



SUCCESSION AND TRANSFER OF BUSINESS IN REGIONS

ACTION PLAN TO SUPPORT THE TRANSFER OF BUSINESSES IN
THE REGION OF KAINUU, FINLAND (PP5)

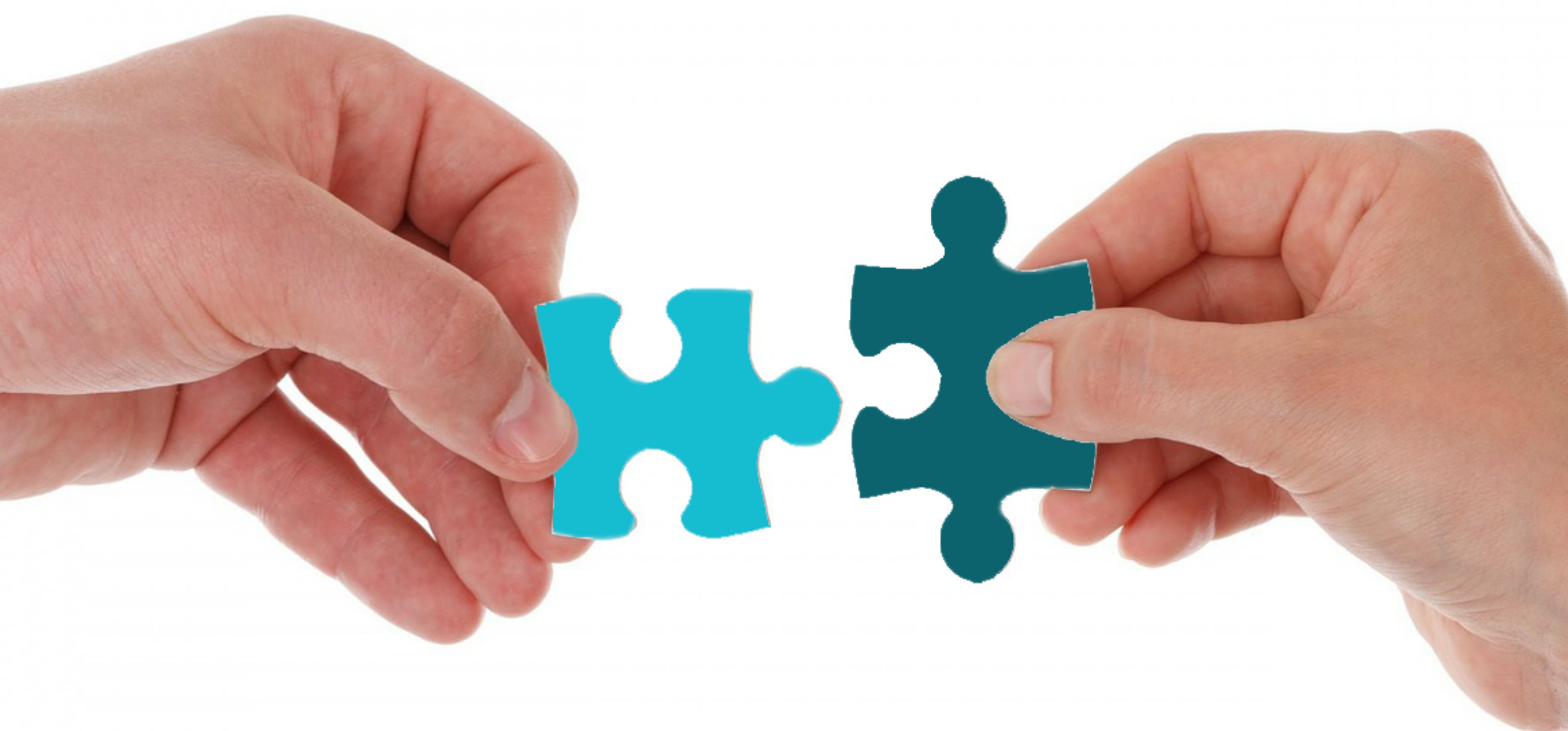


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GENERAL INFORMATION

Table 1 General Information and contacts

Project:	STOB regions
Partner organisation:	Kainuun Etu Oy
Other partner organisations involved (if relevant):	
Country:	Finland
NUTS2:	North East Finland (FI 1D)
Region:	Kainuu (NUTS3 FI 1D4)
Contact person:	<p>Antti Toivanen, Managing Director, and legal representative antti.toivanen@kainuunetu.fi, +358 44 5514554</p> <p>Project Team alphabetically: John Wideman john.wideman@kainuunetu.fi, +358 44 5513832 Markus Leinonen markus.leinonen@kainuunetu.fi, +358 44 5513831 Ninetta Chaniotou ninetta.chaniotou@kainuunetu.fi, +358 50 4026921</p>

ENDORSEMENTS

For Kainuun Etu Oy

Date:

17.6.2020

Signature:



Name and task of signatory: Antti Toivanen, Managing Director



KAINUUN ETU
Kainuun Etu Oy
PL 16, 87101 KAJAANI, FINLAND

Stamp of the organization (if available):

*SEE THE APPENDIX AT THE END

For the Intermediate Body (Regional Council of Kainuu)

Date: _____

Signature: _____

Name and task of signatory: Pentti Malinen, Regional Mayor

Stamp of the organization (if available):

For the Intermediate Body (Regional Council of Kainuu)

Date: _____

Signature: _____

Name and task of signatory: Jouni Ponnikas, Regional Development Director

Stamp of the organization (if available):

ENDORSEMENTS

For Kainuun Etu Oy

Date: _____

Signature: _____

Name and task of signatory: Antti Toivanen, Managing Director

Stamp of the organization (if available):

For the Intermediate Body (Regional Council of Kainuu)

Date: 30.6.2020

Signature: Pentti Mäkelä

Name and task of signatory: Pentti Mäkelä, Regional Mayor

Stamp of the organization (if available):



For the Intermediate Body (Regional Council of Kainuu)

Date: 29.6.2020

Signature: Jouni Pohjola

Name and task of signatory: Jouni Pohjola, Regional Development Director

Stamp of the organization (if available):



LIST OF ABBREVIATIONS

EBIT	<i>Earnings before Interest and Taxes</i>
EBITDA	<i>Earnings before Interest, Taxes, Depreciation and Amortization</i>
ESF	European Social Fund
ESIF	<i>European Structural and Investment Funds</i>
MS	<i>Member States</i>
NOPAT	<i>Net Operating Profit After Taxes</i>
SME	<i>Small and Medium Enterprises</i>
ToB	<i>Transfer of Business</i>

General Project Description

STOB regions project summary

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 in business transfers

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, were often 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.

