

STOB regions interregional learning event report

“Innovation and transfer of knowledge”

STOB Regions 2nd interregional workshop and peer review

September 26th- 27th 2017, Kajaani, Kainuu, Finland

The two-day learning event addressed the INTERREG STOB regions thematic topic “Innovation and transfer of Knowledge”. The event was organized and hosted by Kainuun Etu Ltd and held in Sokos Hotel Valius in Kajaani, Kainuu region, Finland on the 26th and 27th of September 2017. The workshop and peer review were attended by 30 and 31 participants respectively.

Day one - Interregional workshop 26th September 2017

The workshop aimed to explore the concept of how a change in ownership provides a pivotal point in time to introduce new knowledge into a company.

The main objectives of the workshop were:

- Understand how a business innovation strategy and/or technical innovations introduced by the new owner can raise the value of the company and changes in the overall business management strategy
- The relationship of corporate strategy and culture in order to foster a successful the innovation
- Initiation and support of knowledge transfer from the regions
- Investigation of possible synergies with other projects in relation to knowledge transfer

The workshop began with a welcoming speech and introduction to the day’s proceedings by Kainuun Etu Ltd.’s and STOB regions project members *Ms. Ninetta Chaniotou* and *Mr. Markus Leinonen*. This was followed by a political statement and an in-depth presentation of the region by *Mr. Pentti Malinen*, Regional mayor of Kainuu, and preceded by consecutive thematic lectures by external regional experts, the first of which delivered by *Mr. Pekka Ojalehto*, Managing Director of Kainuu region’s Federation of Entrepreneurs, entitled “*Overview of Business Transfer in Finland*”, highlighting a unique overview of Generation Shift Business transfers in Finland.

The presentation described the current situation of business transfers in Finland and provided an interesting fact in that approximately only 50% of business transfers in the 55+ age group will be realized. However, for the age group 40-55 years old, a majority of business transfers were indeed successful. In Kainuu it is expected that there will be around 800 business transfers during the next decade. Key challenges in the national and regional Business transfer scenario were difficulties in the valuation process, reluctance in using professional services and most pertinent is the lack of understanding of the mutually inclusive relationship between the entrepreneur’s and the company’s identity.

The second thematic lecture, delivered by *Mr. Toni Piirainen*, Managing Director of Planray Ltd. entitled “*Generation Shift and Business Innovation Management*” was aimed to identify the common innovation

strategies, challenges and solutions faced during generation shift in Finnish SMEs. He explained how generation shift can be used as a trigger and boost for the innovation process. It was noted the maturity and decline phase of the product lifecycle provides the most common phase for generation shift initiatives for SMEs. Three innovation strategies were detailed; Survive, develop and create. He noted the importance of moving towards innovation through incremental steps, such as implementing small scale projects. Additionally, he stressed there is a vast range of funding and support instruments available in Finland to be used during generation shift.

After which each partner was allocated a short presentation regarding the workshop topic with emphasis on their own region's intricacies through specific cases and good practices.

HK Projektgesellschaft mbH (DE)

Title: *Transfer of Knowledge: The Emergency Manual*

Presenting the case of the merits of having an Emergency Manual in the event of death, injury or illness, and who will succeed in the running of the company after an emergency. Elements to be considered in the event of emergency include Fundamental regulations, Finance related commitments, contracts and notarial documentation, intrinsic company data, and other unique information needed for the transferee. The guide can be downloaded and must be kept up to date in the event of emergency to ensure a swift transition and continuity of business operations.

Regional Development Agency with Business Support Centre for Small and Medium-sized Enterprises (BG)

Title: *Innovation and transfer of Knowledge in Bulgaria*

Presentation of the various Operational programs and instruments used for Innovation and transfer of knowledge in Bulgaria. Focus on the National Innovation Fund, whereby the main objective is Promote R&D for enhancing the competitiveness of enterprises. Presentation of Good practices, including the Erasmus+ funded SUCCESSION project, which focuses on preparing, planning and execution of successful transfer of business for family businesses and advisors/consultants.

Business Development Centre Vaeksthus Southern Denmark (DK)

Title: *Pedersen Group*

Presentation of a specific generation shift case. Discussions points raised including the preparation stage, negotiations with seller must be timely, and strongly suggested to include personal/emotional issues. Equally the company must be at a stage to successfully transfer and includes the readiness of all business functions. Suitability of successors capabilities must be addressed in order to establish if the successor has an owner manager mentality, skills, competencies and capabilities to effectively control the company post succession.

