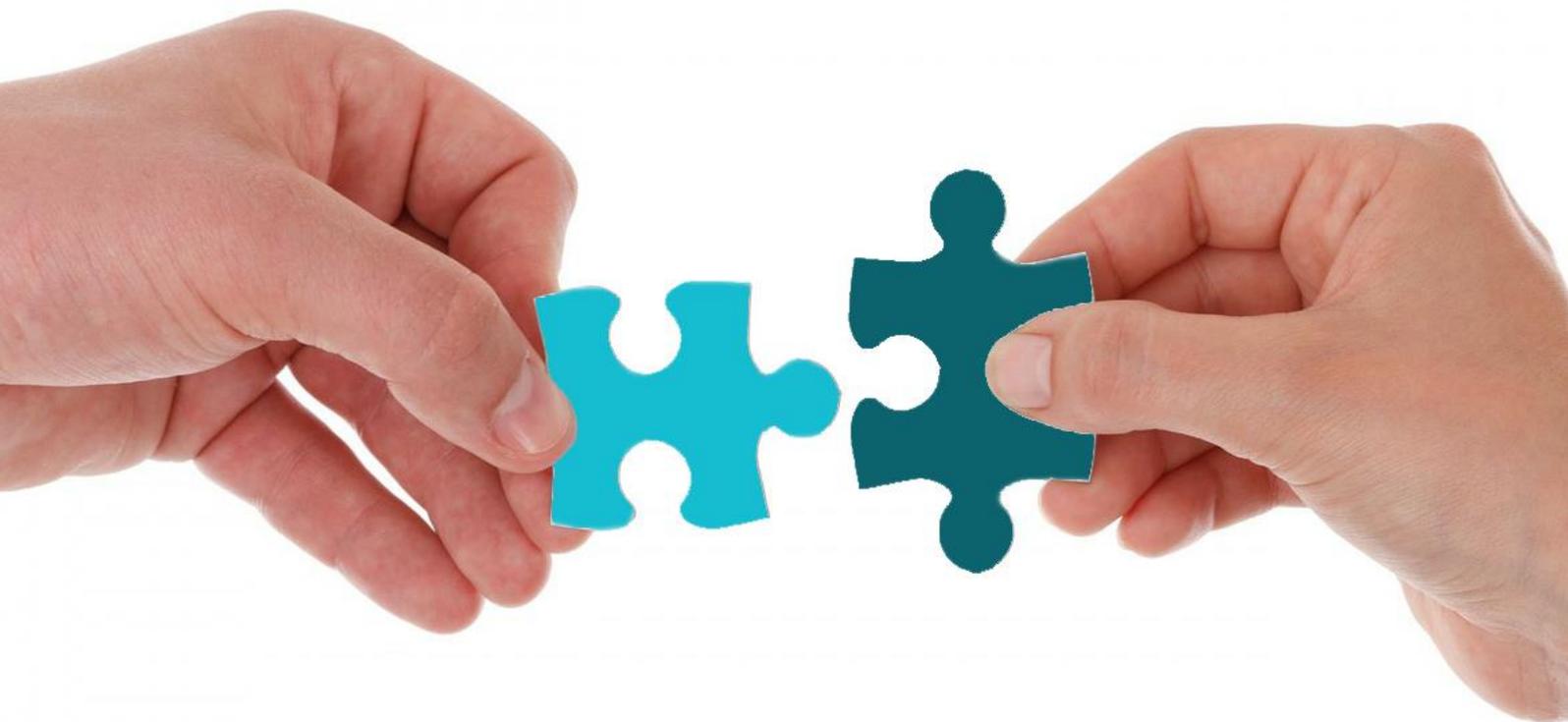


# SUCCESSION AND TRANSFER OF BUSINESS IN REGIONS

## ACTION PLAN TO SUPPORT THE TRANSFER OF BUSINESSES IN THE REGION OF ANDALUCIA



## TABLE OF CONTENT

LETTER OF ENDORSMENT .....	3
LIST OF ABBREVIATIONS .....	4
Introduction to Business Transfer.....	5
General Project Description.....	5
Known Issues and Challenges .....	6
Aspects of Business Transfer.....	7
Region-Specific Issues and Challenges .....	14
The Policy Instrument.....	15
Information on the Policy Instrument.....	15
Policy Context.....	15
Objectives of the STOB Action Plan for Andalucia.....	16
Implementation of the Action Plan.....	18
Action 1. Setting up an integrated framework for business succession and transfer in Andalucia. ...	18
Action 2. Elaboration and dissemination of information, awareness-raising and technical support materials. ....	20
Action 3. Training of staff to provide advisory services in business transfer.....	21
Action 4. Special programme to support business transfer in rural areas. ....	23
Summary of impact and expected improvements of the Policy Instrument .....	24
Regional Stakeholders Involved .....	25
Proposed Timetable .....	25
Budget .....	26

**LETTER OF ENDORSMENT**

# LIST OF ABBREVIATIONS

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

## Introduction to 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 9 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 businesses is higher than that of start-ups.