Important aspects of business transfers revealed through the STOB regions project

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. In this section are summarised nine (9) important business transfers issues that have come up during the project.

(1).- Tailored business transfers policies & programmes

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.
- Fourth, in recent times, attention is being paid more to spin offs and start ups, and less to midcaps’ growth as well as to sales and acquisitions issues, including business transfers.

Challenges faced by project partners: lack of programs to promote and sustain business transfers.

(2).- Business transfers readiness

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.

- 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.
- 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).
- 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.

Challenges partners face: 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.

(3).- Business transfers 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 specialised advisory services in the business transfer field.

(4).- Business valuation

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:

- 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.
- Asset-Based Approaches (e.g. Asset Deal) Requires knowledge of asset value and goodwill calculation.
- Multiples (selected key figures -EBITDA, EBIT, NOPAT-multiplied by a factor) Requires considerable insight into the specific industry.

Challenges faced by project partners: valuation is often misunderstood more a cash-flow assessment instrument and not a holistic business development instrument; generation shift business undertake valuation only at a very late stage and address often just the cash flow. In turn, the potential buyer makes usually a holistic valuation. It implies important divergences between the seller and buyer expectations and hinders smoother and faster generation shift actions.

(5).- Target groups

All target groups and potential buyers have different backgrounds and qualifications. In the STOB regions 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 entrepreneurs; lack of awareness regarding business transfer.

(6).- Matchmaking

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:

- 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).
- 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).

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);
- internationalising the business.

Challenges faced by project partners: 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.

(7).- Location – related challenges: transfers in rural areas

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.

(8).- 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. It is good to remind here that this observation is not necessarily valid for all partner regions, e.g. in Finland such tools exist and function well.

(9).- 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 faced by project partners: (i) 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. (ii) 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.

Information Regarding Policy Instruments

Table 2 The Action plan aims to impact

Investment for Growth and Jobs programme, name of policy instrument here		X
Type 1: Implementation of new projects	X	
Type 2: Change in the management of the policy instrument (improved governance)		
Type 3: Change in the strategic focus of the policy instrument (structural change)		
Other improvements not corresponding to types 1-3 (please comment)		
European Territorial Co operation programme		
Other regional development policy instrument, name of policy instrument here	X	

Name of the policy instrument addressed:

A. STRUCTURAL FUNDS Sustainable growth and jobs 2014 - 2020 - Finland's structural funds programme, Thematic Objective 3 (TO3) Competitiveness of SMEs (ERDF); Investment Priority 3a Promoting entrepreneurship. In particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms in business hubs.

Thematic objective (TO3) 3, "Competitiveness of SMEs" is focused on the generation of new businesses. Funding criteria include items:

1) The start-up of new enterprises and the development of new business; 2) improving business expertise and internationalisation skills; 3) investments and development projects in SMEs that promote growth; 4) The development of business clusters, business networks, and other forms of cooperation; and 5) transport and logistic connections as well as smart transport solutions that support SMEs.

Of the above, items 1,2,3,4 are fulfilled through the STOB regions action plan and linked to economic renewal through specialised services supporting generation shift.

B. BRIDGE AGREEMENT (SILTA SOPPIMUS) Unfortunately, the original plan of addressing the Structural Funds TO3 of Kainuu, could not be fully addressed. This is because the ERDF of Kainuu is already spent. Kainuun Etu, STOB regions partner 5 (PP5) in cooperation with the Intermediate Body (Regional Council of Kainuu) and member of the regional stakeholder group, reviewed other funding options. It was proposed to seek funding from national sources, namely the BRIDGE AGREEMENT provisions.

The BRIDGE agreement is a funding tool introduced by the Finnish State. The aim is to jointly identify and resolve growth bottlenecks in especially identified areas in Finland, one of them is Kainuu. The BRIDGE agreement may cover issues such as labour availability, access, skills and education, research and development and maintenance of the knowledge base. The region's awareness and marketing can also be improved. On behalf of the State, the Ministry of Employment and the Economy (TEM), in cooperation with other branches of government, is responsible for drawing up the agreement and for coordinating and monitoring its implementation. In the regions, Regional Councils (RC-who are also the Intermediate Bodies-IB) are responsible for the projects. Together with the ELY Centers, they form stakeholder groups comprising private and public actors in the area. The IB introduced the action plan (as a SILTA project option) to TEM already in December 2019. The process of negotiation between the Regional Council of Kainuu and TEM is currently on – going.

The implementation of projects under the SILTA SOPIMUS is aligned with the procedure of the Structural Funds. This includes information on the web site of the IB, submission and selection of applications. The timetable for SILTA SOPIMUS applications to the IB is anticipated to be approximately from the end of February 2020 onwards.

Improvement needs: 1) Starting point in terms of strategic thinking, is the understanding that generation shift is linked to the business and product life cycle, rather than just the age of the entrepreneur. 2) At least for Kainuu, a transition is needed in the understanding of generation shift and business transfers: from the problem-based approach related to the age of entrepreneurs, towards a more operational approach, related to the performance of businesses so that they are attractive to potential buyers. Our argument is that a performing business is attractive regardless of the age of the owner. To attract buyers, a business must be performing and the owner must be willing to sell. The willingness to sell, in the case of generation shift, has been linked, almost exclusively, to the age of the entrepreneur. We are arguing that it is important to ensure performance of the business as well. 3) Therefore, within the range of business transfers services offered, it is important to include services emphasising the improvement of business performance. Such services could be linked to product and business life cycles. In addition, there should be funding programmes, especially targeted for business renewal.