Official Chamber of Commerce, Industry and Shipping of Seville (ES)

Title: *Business transfer to employees under the form of a cooperative*

Case study presentation on an employee buyout scenario. Key results of the buyout include turning a crisis scenario into a positive cooperative buyout, which positively increased the amount of investment in the company, and an increase in the focus on the employees and turnover increased two-fold in less than two years. The case provided concrete ways in which challenges were addressed; valuing the emotional aspect in negotiations between buyer and seller, forming a cooperative group to assist in identifying funding and support for management skills and training for buyers.

Kainuun Etu Ltd. (FI)

Title: *Generation Shift Business Transfers and Business Innovation Management*

The presentation covered the topics of generation shift and business transfers in Finland and also regionally specific in Kainuu, as well as innovation management relating to the topic. In Finland, inheritance and gift tax is a major concern and barrier for many family businesses. The various business support organizations related to business transfers were presented including their remits. The focus then moved onto the regional specificities and in particular Kainuun Etu Ltd.'s service tools and model geared towards business transfer, where the approach is more client based as opposed to market based.

Malopolska Region (PL)

Title: *The guidebook to succession planning for a family business – Innovation and transfer of knowledge*

Presentation on PMDG's Family business advisory services, explained the importance of establishing a common ground for a generation shift case, and to aide in the opportunity to benefit from an innovation upgrade. The presentation also highlighted instruments to support an innovation upgrade, such as EU level and commercial funding.

Ilfov County Council (RO)

Title: *Knowledge Transfer for Increasing Productivity of Smes*

Presented the Knowledge sharing program, a partnership between the Romanian government and Republic of Korea, a platform to foster productivity and competitiveness, and to implement the *triple helix* and *knowledge triangle* concepts. Various challenges for the transferor and receiver were highlighted during this project.

BSC, Business support centre Ltd., Kranj (SI)

Title: *Lotrič Metrology*

After a general introduction to the generation shift dynamics in Slovenia, a case study was explored, and delved into the steps of family constitution, i.e. the basis for regulating relations in the family, in regard to generation shift. Additionally, the role of state funded VEM service points who assists at all levels for transferring business to the next generation.

Glasgow City Council (UK)

Did not present

Following the presentations, all participants worked interactively on the workshop topic of which the methods and monitoring was controlled by the advisory partner. The workshop presented ten topics to be discussed and developed within the groups, whereby the partners exchanged ideas and recommendations to create various tools and methods in order to accelerate innovation and transfer of knowledge relating to business transfer.

Summarized results of the workshop:

The following topics were explored through the workshop in order to facilitate creation of new knowledge into a company at the point of succession:

- Concept Creation
- Financial support
- Locations/ space for Innovation
- Train the trainer
- Innovative framework

- Knowledge sharing
- Emergency planning
- Entrepreneurship education
- Guides/roadmaps
- Online support/media

An example of a recommendation tool developed through the workshop:



Picture 1. "Succession guidelines" recommendation tool

The "**Succession guidelines**" tool was recommended as a free to use, concise and practical guide for owners, successors, advisors and entrepreneurs on the practicalities of business succession with an emphasis on the steps that can be taken internal, as well as on the steps where external advice is suggested.

All of the recommendations were presented and discussed amongst the project partners to aid in a successful transfer of learning and exchange.

Day two- Peer review 27th September 2017

Day two of the workshop was dedicated to a peer review and began with a deeper introduction to the region by *Mr. Pentti Malinen*, Regional mayor of Kainuu, where he touched on various aspects regarding business transfers; including the challenges and problems faced, focal industries as well as regional demographic issues. Questions were distributed in advance and gave a strong foundation for a lively and inclusive discussion.

Following the regional mayor's introduction, four examples of regional good practices were proposed, which represented a wide angled view of business transfers. The first case, by *Mr. Toni Piirainen* of PlanRay Ltd, focused on "family transfer" and the "Next generation", with the core theme of **innovation renewal and expansion**.