The STOB regions partnership brings 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 3 years of sharing experiences and 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 will help promote the learning process and improve the implementation of ESIF programmes. STOB regions also offers input to the debate on both a European and regional level, encouraging greater attention on business transfer in the future cohesion policy with two high-level dissemination events.

The strength of having a wide range of institutions involved guarantees knowledge sharing between regional stakeholders, feeding into the learning process as well as into regional action plans, a key output of the project. These plans will contain concrete projects that build on the good practices identified and transfer new ideas to partner regions with recommendations made for a future regional strategy to support succession.

Fundamentally, the project addresses all types of successions and transfers of business, be family-internal from father to son or mother to daughter, external to investors or employees or to even shared solutions where only management is handled external and ownership is not being 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 businesses in Europe, providing 2 million jobs which are transferred every year (see Entrepreneurship 2020 Action Plan).

We can observe the same trends in the EU:

- increased importance of ToB (but also a declining number of potential buyers) resulting from demographic change
- increasing number of ToB will take place outside the family to third parties
- growing number of entrepreneurs will only stay in the same company for a shorter period of time (not for a life time)
- Personal decisions (change of interests, family situation, early retirement) will trigger transfers.

The EC has analysed the conditions for ToB in the Member States (MS) and has issued 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 few MS have adopted comprehensive strategies towards business transfers.

Today, still, much attention has been given to starting new businesses, but for growth and jobs it is equally important to ensure the continuation of existing SMEs. 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 in average more jobs.

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

In the learning process the partners had an in-depth look on 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 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. This implies that the experiences in the regions of the STOB regions partnership are different which will lead to a fruitful exchange between the partners.

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 9 out of 10 are SMEs with fewer than 10 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.

Regarding the STOB regions project there have been 8 different topics, encompassing most of the current issues of business transfer. These topics were presented by regional stakeholders and interest groups. Additionally, each topic was discussed and reflected on by the delegates of the respective workshops. In the following section the different topics are presented and a brief introduction regarding the challenges and most pressing issues within the respective topic are shown.

## Aspects of Business Transfer



Business succession is a topic of utmost importance all across Europe.

Many Eastern European countries face the situation that the first generation of entrepreneurs, who established their businesses after the political changes in the beginning of the 1990s, has now

reached the age for their retirement. They are consequently forced to hand over their businesses or to close them. But not only in these regions has the topic of business transfer gained an increasing relevance. In most of our partner regions between 30 – 70 % of the existing companies are to hand over during the next ten years. This figure is alarming, especially if the fact is taken into consideration, that the awareness for the whole topic is relatively low.

Statistical data show 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 economical relevant field and to create an environment for a successful succession process. Owners have to be sensitized to start preparations early (at least 5 years before the transfer is supposed to be completed). At the same time potential successors need to be made aware of this opportunity to continue an existing business with proved structures, skilled staff, customers etc. instead of starting from zero.

Many regions started to raise awareness with activities like

- informational events
- seminars and workshops
- the establishment of networks
- the publication of good practices
- the establishment of contact points
- staff for consultation (e.g. in universities and chambers)

“Hard factors” like the company valuation and the purchase price are supposed to be the most important aspects for a successful transfer of a company. But indeed, the emotional and psychological aspects are the most critical ones in numerous cases.

Several parties with partly diverging interests are involved in the succession process: the transferor, the transferee, the affected employees, family members etc.

To give their life work in someone else’s hands is a very emotional and sensitive challenge for entrepreneurs. Their expectations and wishes are often in conflict with the expectations and wishes of the successors. Uncertainty, fears and resistance are the consequence. Emotional conflicts arise.

They can be solved only by active communication, based on trust, openness and transparency. In many cases this requires external support, e.g. an independent advisor.



Family businesses are the most common form of business 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 can be seen as the base-layer in regard to challenges concerning business transfer. Due to the broad topic and the multiple issues that arise with the transfer of a family firm, a brief overview of the most pressing issues is given:

**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, be it 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, acceptance by employees or oftentimes, that children just do not want to take over the parental business.

**Firm internal succession.** Many family firms are also being transferred from owner to employees of the firm. This is especially true for the many micro and small family firms, due to the somewhat bearable price, which can be afforded by a single person (or a small group).

**External Succession.** Selling the family firms is becoming more and more frequent. As the “natural successors” – children, do have more options in their career choices or are simply 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 to transfer their firm within the family and see this as their preferred choice.

Other factors that are pressing with regard to succession in family firms can be found in the readiness of the generation handing over the business. Oftentimes, 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 pure constraints of lifetime.



Intergenerational transfer is not a single event, but a process that needs to be planned in advance in order to succeed. The diversity and heterogeneity of SMEs also affects intergenerational transfers. The

issue differs according to size of the company, the size of the family and/or age of the company. The problem is not the same for a large company managed/owned by the third generation of a family and a small company with only one owner (who may be also its founder). That is the reason companies can't use the same solutions, tools or mechanisms. Every case needs individual approach. Such kind of support can be provided by professional advisors.