Self-defined indicator: Number of industry-specific business transfer projects integrated in and funded by the regional structural funds: 12.

Background of the Kainuu action plan

The background of the Kainuu action plan relies on two types of inputs: STOB regions Kainuu inception report and the good practice (GP) transfer.

The parts of the Kainuu inception report relevant to the action plan include: The Overview section, the section on the Opinions of sellers and buyers, the Region-specific issues and challenges, and the section discussing the Existing framework supporting business transfers.

The good practice transfer discusses how and why selected STOB regions good practices inspired to form the base for the Kainuu action plan.

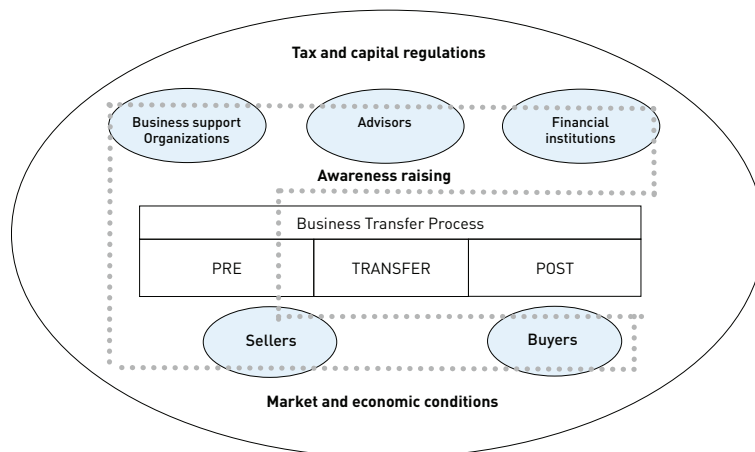
Inception report

Overview

In Finland, generation-shift/business-transfers issues have been in focus since the early 2000s, i.e., comparatively later than other European regions and the EC per se¹. National research on business transfer ecosystems has been concentrated at Seinajoki University of Applied Sciences, with acknowledged expertise in the areas of Business transfers and family business successions². The motivation has been the high number of aging entrepreneurs. "The share of 55–74 years old entrepreneurs among all entrepreneurs is growing, being 33 % in 2013" (Viljamaa 2015, p 26). Generation shift and family-based business transfers are understood as part of the overall business continuum, not as something apart from it. (Mandl, 2008, p.13). What is important to retain is how closely knit are family businesses and their relative strength in the Finnish economy: the share of family businesses in Finland that have an annual turnover of more than EUR 2 million is as high as 15 %. 98 % of all family businesses employ less than 50 staff members, and 2/3 of the board members are family members. Almost 70 % of the family owned companies have a family member as the managing director and 80 % have a family member as the director of the board. (Mandl, 2008, p.50, 48, 62).

Finnish research, policy, & operational approaches on business transfers are aligned to the mainstream EU business transfers concepts, and the relevant contributions reflect similar perspectives: (1) business transfer process, (2) business transfer services, (3) business transfer promotion including awareness-raising and business transfer research, and (4) business transfer environment (Van Teeffelen 2012, p5). These classifications interact towards creating, in principle, a business transfer ecosystem, Figure 1.

Figure 1: Business transfer ecosystem (source: Viljamaa et al 2015, page 8)



The opinions of sellers and buyers

In this section, we want to refer briefly to how sellers and buyers assess and/or anticipate their needs, Figure 2. Entrepreneurs are deeply aware of the feasibility of the business transfer for their enterprise: 38% expect that the transfer will be done with external buyers. It implies that the business transfer is expected to be less about family-

¹ The EC have worked on business transfers for the last 20 years. Key milestones in EU initiatives include: the 1994 Recommendation on the transfer of small and medium-sized enterprises; the 2006 Commission Communication Transfer of Businesses - Continuity through a new beginning; the Small Business Act (2008); the Entrepreneurship 2020 Action Plan (2013).

² <https://www.seamk.fi/en/about-us/faculties/school-of-business-and-culture/>

based generation shift and falls more under the feasibility and preconditions of mergers & acquisitions. Confirming this opinion, entrepreneurs feel that the valuation of their business poses the highest challenge (

Figure 3). However, when entrepreneurs are asked what the most important business-transfer services are, they prioritise hard factors against soft factors. Services provided by Finnvera, banks, taxation experts, lawyers etc. are appreciated on average much higher than soft services, even when managed by the ELY Centres (Figure 4). What we conclude from these opinions is that, on the one hand, entrepreneurs appreciate concrete services dealing with administrative requirements / expectations as well as funding / financing issues rather than general services; and that, on the other hand, their appreciation relates to more imminent needs, rather than long term planning, valuation, and market-placement requirements.

Figure 2: Future of the firm after the respondent has passed on his ownership ([Varamäki et al. 2012c](#)).

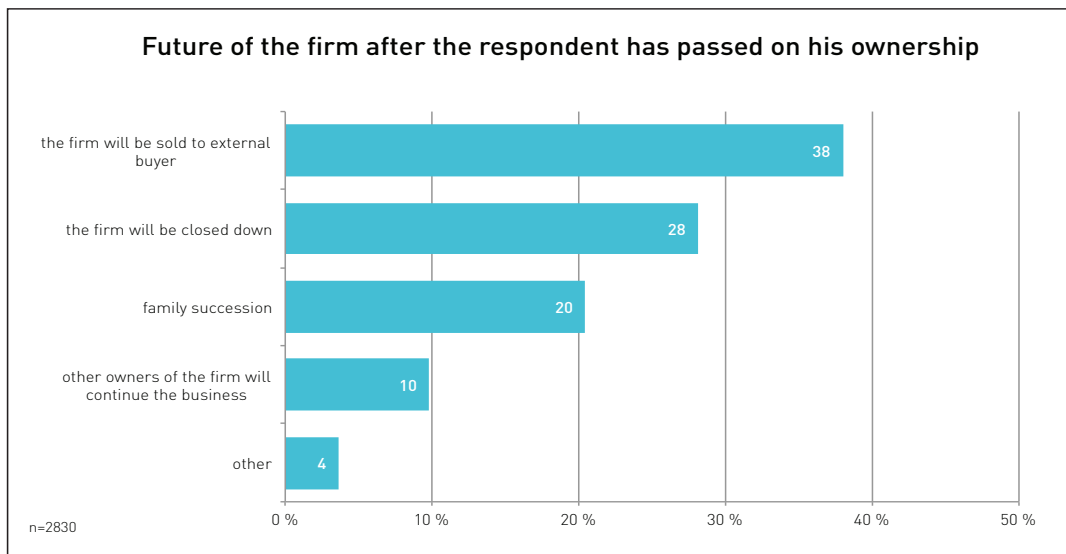


Figure 3 Problems and challenges experienced by buyers in business transfers ([Varamäki, Tall & Viljamaa 2014a](#)).