In this presentation, he explained the case of PlanRay Ltd, an industrial automation company, where ownership transfer was completed in 2008, renewal began in 2010 and ultimately peaked in 2016. He explained the benefits of the transfer for the business to include the initiation of export sales, branding replenishment, and subsequently R&D planning, recruitment and investment were accelerated. In terms of generation shift services employed during the transfer phase, free consultancy was sought from the Kainuu branch of Federation of entrepreneurs, Kainuu's *ELY* Centres and also through their extended network of business owners. After the presentation multiple questions were posed for discussion and instigated a lively discussion, particularly around the topic of how to prioritize and integrate R&D renewal and how to transfer tacit knowledge from one generation to the next in as smooth fashion as possible.

The second case expanded on specific employee transfer scenarios, presented by entrepreneur *Mr. Ville Keränen*, who discussed the government funding institute Finnvera, and other examples of **growth and management renewal transfer**. The case revolved around Lieke Suunnittelu Ltd, an electrical engineering company, whereby the generation shift negotiations took nine months and the knowledge transfer around two years. The results of the transfer increased revenue by 50% and total employees up 67%, of which the projects were funded by TEKES and the Regional council of Kainuu. Services utilized as part of the generation shift case include an accountancy firm assisting with contracts and negotiations, Tiedosta Ltd., a business consultancy performing due diligence tasks and additional funding support from the various national and regional authorities. Challenges identified for the transferor were the validity of tacit knowledge, and price negotiations. For the buyer, Risk assessment, financing arrangement methods of the buyout were key challenges. To address some of these challenges it was emphasized that taking a lead in generation shift cases is imperative, and locating a supportive advisory network requires a great deal of effort and time.

Mr. Matti Luukonen and *Mr. Markus Leinonen* from Kainuun Etu Ltd., provided a case study of a manufacturing business describing an employee buyout administered by Kainuun Etu Ltd, discussing the *Growth for Kainuu* (Kasvua Kainuuseen) and *Boosteri* service models for supporting the transferee to proceed. Before the buyout, services aimed at developing and training entrepreneurship were conducted. During the buyout the *Boosteri* project assisted in support for mapping the business status, contact introduction to generation shift services (Finnvera, lawyers etc.) and finally support in the ownership transfer (bureaucracy and training). Once the new business was formed continued staff-based consultation for growth support was conducted. One of the key lessons of this case to be transferred to future generation shift cases was the need to initiate and prepare the process for the business sale as early as possible.

The final case study, presented by *Mr. Carl Wideman*, explained Kainuun Etu Ltd.'s services to a local Hotel operator to prepare the business for an external buyout. Kainuun Etu Ltd.'s service responsibility to the seller was to search and introduce a suitably qualified buyer and control local facilitation action, in addition to assisting in the provision of information for due diligence. Localization services were provided to the (international) transferee to facilitate a positive transaction. Key challenges identified through the case revolved around cultural and language issues, and it was established through this case that a succession period of one year is insufficient. To address these challenges, it was suggested to conduct a pre-feasibility study and to prepare a portfolio template to highlight potential issues regarding the succession process.

Each of the good practice presentations gave the workshop participants an excellent foundation for an active and constructive discussion.

Additionally, through the presentations **possible synergies, learning and exchange with other projects** such as *Interreg Europe BRIDGES* project (Kainuu Lead Partner), *Growth for Kainuu* (Kasvua Kainuuseen) were discussed and provided the project partners with inspiration to locate and cooperate with other local or national level projects for cooperation and knowledge exploitation.

A panel discussion concluded the workshop's morning session and was implemented using the fishbowl approach. This approach allowed a greater detail of facilitation.

Panel members included members of the Regional council of Kainuu, external experts from the previous day, representatives from the Federation of Entrepreneurs, the presenters of the case studies as well as senior representatives of Kainuu Etu Ltd. The first topic discussed "*What does your region do to prevent young people from leaving the region?*", drew great parallels in the responses of the local panel members, and emphasis on maintaining a positive image of the region, also inclusion of the younger generation in decision making. Further discussions highlighted challenges within the region with regard to business transfer services, including the lack of a regional database of businesses ready to sell/transfer, and also a centralized family business center, it was agreed establishing these processes would benefit the business transfer phase. Highlights and key messages were noted during the panel in preparation for the afternoon.