Four different types of professional adviser typically serve family businesses: teachers, consultants, coaches, and therapists. Each of these brings a different, yet often related, approach to change based on various tools and disciplines of origin. The approaches can be from:

- Teachers and 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 behaviour and deep insights.

Family businesses can benefit from professional advisory support to create the ways their relationships effects on their business and to use family relationships as a competitive advantage on the market.

Many failures could have been avoided if transfers were planned well ahead specialised 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 difficulties.

Succession involving many interest and parties, which calls for expertise in a wide variety of fields, ex. legislation, taxation, valuation, organisation, strategy, psychology. Unfortunately, it is not possible to design a template or scorecard that can help a family to make a decision on the type of adviser they need, since the most important criterion for any type of consulting, advising, or therapy relationship is a degree of trust (the ability to establish a working alliance) between the client and the adviser.

A crucial factor is the availability and quality of advisory services. Studies shows 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. Good solution is to create a number of “one-stop” business support services that deal specifically with business transfers, or the integration of this into existing business support provision either at a local, national or regional level.



Valuation and business transfer are closely linked. At any business transfer, the value of the company is an important issue. Valuation requires special competence and experience that the seller and owner manager do 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. It is important that valuation is correct for both the seller and the buyer. For the seller, this is often an important part of the pension and thus important for the seller's future life. For the buyer, it is something that has to be paid back and thus decisive for the buyer and the company's future finances.

Challenges include: methods, competencies and experience of the person who is to carry out valuation for a company. In addition, insight into special industry conditions can be crucial for the right price.

Common valuation methods are:

- Discounted cash flow (mathematical method that calculates value based on the company's free cash flow, debt, tax, investments etc.): Requires skills and competences in using the model.
- Asset Deal (valuation of the company's assets and goodwill): Requires knowledge of asset value and goodwill calculation.
- Multiples (selected key figures -EBITDA, EBIT, NOPAT- multiplied by a factor): Requires considerable insight and experience with use and especially from specific industry. Price / earnings are a common method.



All target groups and potential buyers have different backgrounds and qualifications. 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 successor at home.

Target groups identification:

- Young people (18 – 30 years old), young companies for young people younger than 30 years old, funding models to be identified.
- Women – Succession; in what way are the needs of support of these group are different from the main stream; what are the top business preferences for women entrepreneurship.
- Migrants / Foreigners - Challenges; 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 best employees; Any help or support to employees, who want to buy companies.
- Others – Identification of students as legal group; Universities of Applied sciences – include lectures on business transfer.



Finding the right company to take over it might look a bit difficult and also finding the right partner to sell the business. No matter if you want to sell or buy, no matter if you are using a business broker, a business event or an online app, for a successful transfer of the company there must be defined the

right criteria/requirements.

Beside valuation and financing, matchmaking is one of the most complex aspects within business transfer process, creating the link between the buyer and seller, opening the path for business valuation and finding financing to take over.

Matchmaking is done using more ways and adapted as the technology advanced and new innovative ways were approached with success:

The classical method is to go to a person (usually a business broker is well connected to the business market and entrepreneurial events) who knows the right person (buyer or seller).

Dedicated events to business transfer where buyers and sellers are meeting face-to-face and talk, offering/getting more information about the company, setting an official meeting (if the company information were satisfactory), deciding go to a business broker (for advisory services).

Using online apps where interested buyers are shuffling for good companies to take over, finding the right ones and contacting the apps admins to put them in contact with the owners for more details.

As opportunities we could consider:

- existence of entrepreneurial networks at EU, but also at national/regional level;
- learning from programs developed by project's partners and adapt them to national/regional specific, improving existing programs or creating new ones;
- young generation returning with competences and knowledge;
- business internationalization.

Challenges faced by project partners:

- brain drainage;
- emigration of the entrepreneurs;
- lack of awareness regarding business transfer;
- lack of programs to promote and sustain business transfer;
- political and legislative unpredictability;
- lack of financing instruments and programs for buying a business;
- lack of specialized advisory services in business transfer field.



The retirement of the baby boom generation of business owners is predicted to result in a major turnover in business ownership. 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.

The demographic change in rural areas with a shrinking population and in particular the migration of young people is an important barrier to find the successors needed. 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 key impact on the consolidation, or on the fragmentation of a business 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 the attachment to a location many generations have called their home.

Beside the children of the owners, another group that might be interested in sustaining the business and its legacy are a firms' employees. Provided that the owners are willing to complete full ownership transfer, the interested entrepreneurs or employees oftentimes face difficulties to take large loans in rural areas since banks may not see a prosperous future in a people-draining rural area.



How to finance the transfer of business is a crucial question for both, buyers and sellers. In many European regions, special programs for Startups exist, however programs dedicated for ToB are

scares. This is may in part be difficult since assessing the needs for businesses on one side and the needs of buyers on the other side mainly is not trivial and due to the heterogeneity of businesses and types of industry, standardized financial support may be challenging to develop.