To what extent were the following problematic in your business transfer?	1 %	2 %	3 %	4 %	5 %	Averages on scale 1 - 5 1=not at all a problem 5=a very big problem
Valuation	13	21	29	25	12	3,0
Too high an asking price	20	21	22	22	14	2,9
Financing	26	24	25	15	10	2,6
Planning and choosing different implementation options	33	30	25	10	2	2,2
Taxation	39	31	17	7	6	2,1
Agreeing on the final buying target	45	25	18	5	6	2,0
Transferring knowledge from seller to buyer	49	23	15	10	3	1,9
Taking over the the buying target	48	24	17	8	3	1,9
Formulation of the purchase contract	46	32	16	6	1	1,8
Familiarisation with the buying target	59	20	11	8	2	1,7
Finding a buying target	75	6	9	7	3	1,6
Integrating the buying target and the existing business of the buyer	71	16	9	3	1	1,5

n ≈ 350

Figure 4. Importance of business transfer services (Varamäki et al.2013)

How important were the following service when doing business transfer?	1 %	2 %	3 %	4 %	5 %	Can't say/no experience %	Averages on scale 1 - 5 1=not at all important 5=very important
Finnvera services	5	6	13	21	47	8	4,1
Bank services	5	5	17	26	39	9	4,0
Accounting firm services	8	8	14	21	34	14	3,7
Audiator services	13	8	15	15	15	33	3,2
Lawyer services	17	7	11	17	14	35	3,1
ELY Centre services	16	9	13	12	14	36	3,0
Business transfer expert and consultancy services	19	8	9	8	12	43	2,8
Finnish Enterprise Agency services	21	8	8	8	14	42	2,7
Taxing authority services	18	12	14	10	6	40	2,6
Municipality or regional business services	24	8	7	5	8	48	2,3
Entrepreneur Association services	23	11	7	3	7	49	2,2
Business broker services	25	6	4	5	6	54	2,2

n ≈ 350, averages include ratings 1 - 5.

The context of business transfer services: Conforming to the findings of [Varamäki 2012](#), we also wish to stress that in the case of Kainuu,

- business policy efforts that promote business transfers should be organized with a more long-term view;
- project funding alone is insufficient;
- client entrepreneurs, entrepreneur organizations, municipalities, and the government should be involved in the funding;
- business transfer promotion activities need both national coordination and regional business transfer helpdesks.

The main focus of the Finnish business transfer policy has lately been on the ageing entrepreneurs and the continuity of their firms. This has been, and continues to be, justified by the baby boomer retirement and the large number of aging entrepreneurs. But a functioning business transfer market also needs buyers: an effort should be made to give equal attention to buyers as to sellers in planning and developing business transfer promotion measures (Varamäki 2012, also Van Teeffelen 2012).

Region-Specific Issues and Challenges

This section comprises of "Anticipation for business transfers" and "SWOT analysis" of Kainuu region.

Anticipation for business transfers: About 28% of the Finnish businesses are expected to be at the generation shift point in the next 10 years, this average is also valid for Kainuu, where 800 out of 2927 businesses will either change hands or close down, with an expectation of 31 business transfers to take place outside the family and 18 family internal per year. Although the numbers seem small, the economic impact of the businesses potentially closing down is significant to the region. Moreover, these figures reflect more the age of entrepreneurs and preconceived, anticipated business moves. A more in depth research would be needed to identify the potential number of sales and acquisitions (for whatever reason) in the region, for example, by analysing stage of individual businesses within the business/product cycle.

Table 3 Overview of business transfers in Finland³

Province	Number of companies	Total amount of Business Transfers within next 10 years	Expected BTs inside Family /year	Expected BTs outside Family/year
Ahvenanmaa	2 261	600	14	23
Etelä-Karjala	5 747	1600	37	62
Etelä-Pohjanmaa	11 717	3200	74	125
Etelä-Savo	7 348	2000	48	82
Kainuu	2 927	800	18	31
Kanta-Häme	8 442	2300	53	90

The **SWOT analysis** of Kainuu comprises two parts; 1) The baseline study performed as part of the inception report in 2017 and supplemented by external input from 2) interactive SWOT analysis on the region of Kainuu in late 2017 with input from all project partners, based upon the methodology provided by the advisory partner of STOB regions. The findings are summarized as below:

(1) SWOT from the inception report of PP5

STRENGTHS⁴

- Issue acknowledged in-depth, analysed and recognised what is needed;
- Hard factor experts and institutions are available in the region as part of national policies.

WEAKNESSES

- A comprehensive approach, strategic approach, permanent tools, research, promotion of qualifications and competencies are missing.
- The national reform requires a re-definition of the regional stakeholder group.

Opportunities:

- Encourage a proactive, strategic approach, not only problem-based but objective-related.
- Map the performance level of the 800 businesses that will be changing hands in next years and link them to productivity and renewal markets through relevant preparation actions (product valuation more important in this case than business valuation).
- Promote competence building in the region and align with EU level qualification criteria.
- Organise better access to markets; link to industrial renewal.
- Promote joint research projects, within Finland and beyond.
- Seek good practices from STOB regions and transfer.

Threats:

- To focus actions exclusively on the project-based, problem-based approach ignoring other aspects.

³ Source: Overview of business transfers in Finland, Pekka Ojalehto, Managing Director, Federation of Finnish Enterprises, Kainuu region, 26.9.2017 STOB regions 2nd IPL).