The afternoon session began with a group based **SWOT-analysis for Kainuu** where previously discussed specific topics were arranged by the group accordingly into the matrix in regard to the region and its business transfer dynamics.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Lack of red tape (easy bureaucracy) ▪ Investor attraction services ▪ Relaxed pace of life ▪ Specific sectors strong ▪ Invest in Kainuu Services ▪ 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 ▪ No fee mentality ▪ Company marketing (at point of sale)
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Digitalization / website platform ▪ Platform/meeting for young entrepreneurs ▪ Beer and sauna mentality ▪ Targeting new buyers ▪ Incentives for return migration ▪ Inception of a family business center ▪ 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 labor market ▪ The influence of gatekeepers ▪ Continued flight of young professionals out of the region

The low population density, the ageing population and the peripheral location of the region are all challenges that need to be overcome and, with the learning from this project, to ensure that economic life will continue to thrive in the next generation of Kainuu entrepreneurs.

The two-day event was concluded with a Steering and communication group meeting, where the following topics were raised on the agenda, discussed and agreed upon:

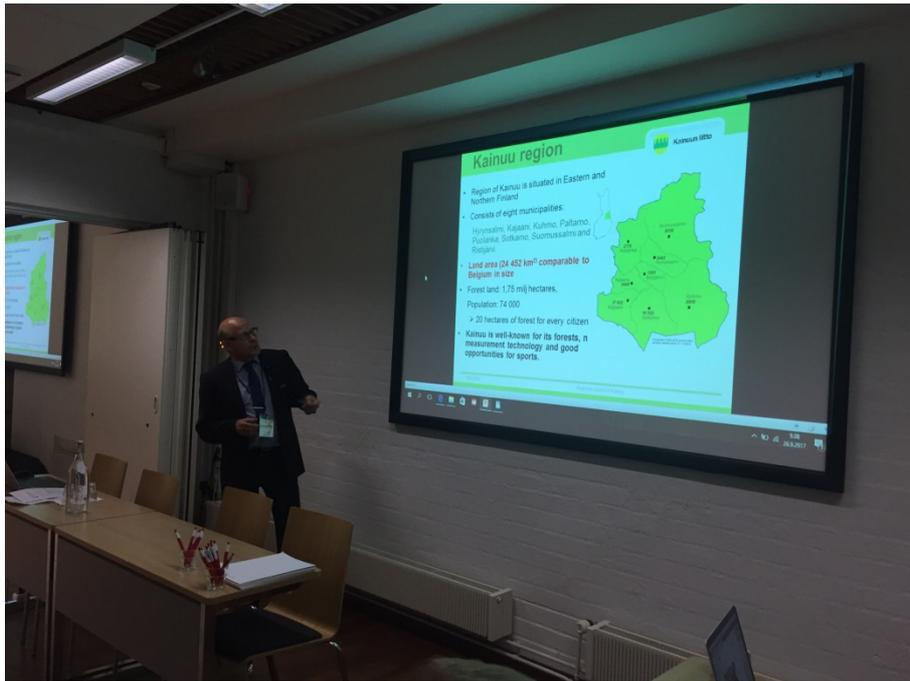
Communication strategy and responsibility, and due to issues with the current responsible partner, it was agreed Mr Olli Isoranta, from PP5 will act as temporary deputy to update IE STOB regions website.

The project's SuccessionWiki was discussed and it was agreed about the content of publicly released material and the corresponding timetable. A chat/comment feature was also suggested. The steering group discussed adherence to the agenda timetable, and the depth and quality of the presentations. It was emphasized that future presentations must adhere to the workshop theme.

The second workshop provided a highly valuable experience for all of the 30 participants in regard to theme of Innovation and transfer of knowledge and are looking forward and motivated to meet once again. STOB regions next interregional workshop will be held in Kraków, Poland on the 13th and 14th December 2017.

All documents, tools, presentations related to the 2nd interregional workshop can be found on the project's succession wiki through the following link: <https://successionwiki.emfprojekt.de/workshop-2-kainuu-finland/>

A news article of the 2nd workshop can be found on our website through the following link: <https://www.interregeurope.eu/stobregions/>



Picture 1. Regional Mayor, Mr. Pentti Malinen



Picture 2. Interactive workshop introduction



Picture 3. Interactive workshop presentation of recommendations



Picture 4. Pekka Ojalehto, Managing Director, Federation of Finnish Enterprises presenting the Kainuun case of Business Transfers



Picture 5. Toni Piirainen, Managing Director of Planray Ltd. Good Practice under criterion 2 – Innovation and transfer of knowledge