasks in connection with the implementation of the Małopolska Region Network of Successors will include:
 - including Action 3 (i.e. Increasing the level of readiness for succession thanks to the organization of the pilot edition of the Małopolska Region

Network of Successors Network based on the solutions used in the Region of Southern Denmark) in the Draft budget of the Małopolska Region for 2021.

- delegating staff to coordinate activities related to the organization of an open competition of offers for the organization of the pilot edition of the Małopolska Region Network of Successors and coordination of cooperation with the selected bidder. The open competition of offers will be addressed to non-governmental organizations.

The tasks of the tenderer selected as part of the open bid competition will include:

- providing trainers/mentors for successor meetings;
- active search for potential Network participants among companies;
- organization of the Network meetings;
- ongoing contact and cooperation with members of the Network to provide them with administrative and logistical support;
- analysis of effects and verification of assessments collected from participants of the pilot edition of the Małopolska Region Network of Successors in order to increase the effectiveness of subsequent program editions.

Entities involved in the implementation of the Action 3

- Małopolska Region - proposed role:
 - Development of assumptions for the pilot edition of the Małopolska Region Network of Successors program;
 - Cooperation with the bidder in coordinating activities related to the preparation, implementation and ongoing logistics of the Network;
- Members of the Regional Stakeholder Group of the Małopolska Region - proposed role: consultation on the thematic areas, needs, and deficits of the target group.

Timetable

The timetable of the first (pilot) edition of the program:

VII – IX 2019	Development of assumptions for the Małopolska Region Network of Successors based on consultation with a partner implementing good practice - the Region of Southern Denmark
XII 2019 – II 2020	Preparation of a detailed description, documentation related to the implementation of the program in the form of an open competition of offers and its consultations with the Regional Group of Stakeholders Presentation of the Action before the Board of the Małopolska Region
XI – XII 2020	Actualization of the detailed description, documentation related to the implementation of the program in the form of an open competition of offers

XII 2020 – III 2021 Announcement of an open competition, selection of offers and selection of the bidder(s). Action promotion

II/III – XII 2021 Implementation of the first edition of the Małopolska Region Network of Successors

The program is planned for the perspective of one year, due to the annual budget plan adopted by the Assembly of the Małopolska Region. The first edition is being implemented with the intention of continuing in future years. The next edition will use the experience of the pilot edition, therefore in the following years, the formula of the program implementation or its detailed assumptions may change. Any changes will be aimed at optimally adjusting the offer under the program to the reported needs.

Costs

Phase I of the project allowed to learn the assumptions of the Danish Local Transfer Network practice. The necessary information on the specificity of the program was consulted with the partner of the STOB regions project – the Region of Southern Denmark. The assumptions made are reflected in the cost estimate.

The costs of the open competition will include:

- Personnel costs (secondment of staff to carry out activities related to the implementation of the pilot edition of the Małopolska Region Network of Successors)
- Network Mentor
- Substantive experts
- Hall (for the inaugural meeting and the meeting summarizing the project)
- Catering

The estimated cost of implementing the pilot edition of the Małopolska Region Network of Successors is 55,000 PLN.

Preparation of the competition documentation, conducting the competition and coordinating cooperation with the bidder selected in the framework of the open competition of offers will be commissioned to an employee delegated to the task in the amount of 0.25 full-time.

The costs related to the organization of the pilot edition of the Małopolska Region Network of Successors program will be covered by the Małopolska Region. Participation in the program for potential successors will be free.

Sources of funding

Budget of the Małopolska Region

Action 4: Strengthening the cooperation of institutions in the region in the field of promoting available succession support instruments

Context

In the Małopolska Region, the entrepreneurship support policy has been implemented to a large extent as part of the Regional Operational Program for the Małopolska Region for the years 2014-2020. EU funds, together with regional co-financing, opened up many new opportunities, stimulated cooperation and launched the activities of numerous organizations. Succession processes have also become the subject of activities in the area of supporting entrepreneurs.

The Małopolska Region Self-Government cooperates closely with businesses and institutions representing economic self-government (e.g. as part of the Joint Commission for Territorial and Economic Self-Governments of the Małopolska Region, the Małopolska Region Innovation Council - opinion-making and advisory bodies of the Małopolska Region Board). Thanks to cooperation within the above-mentioned bodies, whose members are representatives of, among others, chambers of commerce, entrepreneurs, universities and other regional institutions, there is an ongoing exchange of information on the current needs of residents in the social and economic sphere. The support system for SMEs, developed during the distribution of EU funds from the perspective of 2007-2013, is also worth emphasizing, which made it possible to learn more about the needs of the SME environment.