⁴ Kainuu region SWOT analysis from the STOB regions Inception report of PP5, page 25.

- To ignore requirements for re-defining the regional stakeholder group to include the new relevant actors including national level.

(2) Supplementary external input from the Interactive SWOT analysis of the Kainuu region

During the STOB regions 2nd Interregional policy learning (IPL) and peer review sessions held in Kajaani, Kainuu in September 2018, the partners conducted a SWOT analysis of the region in the context of business transfer. The results are illustrated in Table 4 below:

Table 4 SWOT analysis of Kainuu during STOB regions peer review, September 2017⁵

Strengths	Weaknesses
<ul style="list-style-type: none"> • Lack of red tape (easy bureaucracy) • Investor attraction services (Invest in Kainuu) • Relaxed pace of life • Strong specific sectors • National funding (Finnvera) • Strong and functional education system 	<ul style="list-style-type: none"> • Lack of services in conflict scenarios • No higher tier university institute • High ratio of micro-businesses • Lack of skilled workforce • Structural and deeply ingrained unemployment • Language barriers • Integration of foreigners • Reliance on public sector support
Opportunities	Threats
<ul style="list-style-type: none"> • Digitalization • Platform/meeting for young entrepreneurs • Targeting new buyers • Incentives for return migration • Inception of a family business centre • Influencers • Selling vs internal transfer of business within the family 	<ul style="list-style-type: none"> • Concept of relocating for an indefinite period due to pull factors in the labour market • The influence of gatekeepers • Continued flight of young professionals out of the region

The conclusions from the two SWOT analyses confirm the reasons for which Kainuun Etu joined the STOB regions project: In Kainuu there are no specialised, comprehensive and permanent business transfers (BT) services. Experts and institutions, particularly relevant to the hard factors of business transfer (taxation, establishment of businesses, loans,...), have presence in the region. The current problem-based response to the generation shift, focuses almost exclusively on older entrepreneurs and the business-related challenges because of the owner's age. This approach does not address by a large part challenges of product and business performance and the growth of businesses. However such issues are important for finding buyers. Therefore, it is important to include into the business transfer services provisions for business performance improvement well ahead of the owner's any retirement plans. Integrating business improvement actions into business transfer cases, will also create new opportunities for improving competence in the region cumulatively, linking to industrial renewal. Such improvements will expedite the chances of targeting and attracting specialised buyers, including forward direct investment (FDI) options.

In the case of Kainuu, there is also a lack of research in the business transfers and generation shift processes. This could be attributed to the lack of a higher education institution in the region dealing with entrepreneurship. Such research is important at national level anyhow, however it appears to be an absolute necessity for Kainuu. Many of the weaknesses identified in the SWOT analysis can only be solved by a holistic approach to regional and business development.

⁵ Interactive SWOT analysis of the Kainuu region, STOB regions Workshop report #2, page 6.

Existing institutional support framework for Business transfers

Since 2014 Kainuun Etu Oy has been designated with the task of dealing with generation-shift business transfers, as part of a larger concept of providing services to businesses. Before, this task was the responsibility of the Centre for Economic Development, Transport and the Environment (ELY Centres). Below Table 5, details the organisations their respective role and representation in Kainuu in the context of business transfers.

Table 5 Existing Business transfer service provisions, and representation in Kainuu⁶

Organization	Primary purpose	Role in business transfers	Kainuu region representation
The Ministry of Employment and the Economy (MEE) www.tem.fi/en	The key ministry involved in developing and implementing economic policy issues in Finland. MEE is responsible for the operating environment underpinning entrepreneurship and innovation activities, securing the functioning of the labour market and workers' employability, as well as for regional development.	MEE is the main organization in developing and implementing business policies in Finland, and this applies to BTs.	ELY Keskus, regional stakeholder group member.
The Federation of Finnish Enterprises and its regional associations www.yrittajat.fi/en- GB/	The largest lobbying organization for entrepreneurs with more than 116 000 enterprises. The key task is to improve the position of entrepreneurs and the requirements for entrepreneurship and to make Finland an entrepreneurial society.	Including year 2015 implementing national business transfer project, lead partner in organizing national business transfer conference, operates leading online platform. BTs do have good visibility FFE-media.	Yes, regional stakeholder group member
The Finnish Family Firms Association	The lobbying organization for Finnish family businesses with over 400 members.	Focus on promoting successions and involved in lobbying legislation and tax issues.	no
2nd tier municipal organisations	Regional development planning and policies; Structural funds bodies	Policy integrator and project funding	Yes, regional stakeholder group member
Municipalities and municipal development organizations www.sekes.fi/en/	Regional development agencies' main function is business consultation services for example, start-ups, financing, guidance in locating, and developing established enterprises.	A lot of variation in Business Transfers services.	Kainuun Etu Oy, STOB

⁶ Adapted to Kainuu region representation. SOURCE: Seinäjoki University of Applied Sciences ([Viljamaa 2015](#), p41),

Organization	Primary purpose	Role in business transfers	Kainuu region representation
Finnvera Ltd. www.finnvera.fi/eng	Finnvera is a key BT financing organization in Finland and owned by the State of Finland. Finnvera operates on the financial markets, supplementing the financial services offered by banks and other providers of financing.	Involved in financing about 50 % of business transfers (annually about 1000 BTs) and uses about 100 M€ in funding BTs.	Yes, regional stakeholder group member
Finnish Enterprise Agencies	The leading organization in Finland in advising start-ups.	Are increasingly involved in advising buyers.	No
Finnish Business Transfer Society	Society for business transfer experts. It has been around since 2005.	Supports peer learning, partner in organizing business transfer conference, selects the business transfer expert of the year annually.	No

The Table 5 above confirms the availability of the services for business transfers in the region and the general awareness of the region in relation to generation shift needs. However, the services are very fragmented among the different organisations, which makes it difficult for the sellers and buyers to find a clear path for support during the transfer process. This also means there are gaps and overlaps in the existing services because the responsibilities have not been defined at the regional level. Therefore, a redefinition of the regional business transfer support network is required with designated roles and responsibilities for the relevant institutions.