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

In many, especially eastern European countries the challenges facing ToB are only recently being addressed since most businesses are not on the market for more than 30 years and thus have not needed a transfer or succession. This also effects the preparation of financial institutes and their instruments. However, other countries have established, that financing instruments, which are suitable for founding a business are also applicable to business transfer needs.



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 readiness of the business, as a way of keeping all maturing businesses

competitive and ensuring demand from potential buyers.

The main objectives 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 innovation
- Initiation and support of knowledge transfer from the regions
- Investigation of 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:

---

The creation of a regional/local knowledge and experience exchange platform amongst cross-sectoral entrepreneurs, aiding in practical recommendations for business transfer.

Transition from problem-based (age of entrepreneur) in generation shift towards an innovation-based, structured and progressive approach, increasing attractiveness and growth potential of company. Valuation linked to business development actions (business improvement). Strengthening the role of valuation and encouraging project-based funding for it.

Demand side considerations in ToB - is it buyer or Investor? In terms of valuation, a buyer values the current entity, an investor values more holistic approach and considers future demand trends.

Develop business innovation management before a generation shift occurs: transition from survival to develop/create innovation strategies.

#### Challenges:

---

Human capital flight: how to retain the young and educated in the regions as an opportunity for business transfer and instil new knowledge into the company.

Distance and accessibility to higher tier education as a driver for increased knowledge retention. Region's without access to such institutions, should create knowledge-based linkages and transfer from outside of the region.

Difficulty in successfully transferring tacit knowledge from the existing generation to the next generation. Succession approached by a crossfade method ensures the absorption of tacit knowledge from the transferor to the transferee which is key success factor in the innovation renewal.

## Region-Specific Issues and Challenges

During the transnational workshop held in Sevilla in December 2018, the STOB partners carried out a joint SWOT analysis of the policy context for business succession and transfer in Andalusia that provided additional insights for the definition of the Action Plan.

Strengths	<ul style="list-style-type: none"> <li>• Tourism and agriculture as most relevant sectors</li> <li>• Quality local products and good climate</li> <li>• Industrial diversification</li> <li>• Companies can benefit from the Spanish being a global language</li> <li>• Andalusia is keeping social cohesion</li> <li>• The region has good educational programmes and strong cooperation with Universities</li> <li>• Human capital endowment</li> <li>• Entrepreneurial culture is being developed</li> <li>• Services for entrepreneurs are well developed</li> <li>• Encourage female entrepreneurship</li> <li>• Some good infrastructures</li> <li>• Access to new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Taxes and regulation disincentive business transfer</li> <li>• Lack of awareness/knowledge about business succession</li> <li>• No statistics available</li> <li>• Lack of interest of young generation in certain businesses</li> <li>• Aging of farm owners; difficult to attract young people to farming</li> <li>• Relatively low income in the agricultural sector, that reduces the attractiveness for business transfer</li> <li>• Very diverse size of farms</li> <li>• Depopulation in rural areas</li> <li>• Digital divide: some population with low level of knowledge in technology</li> <li>• Educational system not meeting real needs</li> <li>• No teaching on running a business</li> </ul>	Weaknesses
Opportunities	<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Sustainable development</li> <li>• Connect tradition with innovation</li> <li>• Rural tourism</li> <li>• Take advantage of EU and government funding</li> <li>• Good financial retribution of business transfer</li> <li>• Well trained workforce</li> <li>• Promotion of entrepreneurial skills in the young generation</li> <li>• Sevilla Futura</li> </ul>	<ul style="list-style-type: none"> <li>• Declining demography</li> <li>• Some poor infrastructure</li> <li>• Dependency of changing conditions (climate, water...)</li> <li>• Regulation: EU legislation, taxes</li> <li>• Lack of understanding from the government.</li> <li>• No coordination and lack of a national plan</li> <li>• Business not involved in Leader LAGs</li> <li>• Farm ownership structure (small farms)</li> <li>• Lack of professionalisation of agricultural business</li> <li>• Farming not attractive for young people</li> <li>• No integration of family business</li> <li>• Retirement poverty; no support to people to retire</li> </ul>	Threats

## The Policy Instrument

### Information on the Policy Instrument

<b>Project Name</b>	STOB
<b>Partner organization</b>	Cámara de Comercio de Sevilla
<b>Country</b>	Spain
<b>NUTS2 Region</b>	ES61 Andalucía
<b>Contact person</b> <b>(email, phone number, web site)</b>	Manuel Montoya <a href="mailto:manuel.montoya@camaradesevilla.com">manuel.montoya@camaradesevilla.com</a> +34 955 11 09 22 <a href="http://www.camaradesevilla.com">www.camaradesevilla.com</a>

The Action Plan aims to impact:

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

**Name of the policy instrument addressed:** ERDF Operational Programme 2014-2020 of Andalucía. TO3

### Policy Context

Despite of the improvements in recent years, Andalucía has still significant weaknesses in its economic and business structure. The region suffers of a lower weight of private sector in comparison to Spain and the EU and has a higher rate of microenterprises. As stated in the baseline analysis of the project application, the closure of businesses due to the retirement of the owners is quite a relevant issue in Andalucía.