In the Małopolska Region, there is also a methodology for developing new solutions based on the consultation process, including through working groups on smart specializations (participants: representatives of innovative companies and the scientific community) or programs targeted at young companies and startup environments (e.g. "Małopolska Region - here technology becomes business"). These initiatives facilitate the process of ongoing consultation of development policy directions, including in particular, obtaining opinions on the implementation of support instruments.

All of the above-mentioned activities related to cooperation within the framework of consultative and advisory bodies, the EU funds distribution system, cooperation in working groups on smart specializations or in connection with implemented partnership initiatives are important elements of informing and sharing knowledge with institutions from the region and the residents of the province.

Business transfer is a new issue for Polish regions. At the national level, projects implemented by the Polish Agency for Enterprise Development (PARP) gave an impulse to take action to support companies in succession. In the regions, the first activities aimed at increasing the efficiency of transfer in business were of a commercial nature. Over time, more and more institutions at the regional level have taken up the challenge of strengthening companies in the succession process.

In the Małopolska Region, BEI are an important element of the economic development support system. Their activity is aimed at creating favorable conditions for the development of entrepreneurship, technology transfer and commercialization, and improvement of the competitiveness of small and medium enterprises. The centers work with different legal entities - from associations through foundations, to commercial law companies. Due to their specificity and social background, they play an important role and fill the gap between market

mechanisms and public administration activities. They also perform on the market the functions of service institutions supporting enterprises in the dynamization of development processes and the implementation of designated strategies.

There are 131 institutions in the Małopolska Region supporting entrepreneurship and economic development, including 14 entrepreneurship centers, 10 technology transfer centers, and 3 industrial and technology parks. The Małopolska Region ranks among the regions with the largest number of business environment institutions³⁰.

As part of the STOB regions - Succession and Transfer of Business in Regions project, institutions which due to their experience and area of influence can support the Region in the activities were invited to cooperate to improve the effectiveness of succession processes in the Małopolska Region. The Regional Stakeholder Group Established pursuant to Resolution No. 389/17 of 16 March 2017 includes institutions involved in the policy-making process and provide advice to small and medium-sized enterprises in the region, i.e.:

1. Chamber of Commerce and Industry in Krakow
2. Małopolska Region Entrepreneurship Center
3. Małopolska Regional Development Agency
4. Małopolska Region Chamber of Craft and Entrepreneurship
5. Małopolska Region Agreement of Economic Organizations
6. Chrzanów Chamber of Commerce
7. Sącz Chamber of Commerce
8. Chamber of Crafts and Small and Medium Enterprises in Tarnów
9. Krakow Chamber of Tourism
10. Galician Chamber of Construction
11. PM Doradztwo Gospodarcze Sp. z o.o.
12. Family Business Initiative Association - Małopolska Region Branch.

Appreciating the effectiveness of the cooperation and exchange of information between key regional institutions and the SME sector, the Małopolska Region will create a platform for the exchange of information in the area of supporting succession processes and promoting instruments available in this area.

Contribution of the STOB regions project

During the interregional meetings of the partners of the STOB regions project, as well as within the framework of regional partnership meetings, the issue of benefits arising from the synergy of activities of institutions operating at the regional level has been repeatedly raised. **Regular exchange of information has been particularly promoted by regions with extensive experience and a large range of tools supporting business transfer.** Cooperation in the region as part of the Regional Group of Stakeholders has already brought measurable effects in the form of introducing a new entry regarding succession in the Detailed Description of Priority Axes of the Regional Operational Program of the Małopolska Region for the years

³⁰ The Małopolska Region Regional Observatory, Department of Regional Policy of the Marshal's Office, *List of institutions supporting the development of entrepreneurship in the Małopolska Region 2018*, Krakow 2018.

2014-2020. The issue of the synergy of regional institutions' activities was also the subject of consideration and discussion during the peer review regarding the Małopolska Region.