Good practice transfer

Kainuu has selected to import one good practice from Denmark, namely the GP *Strategic Generation & Ownership Change programme*⁷.

Strategic Generation & Ownership Change programme - Erhvervshus Fyn

In response to region-wide, critical anticipation for business succession, the GP is an objective-based initiative, identifying the preparation steps required and improving such cases with a targeted, specialized and advanced programme for owner-managers (potential transferors) in nine municipalities, the operation of the programme focuses on: 1) Clarification of the current situation 2) Awareness of the seller: Evaluation, advice and recommendations of continuation measures through a network of specialized services to aid in continuity of the company, benefiting the entire regional economic base.

The service is divided into four distinct processes: 1) An introductory meeting detailing the service path and process guidance, conducting a 360-degree diagnosis (first-level) of the situation 2) Expert advice: evaluation on the analysis and preparatory advice on the strategic development options 3) Specific and specialized advice and

⁷ <https://www.interregeurope.eu/policylearning/good-practices/item/2547/strategisk-generations-ejerskifte/>

planning on the chosen development actions 4) Post-implementation evaluation and continuation options, linkages to additional and complementary specialized support.

The programme was highly efficient in terms of resource utilization, employing one full-time consultant, costs associated with the facilitation of the meetings, and marketing costs. The success of the programme was attributed to the clearly defined focus, strong and collaborative involvement of a regional network of advisors (business development, strategy, law, accounting, brokers) and a dedicated consultant with the operation of the programme as the only task.

For Kainuu, the added value of the GP: 1) the GP highlights a focused and specialised service path covering the preparation of the seller to improve/add value to the business beyond that of the current valuation 2) the value and importance of a consolidated BT network representing and facilitating the entire process of the business transfer 3) cross-cutting of business improvement measures and generation shift, and subsequently qualified consultant beyond that of basic coordination services, providing advanced growth and renewal services.

Through the GP adoption, we wish to elaborate on the business improvement aspect, transitioning and supplementing the problem-based with objective-based thinking, through the inclusion of qualified growth and renewal services. The adoption of the good practice and their importance to Kainuu additionality are summarised in Table 6 below.

Table 6 Good practice transfer in the Kainuu action plan

Good Practice (GP)	Important aspects of the GP for the Kainuu BT	Transfer focus of the GP
Strategic Generation & Ownership Change programme	Comprehensive and strategic approach, combining BT and growth and renewal services. Realigning the regional BT network and linking to relevant national networks to identify equity (buyers).	Adopt business improvement measures for developing permanent and specialised growth and renewal services.

Detailed Action

The action plan contains one action: **Action 1 Business transfer services platform**, aiming at the establishment of a business transfer service platform. In terms of the overall findings of the STOB regions project, the platform responds to seven out of the nine conclusions relating to *Challenges faced by the project partners*. Table 7 below, summarises these aspects:

Table 7 Challenges faced by project partners and the Kainuu action plan

Challenges faced by project partners	Kainuu action plan
(1) Lack of programmes to promote and sustain business transfer.	The platform is the agency for addressing this lack: it identifies and updates needs and potential solutions. This is happening by linking regional stakeholders, cooperating with national & EU level initiatives, transferring and processing this information at regional level.
(2) Business transfers readiness	The platform is addressing this aspect in terms of awareness raising regular events, a face-to-face service with any type of entrepreneurs including older ones, buyer identification, and establishment of development linkages between the age of a

Challenges faced by project partners	Kainuu action plan
	business to valuation and targeted development actions that ensure better market prices for the business at any rate.
(3) Lack of specialised advisory services in the business transfer field.	The platform is a direct answer to this service gap.
(4).- Business valuation	The platform encourages business valuation regardless of the interests of the entrepreneurs for selling their business, as a tool to orient businesses into competitiveness and growth paths. There are linkages to locally supported development projects for this purpose.
(5) Location – related challenges: transfers in rural areas; Political and legislative unpredictability.	This is beyond the potential of the action plan. Nevertheless, clear linkages to national level initiatives are one effort to override political unpredictabilities.
(6) Target groups	The platform mobilises sellers and identifies potential buyers; if needed, first meetings between sellers and buyers are facilitated.
(7) Matchmaking	The platform identifies buyers and supports matchmaking events and bilateral meetings, at least at the start of the transfer process.
(8) Financial instruments	In Finland, there are dedicated funds for buying a generation shift business. Moreover, we feel that a good business always has a chance to find good, financially solid buyers.
(9).- Transfer of knowledge	This is not addressed by the platform. However a note is made in regional policies to consider not only start ups but also business cycle and growth issues.

The objective of this service platform is to address business transfers in four ways: 1) to explicitly and effectively link business transfer services to the renewal and growth of businesses; 2) to introduce and contribute to a regional platform supporting the coordinated exchange among all regional actors relevant to business transfers and generation shift issues; 3) to include business transfer services qualification and skills-upscaling options; and, finally, 4) to function as an essential networking & exchange tool between the region of Kainuu and national and interregional evolutions in the context of business transfers services

In Finland, there have been numerous Business Transfer related projects for businesses, following the traditional focus on awareness-raising initiatives and platform-based connectivity between BT stakeholders. In Kainuu, the services exist; however, the services are not coordinated, often with a problem-based approach and service gaps exist along the generation shift service value chain. Moreover, we had not realised how important it is to have qualified business transfer services and that such qualification standards are often missing. Kainuu Etu joined the STOB regions to explore the possibility of transferring good practices to: 1) safeguard the existing economic base, 2) increase the competitiveness and innovation capacity of SMEs by developing concrete projects that see generation shift as a renewal and growth opportunity for businesses.

The STOB regions project has been important to PP5 for the insights and development orientation it opened up: the baseline study that allowed a comparative (nationally) and in-depth consideration of the current service provisions regarding business transfer; the good practice exchange; and the peer review which confirmed the importance for Kainuu to integrate generation shift into the regional Innovation Management Services.

In this context, the STOB regions policy learning has contributed one good practice, Strategic Generation & Ownership Change programme, connecting succession with an objective-based, strategic approach to business

improvement to 1) increase the attractiveness and competitiveness of the company and subsequently to 2) improve the chances of a successful ownership change.