In the next ten years, more than a third of currently active business owners will reach retirement age and very often there is no-one in the family environment to whom they can transfer their business, neither there is not much culture to transfer businesses outside the family circle. Very often, microenterprises are family run businesses that are wound down when a replacement cannot be found within the closest relatives, or when disputes arise among family members. This problem is particularly damaging the economic tissue in the widespread rural and less populated areas of Andalucía, a large region with vast rural areas and hundreds of villages with a high risk of depopulation.

The aging of rural population may aggravate the situation in the near future, particularly in the farming sector. About 40% of the self-employed people in the agricultural sector are 65-year-old and more, and only 5% of farmers are under 35 years old. Figures are similar in other key sectors in rural areas, such as the retail sector.

Business generational replacement policies becomes a critical issue, to avoid the loss of job-creating profitable companies. The Investment priority 3.4. in the Andalucía ERDF OP 2014-2020, which is aimed at supporting SMEs to grow in regional, national and international markets and to engage in innovation processes, **includes the support to business generational succession among the actions that will be implemented to help the consolidation of SMEs and business growth.**

Measures under this Investment priority are aimed at “reactivating the productive fabric, promoting new management models among self-employed and micro and small businesses to generate the appropriate capabilities to consolidate their activity and increase their size [...] and promoting innovation and cooperation to improve their competitiveness”. The OP indicates a range of possible measures, such as investment grants, access to advanced services, enhancement of human capital, improvement of management models, support to business cooperation, innovation and sustainability.

Such policies, aimed at promoting entrepreneurship spirit and supporting entrepreneurs throughout the process of business creation and consolidation are mainly carried out by the Andalucía Empeñe Foundation, a public body that coordinates a network of 263 Entrepreneurship Centres (CADEs). The Foundation also manages or supports other programmes to promote business development in different sectors and territories. As a result, Andalucía has got a complete system to support entrepreneurs, combining a broad territorial coverage to promote and support the creation and consolidation of all types of business projects (self-employment, microenterprises) with increasing specialisation to target specific needs or some weaknesses of the regional business structure.

In October 2018, Andalucía Empeñe joined the Spanish Government Plan to Support Business Transmission, launched by the Ministry of Industry, Trade and Tourism. The Plan aims to ensure the continuity of viable companies that could be winding up due to the lack of generational replacement or to other societal events. Indirectly, business transmission can provide vocational entrepreneurs with an alternative to starting-up a business "from scratch". Currently, according to the web portal of the National programme, only one of the 193 businesses on sale in Spain is located in Andalucía.

## Objectives of the STOB Action Plan for Andalucía

According to the STOB application form, the policy instrument (Andalucía ERDF OP 2014-2020, TO3) **was to be improved by stimulating policy learning activities through the exchange and transference of experiences from successful programmes promoting and enhancing the business generational replacement in the STOB partner regions.** The improvement of the policy instrument should help to tackle the main problems and weaknesses identified in the project application, particularly “the disappearance of SMEs due to the lack of continuity”, and to **improve the ERDF Action Line 3.3, which aims to support the consolidation of SMEs and entrepreneurs, by promoting new management models and facilitating the access to advanced services, and it specially provides for the development of activities to support the generational replacement.**

Despite this provision, the public support to business transfer is in its initial stages in Andalucía and few activities have been implemented beyond some preparatory actions to join the National Programme to support business transfer. Recently, the regional government has reduced taxes on the transmission of family businesses, but the development of actions under the specific Policy Instrument

has been very limited. The OP foresees the possibility of awarding grants to facilitate business succession in SMEs, but such grant scheme has not been implemented.

Therefore, the Policy Instrument will need to be fully developed, almost from scratch, and the STOB Action Plan proposes realistic and concrete actions to do it. The actions proposed are:

- Setting up an integrated framework for business succession and transfer
- Elaboration and dissemination of information, awareness-raising and technical support materials.
- Training of staff to provide advisory services in business transfer
- Special programme to support business transfer in rural areas

Some of the proposed measures aim to improve the management of the policy instrument by involving key stakeholders or increasing the effectiveness of the communication and dissemination measures, while others are adding new features that were not initially foreseen, but have been identified during the STOB policy learning process. That is the case of the pilot programme on rural succession, which intends to tackle a particularly relevant need in Andalucía, the generational replacement in areas of low entrepreneurial density, mainly in farming and in the food processing industries.