Relation to the SWOT analysis

The SWOT analysis for the Małopolska Region - strengths: S1 High attractiveness of individual consulting as a form of acquiring knowledge about succession among entrepreneurs, S2 Availability of online tools (Guide to succession), S3 Vouchers for consultancy (financial instrument) under the ROP MR for 2014 -2020 SWOT analysis for Małopolska Region - weaknesses: W1 Lack of entrepreneurship education (generation of owners) in the field of entrepreneurship³¹.

Characteristics of Action 4

Promotion of activities supporting succession in the Małopolska Region due to strengthening cooperation between institutions operating in this area in the region and informing entrepreneurs about the available projects and instruments.

The aim of the action is to increase the use of tools available in the Małopolska Region to support business owners at the stage of ownership transfer and to strengthen the synergy of activities of institutions operating in the region. The analysis carried out at international and regional level allowed to create a model based on the functioning of two planes:

- 1. Exchange of information and synergy of the activities of institutions operating in the region.**

The cooperation initiated as part of the Regional Stakeholder Group of the STOB regions project will be maintained in the form of annual meetings of institutions operating in the area of succession support in the Małopolska Region (both existing members of the Group and new institutions interested in cooperation). During the meetings, representatives of the institutions will have the opportunity to update their knowledge about projects implemented by other organizations, as well as to jointly develop new instruments.

- 2. Promoting available tools among entrepreneurs.**

The Małopolska Region will promote projects and tools aimed at increasing the liquidity and efficiency of business transfer among the owners of companies located in the voivodship, by organizing a conference on this topic. In addition, this information will be disseminated during meetings and events organized by the Małopolska Region.

Promotion of available projects and instruments (the most important benefits and characteristics):

- increases the knowledge of entrepreneurs on the threshold of generational changes within their companies regarding institutions and tools that can improve and increase the effectiveness of these changes,
- is an activity that brings relatively large effects in relation to the incurred financial outlays,

³¹ See section 1.2.2. of the SWOT analysis of the policy instrument in question, p. 7.

- is a continuation of activities initiated in the STOB regions project, in the form of meetings of the Regional Group of Stakeholders,
- provides an opportunity to establish permanent cooperation of regional institutions in the scope of increasing the efficiency of implemented projects and shaping instruments adequate to the region's needs,
- is a reference to the recommendations of the STOB regions project partners for the Małopolska Region in terms of increasing the use of available programs supporting succession in the region (the effect of the peer review carried out in December 2017 regarding the Małopolska Region).

What steps have already been taken to implement Action 4?

- Stakeholder analysis of the succession process in the Małopolska Region. Identification of companies and institutions as well as the services and projects they offer in the area of succession.
- Establishing close cooperation in the area of succession support with a group of institutions appointed to the Regional Stakeholder Group of the STOB regions project.
- Acquiring and analyzing information regarding areas of deficit of entrepreneurs in the Małopolska Region in the field of business transfer.
- Including Action 4, i.e. organizing a stakeholder meeting and conference for entrepreneurs in the draft budget of the Małopolska Region for 2020.

Further steps to be taken by the Małopolska Region:

- Analysis of the composition of institutions involved in cooperation and possible extension of it to other organizations interested in cooperation.
- Summary of cooperation to date in the framework of the Regional Stakeholder Group and drawing conclusions in the area of optimizing the form, date and scope of the meetings.
- Identification of the target group of the conference regarding the subject of business transfer.
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Entities involved in the implementation of the Action 4

- Małopolska Region - role: organization of the annual meeting of institutions supporting business transfer in the Małopolska Region, organization of conferences for companies on the subject of succession.
- Business environment institutions - e.g. chambers of commerce, associations, etc. - role: participation in annual meetings of business transfer stakeholders in the Małopolska Region, presentation of actions taken in the area of succession, presentation of their offer to entrepreneurs.

Timetable

I – III 2020	Analysis of the composition of institutions involved in cooperation in the area of promoting succession support activities
IV – IX 2020	Substantive and logistical preparation of institution meetings and conferences on succession for companies
IX – XII 2020	Organization of a meeting/webinar of institutions supporting succession in Małopolska Region
X-XII 2020	Organization of conferences/webinar on business transfer for companies located in the Małopolska Region.

Costs

The estimated cost of organizing an institution meeting is PLN 1,000

The estimated cost of organizing conferences for companies is PLN 15,000

Sources of funding

Budget of the Małopolska Region