Together, and with the agreement of the local stakeholder group⁸, the decision was taken to focus the action plan on two linked action lines; 1. Business transfer services, and 2. Growth and Renewal platform. This focus has been extensively discussed and analysed with our Intermediate Body (IB/ Regional Council of Kainuu/RCK), and there is full support for shaping our action plan in the direction of Business improvement – to be understood as the objective related approach for including generation shift services as part of the regional innovation management support.

Action 1 Business transfers services platform

Objective

The objective of Action 1 is a project providing business transfer expert services that are missing in Kainuu as well as systematically liaising with national level initiatives. The services provided can be classified into regionally – based business services and into a platform liaising to national initiatives and beyond:

(1) business transfer services to businesses. Such a service is missing in Kainuu today. The concept is that it will be a unit of specialised staff, hosted by a relevant organisation (e.g. Kainuun Etu). One of the key purposes is to strengthen business renewal and ensure better and increased demand among potential buyers and in this way, link business development practices to the preparation for business transfers. One important consideration is that the business services provided are not conflicting or repeating what services are already being offered by other actors in Kainuu such as the ELY Centre and the Kainuu municipalities;

(2) setting up, operating, and supporting a platform orchestrating all stakeholders in the region. The purpose of this platform is to create a space for regular exchanges, problem-solving as well as learning and joint action concerning business transfers. The reasons that make such a platform necessary: (2/1) a business transfer is a multi-sided process involving different types of institutional contributions, e.g. consulting, subsidising, financing, etc. It is good to coordinate these contributions with the complementarity of acknowledged roles; (2/2) business transfer knowledge evolves, and a tool for inviting new inputs is missing; (2/3) the national platform will be one good channel to effectively support matching of sellers and buyers and of marketing sales; (2/4) finally, it is important to be involved in national and EU networks as a way of learning, joint development, as well as acknowledging opportunities. The members of this platform are representatives of all business development and business transfer actors in the region, including the business development contact points of the Kainuu municipalities and the staff of the business transfer service introduced in item (1).

Good practice relevance

Kainuu transfers one good practice: **Strategic Generation & Ownership Change** from Southern Denmark. The good practice demonstrates a methodology for the clarification and strategic planning of succession for owner-managers.

⁸ STOB regions Regional Stakeholder Group comprised of: Kainuun Etu Oy (KE), Regional Council of Kainuu (RCK), Kainuu ELY Center (ELY), Kainuu Branch of Finnvera, Kainuu Branch of the Federation of Finnish Enterprises.

Policy impact

Action 1 aims at Type 1 policy impact, i.e. generation of new projects.

The policy impact will be implemented through the SILTA SOPIMUS (= the BRIDGE AGREEMENT). The SILTA SOPIMUS is a national level tool. The application there has been made by the Regional Council of Kainuu (RCK), because SILTA is addressed to regional authorities. The IB/RCK have introduced the STOB regions action plan at this national level group and have also made an application for the action plan to be included there for funding. Once the decision is out, the RCK will invite organisations from Kainuu (including KE PP5) to make offers. The process is similar to the Structural Funds calls.

Activities

- The **Business transfer services platform** project is applied and approved. The establishment of the platform follows a classical approach in Finland: (1) the discussions with the regional stakeholders for identification of interest, themes, and commitment; (2) similar negotiation at national level; (3) a conclusions document, of the recommended objectives & content of the platform and recommended participants.
- The staff of the Growth & Renewal services is allocated.
- Set up of the regional steering group
- Regular steering meetings (1 per semester) assessing progress and recommending improvements.

The Business transfer service unit activities include services to businesses, self-improvement, and networking.

(1) Services to businesses

- Awareness-raising among businesses
- Recruitment of businesses – sellers and diagnostics of the state of play of the businesses, including valuation services (valuation services are subcontracted)
- Business diagnostics including valuation services when needed (sometime, as they are very specialised).
- Preparation of businesses for investing in improvements (business renewal business plans) and supporting businesses to find funding/financing for implementing the renewal business plan
- Transaction facilitation that businesses undergoing ownership change and after-care.
- Awareness raising events and workshops.

(2) Self-improvement: Business transfer service unit quality improvement

- Assessment of qualification needs and participation in qualification seminars; regular updates of evolutions in the business transfers service context

Business transfers platform & Networking

- Establishment of cooperation flow (business cases) between the business contact points in the municipalities and the business transfers service unit.
- Establishment of linkages to EU level databases for finding equity and or buyers.

The regional business transfers platform includes

- Setting up & operating the regional business transfers platform
- Mobilisation of the regional stakeholders
- Regular exchanges with the Kainuu Municipal Business Advisory Services
- Regular exchanges with businesses and business associations of Kainuu
- Agreement of key themes and issues and way of cooperation,
- Signing an MoU of cooperation, with thematic priorities related to business transfers
- Establishment of formal linkages to the national level

- Participation in the national level Business Transfers Forum and the sellers and buyers matching tool.
- Three thematic training seminars
- Four exchange of experience and update meetings (1 meeting per semester)

The roles and responsibilities of the proposed service platform are indicated in Table 8.