The activities proposed in this Action Plan will be inserted into the existing entrepreneurship and business support ecosystem in Andalucía, led by the Andalucía Emprénde Foundation, with the collaboration of other organisations, particularly the Chambers of Commerce and Local and Sectoral Business Associations, with the following objectives:

- Raise the awareness of enterprise owners on the need of planning the business succession well in advance, to minimize the risk of business closure and job losses.
- Make entrepreneurs aware of the possibility of buying an existing business, as an alternative to starting it from scratch.
- Equip business advisory services with the information and basic technical material to assist micro-enterprises and self-employed in the preparation and planning of the succession process.
- Enhance the cooperation between the different stakeholders involved in business succession and transfer in the region, to facilitate the identification of potential sellers and buyers, boost the deal-flow and matchmaking and provide the appropriate support (advice, finance...).

The policy learning process developed within the framework of the project has made it possible to identify and share interesting initiatives, to draw the appropriate lessons for the improvement of intervention instruments in Andalucía and several good practices identified during the first phase of the STOB project have inspired the design and implementation of this activities.

## Implementation of the Action Plan

### Action 1. Setting up an integrated framework for business succession and transfer in Andalusia.

#### Objective and content of the action

This action intends to provide consistency and longer-term sustainability to the policy approach and measures to promote and facilitate business succession and transfer in Andalusia. It will be implemented by:

- A strategic partnership agreement to be signed by the key regional stakeholders involved in business succession and transfer, the Regional Government, through Andalusia Emprrende Foundation, the Chambers of Commerce and the Business Associations, to define an integrated approach to the transfer of businesses.
- Creation of a permanent Policy Advisory Group, integrated by senior representatives of the key regional stakeholders. This Group will meet at least twice a year to monitor the implementation of the strategic plan and agree new or updated measures and actions.

#### Impact on the policy instrument

Given that policy instruments to support business succession and transfer in Andalusia are in its infancy, it becomes imperative to set up a stable policy framework and to strengthen the cooperation established among the regional stakeholders during the first stage of the STOB project. The measures proposed under this action will improve the governance of the policy instrument by:

- a) Pooling policy makers, regional authorities and business together to co-create strategies to address the transfer of business,
- b) Creating a permanent advisory body to monitor the implementation of the new measures and services to support the transfer of business and to guarantee that goals and indicators set in the policy instrument will be achieved.

#### Inspiration in the exchange of experience and policy learning process

The exchange of experiences in STOB has showed the importance of having a consistent and coherent strategy and an integrated approach to help and support business succession and transfer, shared by all the stakeholders involved. Business transfer is affected by different factors internal (type of company, family involvement, business situation and outlook...) and external (regulation, taxes, economic outlook...), and may involve long discussions or negotiations on company valuation, roles, financing... Some time ago, Andalusia carried out some activities that had a limited impact, as they were isolated actions, not interconnected. The STOB partner regions show that integrated approaches combining information, mentoring, advice, and support can produce better results.

The integrated approach has been and it is successfully applied in different partner areas, particularly in South Denmark (Local Transfer Network, but also the national initiative Centre for Owner-Managed Businesses), in Brandenburg (with a combination of a diversity of instruments) and in Wallonie (SOWACCESS). The main lesson learned in all these experiences is that business succession and transfer require a stable and favourable regulatory framework, good information and communication policy and tools and effective and efficient matchmaking tools, adapted to the type of business that could be transferred. Eventually, as in the SOWACCESS GP, it may be advisable to set up a specific grant scheme (business cheques) to remove resistances and boost business transfer. The SOWACCESS website is particularly clear to describe the different perspectives of the business transfer process and the integrated approach to make it work



More specifically there are some common features in the integrated approach taken by some of the STOB partners

Setting up a one-stop-shop for information and dealflow	<ul style="list-style-type: none"> <li>• The “succession-in-germany” information platform (DE)</li> <li>• The succession-wiki (DE)</li> <li>• SOWACCESS (BE)</li> </ul>
Produce tailored information and technical materials	<ul style="list-style-type: none"> <li>• The “succession-in-germany” information platform (DE)</li> <li>• The succession-wiki (DE)</li> <li>• SOWACCESS (BE)</li> <li>• The Family Business Succession Guidebook (PL)</li> </ul>
Facilitate matchmaking	<ul style="list-style-type: none"> <li>• Local Transfer Network (DK)</li> <li>• Business Mentoring Service (DE)</li> </ul>
Support (grants) for expert advice to boost transfer agreements	<ul style="list-style-type: none"> <li>• SOWACCESS (BE)</li> <li>• Vouchers for advisory services (PL)</li> </ul>

## Action 2. Elaboration and dissemination of information, awareness-raising and technical support materials.

### Objective and content of the action

The second action intends to improve the general and technical information on business transfer that can be made available to business owners and potential investors and entrepreneurs. Two main information instruments will be produced:

- A microsite on business transfer, connected with the website of the National Plan to Support Business Transmission (Ministry of Industry, Trade and Tourism) and the websites of the agencies and organisations that provide information and support to interested parties. The microsite will provide basic information on the regulatory and practical issues, inspired on the Sowaccess website and on the German successionwiki (<https://nachfolgewiki.de>).
- A digital brochure on the main business transfer regulatory and practical issues, summarising the main contents of the Guide for Business Transmission published by the Ministry of Industry, Trade and Tourism of Spain, to make them easily accessible to business owners and potential buyers.

The information materials will be produced in cooperation by Andalucía Emprende and the Chamber of Commerce of Seville (STOB partner organisation)

### Impact on the policy instrument

The measures foreseen in the Operational Programme do not include any specific action to improve the communication and dissemination of the generational replacement support services among SMEs. The analysis and discussions during the project workshop in Seville that led to the shared SWOT analysis made evident that Andalucía had an urgent need of carrying out information, communication and dissemination actions, to raise awareness and knowledge about business succession and transfer in Andalucía. Information and knowledge are preconditions for policy intervention; if targeted groups are not aware of the opportunities business transfer may offer, it is unlikely that policies could succeed. Currently, there is a lack of such materials, where business and entrepreneurship support instruments are mainly targeted at business inception or very early stages.

Therefore, it will be necessary to produce and disseminate materials that provide information to and raise the awareness of the different stakeholders (business owners and their relatives, entrepreneurs seeking to take over a business and support organisations). Technical support materials will help the support organisations to provide assistance during the different phases of business succession and transfer, from helping the owner during the preparation of the succession or transfer to the providing examples of transfer agreements.

The rationale behind this action is to increase the impact and effectiveness of the measures implemented under the policy instrument by producing information and communication materials that will help to reach the SMEs, main target beneficiaries of the policy instrument. Such communication activities will be key to enhance the visibility of the measures proposed in the Operation Programme, specially among the SMEs located in rural or remote areas.

## Inspiration in the exchange of experience and policy learning process

Many of the GPs studied in the STOB project highlight the importance of providing relevant and tailored information to business owners and entrepreneurs regarding business succession, and to raise their awareness about the opportunities business transfer can offer. The GPs pay particular attention to the production of quality information materials.

A particularly relevant example is the online-platform “succession.in.germany” that offers guidance and information for all who want to inform themselves about business succession in Germany would

The screenshot shows the website 'nachfolge-in-deutschland.de' with a word cloud in the background. A red banner in the center reads 'Business Succession: Starting now!' and 'Information about Transfer and Succession in Germany.' Below the banner are three navigation options:

- Transferring Ownership**: General Information for those who plan to transfer their business. Sub-topics: First Steps, Types of Succession.
- Taking Over**: Information for those who want to succeed a business. Sub-topics: Internal Succession, External Succession.
- Starting Up or Buying In**: Knowledge for those who want to know more about business succession. Sub-topics: Start or Buy a Business, Funding and Financing.

be a good example of this kind of information materials.

The Polish Family Business Succession Guidebook is also a good example of technical support documentation. It gives practical tips concerning difficult and long-term process of handing over a company, in areas such as financial, law, strategy, organisation or human resources. It has been elaborated by experienced advisors, entrepreneurs – owners of family companies, managers, and scientists and has been published in different formats, as a book guide, audiobook and two multimedia applications.

## Action 3. Training of staff to provide advisory services in business transfer.

### Objective and content of the action

Under this activity, a training programme targeted at the CADEs advisors will be implemented. The training will be delivered by the experts of the Chamber of Commerce of Seville and the other Chambers of Commerce and Business Associations in Andalucia. The training programme will allow CADEs advisors to detect and provide early advice to business owners that could be in position of transferring their business and to entrepreneurs that can take over an operating business.

The training programme will be organised in five modules that can be delivered separately:

- General introduction to business transmission: why and how transferring a business. The seller and buyer point of view. The specificities of family succession.

- Legal issues. General introduction to business transfer contractual provisions and liabilities. Commercial and administrative regulations affecting business transfer. Transfer of properties and intellectual property rights.
- Particular attention to tax and labour regulations affecting business transfer.
- Business issues: the business transfer value. The elements of the business value: tangible and intangible assets.
- The transfer processes. Due diligence. Conflict management and resolution

The training programme will provide basic understanding of the whole process of business transfer, to allow advisors to detect business transfer opportunities and to give the initial advice to the parties. Further, more professional advice should be sought by the parties if the business sale is to be effectively carried out.

### Impact on the policy instrument

With the implementation of the training programme the policy instrument will be reinforced by increasing the capacity building of the advisors in charge of providing support and advise to entrepreneurs, self-employees and small businesses. Those services are provided by the extensive network of CADEs, as part of the national network of Advice Points for Business Transmission. Since the signature of the agreement among the policy owner and the National Plan to Support Business Transmission is still recent (October 2018), the training programme foreseen in this action will ensure that network is in position to offer an effective support to business transfer. The training programme will be funded by Andalucia Emprende Foundation (policy owner).

### Inspiration in the exchange of experience and policy learning process

There is a broad agreement among experts about the need of involving external advisors or matchmakers in business succession and transfer, independently the transfer is within or outside of the owner's family. Advisory services are needed at different stages: first, to raise the awareness and guide the business owners during the planning stage; second, to keep the process on track and provide expert advice during negotiations; third, to formalize the agreement and monitor its fulfilment.