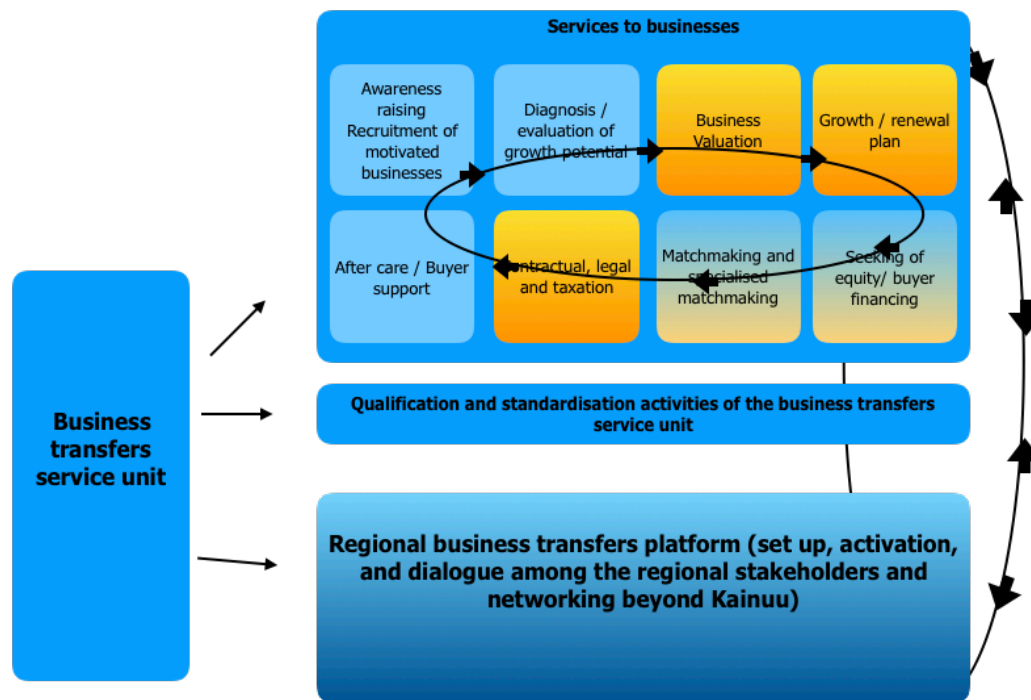
Table 8 Roles and responsibilities of the service platform

Service component	Organisation(s) responsible	Actions
Facilitation desk (Setting up & operating the regional business transfers platform)	Kainuun Etu	Coordination/Process guidance Recruitment of Businesses Awareness-raising
Regular exchanges with the Kainuu Municipal Business Advisory Services Regular exchanges with businesses and business associations of Kainuu	Kainuun Etu, Kainuun Yrittäjät, external actors Municipal Business advisory services	Agreement of key themes and issues and way of cooperation Signing an MoU of cooperation, with thematic priorities related to business transfers Four exchange of experience and update meetings (1 meeting per semester)
Establishment of formal linkages to the national level Participation in the national level Business Transfers Forum and the sellers and buyers matching tool.	Kainuun Etu	Joint meetings and themes; involvement of regional actors as well
Diagnosis	Kainuun Etu	First stage analysis of the businesses
Evaluation of the growth/renewal potential	Kainuun Etu	360-degree analysis of the businesses Growth/renewal plans
Implementation and monitoring	Kainuun Etu ELY-keskus	Monitoring of the growth/renewal plan implementation, support for funding applications Funding support through existing programs
Business valuation	External consultants, ELY-keskus services	Valuation of the businesses
Matchmaking / Specialized matchmaking	Kainuun Etu, Kainuun Yrittäjät, external actors	Matching buyers and sellers through regional and national networks
Seeking equity/Buyer Financing	Finnvera, Banks, FDI linkages	Financing the transfer, buyer support
Contractual, legal and taxation	External consultants	Technical aspects of the business transfer
Aftercare / Buyer support	Kainuun Etu, Kainuun Yrittäjät, ELY-keskus	Support for the new owner through existing projects

The concept of Action 1 is summarised below, in Figure 5. Figure 5 indicates the three main functions of the Business Transfers Unit and the interactions between them. It also indicates that the business transfer unit is prepared to receive guidance requests at any stage of the business transfer process in which a company might be.

The colour code in the *Services to businesses* box, indicates different sources of knowledge inputs: for example, solid blue indicates contributions based on the competences of the business transfer staff, yellow indicates the need to subcontract very specialised or even regulated tasks to external experts, and the gradation between blue and yellow indicates a case-by-case approach, depending on the type of specialisation required, i.e. part of the support is by the staff another part might be from external experts.

Figure 5: Concept for business transfer and growth service



Outputs

1. Establishment of a Growth & Renewal business transfer platform: MoU with regional and national actors
2. Growth and Renewal business transfer platform exchange and learning sessions (4 sessions)
3. 12 processed SMEs (diagnosis, valuation, renewal plans, after care)
4. Three awareness-raising events / with three dissemination events
5. Information material and information website
6. Three regional steering meetings
7. One qualification course for the platform staff
8. 10 Sellers and buyers matching registrations and facilitation in the national platform.

Timetable (1.1.2020 – 30.9.2021)

- Approval of the action plan: Autumn 2019, 31.12.2019
- Endorsement of the action plan by the Intermediate Body (IB): February 2020
- The Regional Council of Kainuu opens the SILTA SOPIMUS – based call under which also the STOB regions action plan will be submitted: March 2020 onwards
- Selection of winning consortium and start of operations: 01.07.2020.
- Implementation: 01.07.2020 – 30.09.2021.

Budget

Action 1 has a total budget of about 300.000 € maximum, and it is a project competed by the IB and won by the most suitable consortium, Kainuun Etu will also apply. The concept is based on the usual model of Structural Funds co-financing, i.e. 70% Structural Funds, 30% own funding (Municipalities and Kainuun Etu). In parallel, national level funding is currently sought, since the Kainuu ERDF is not having funds available anymore.

Actors involved

- Regional Council of Kainuu, Intermediate Body: Co-funder and local steering committee
- Kainuun Etu Oy: Main applicant, the orchestrator of the regional partnership, coordinator, implementation, and management. However, it is possible that other organisations will also apply for the Business transfers SILTA SOPPIMUS funding, as it is an open call. At this stage, the involvement of Kainuun Etu is that of a candidate not a certain implementer.
- Stakeholders and members of the regional platforms
 - ELY Centre, ESF responsible body
 - Kainuu Branch of Federation of Finnish Enterprises,
 - Municipal Business Development Contact Points
 - Finnvera, state owned specialised financing organisation
 - Regional and nationally linked Business transfer Platform, Central Body of the Federation of Finnish Enterprises, banks, Business transfers units from other parts of Finland
- Beneficiaries
 - Kainuu businesses
 - Kainuu municipalities

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KAINUUN ETU

Etu Oy is committed to the monitoring of the implementation of the action plan for as long as it has the capacity (currently under structural reform).

Antti Toivanen

Managing Director



KAINUUN ETU
Kainuun Etu Oy
PL 10, 87101 KAJAANI, FINLAND