The business succession or transfer processes are technically complex, involving legal issues, taxes, contractual documents and many others, and could become particularly emotional, and an expert third party would be in position to provide a more objective and less passionate advice.

Consultants and other private advisors are usually providing this type of services in more advanced stages of business succession, and the access such services may be subsidised through different grant schemes, such as the vouchers for advisory services in Poland or the grants offered by SOWACCESS to cover part of the cost of the consultancy service provided by one of the accredited partners.

However, in some cases it might be necessary to offer some kind of soft assistance to business owners and to potential buyers, to help them understanding the implications of business transfer. The German Business Mentoring Service offers tailored preliminary for the creation of a new business or the takeover of an existing business, although it can only be used by potential buyers and not by the business owners. These services are somehow similar to the assistance provided to entrepreneurs by the Andalucia Emprende Foundation.

## Action 4. Special programme to support business transfer in rural areas.

### Objective and content of the action

A series of info-days will be carried out during the implementation of the Action Plan to raise the awareness of business owners and possible buyers to boost the transfer of businesses in rural areas. The info-days will be organized in cooperation with the local CADEs in selected rural areas, first in the Province of Seville and later on in other areas, particularly in areas more dependent on the primary sector: Huelva, Córdoba, Jaen and Almeria.

Each info-day will be followed up by a temporary special advisor that will be available at the local CADE to provide assistance to farmers who may consider the transfer of their business in the short and medium term, as well to potential rural entrepreneurs. The special advisors will also be available to visit the different CADEs on demand, to provide an in-depth assistance to specific business transfer projects.

### Impact on the policy instrument

This action will enlarge the scope of the the policy instrument. These tailor-made measures will address the specific needs identified in rural areas in Andalucia regarding business continuity. This action will increase the impact of the policy instrument by implementing dissemination activities that will help to reach those SMEs located in rural areas.

As explained in the policy context, rural areas have a weaker socioeconomic structure, very dependent on primary sector and low added value services. They are suffering of high unemployment, low entrepreneurship levels and a declining demography. Therefore, it is particularly important to keep the existing business alive. Most of the companies are family businesses that often risk closure when the owners retire, if they do not find a successor among the closest relatives or if the successor does not have the appropriate entrepreneurial skills.

This specific need had not been identified in the policy instrument and no measures have been designed or implemented beyond the ordinary entrepreneurship advisory services. The involvement in the STOB project and the exchange of experience carried out have helped to single out this need and to understand that the policy instrument needed to be reinforced in this area.

This action will start by mapping the SMEs in rural areas in a situation of generational replacement, after that a portfolio of support services based on their specific needs will be created. The services provided to these SMEs will be monitored and evaluated to identify the ones with strongest demand and highest scores based on the SMEs feedback. After a pilot phase, it is expected that this programme will be mainstreamed into the policy instrument by including tailored made services in the ERDF Action Line 3.3, to support the generational replacement in rural businesses.

### Inspiration in the exchange of experience and policy learning process

The specific features under this initiative has been inspired by and will take into account the lessons learned in the Slovenian programme to provide financial support for young farmers, which is accompanied by advisory services.

However, it is not easy to find a successor for primary sector businesses. Few young entrepreneurs are attracted by agricultural activity. The EU EARDF offers grants for young farmers that want to take over a farm, and this has been used in Slovenia to set up a specific programme to provide financial support for young farmers. The scheme is accompanied by advisory services.

## Summary of impact and expected improvements of the Policy Instrument

The table below summarises the actions and the results expected from each of the proposed activities:

Activity	Actions	Expected results	Improvement of the policy instrument
Setting up an integrated framework for business succession and transfer	Strategic partnership agreement  Policy Advisory Group	Consistent strategy for business succession and transfer in Andalusia	Improve the <b>governance</b> of the policy instrument by strengthening the involvement of key stakeholders in the planning, implementation and monitoring of the policy instrument
Elaboration and dissemination of information, awareness-raising and technical support materials.	Brochure on the main business transfer regulatory and practical issues  Microsite on business transfer	Improve information and raise the awareness  Increase of business on sale and of acquisitions	Increase the <b>impact and effectiveness of the measures implemented</b> under the policy instrument by producing information and communication materials that will help to reach the SMEs
Training of staff to provide advisory services in business transfer	Training programme	Improvement of advisory services  Increase of the number of completed business transfer operations	The policy instrument will be reinforced by <b>increasing the capacity building of the advisors</b> in charge of providing services to SMEs

Special programme to support business transfer in rural areas	Info-days  Targeted advisory services	Improvement of advisory services  Increase of the number of farms transferred	<b>Improve the impact of the policy instrument in rural areas</b> by creating new tailor-made measures to address the specific needs identified in rural areas in Andalusia regarding business continuity
---	---	---	---

## Regional Stakeholders Involved

The key regional actors have configured the group of local agents to follow-up the project and have participated in the activities of exchange of experiences at interregional level, introducing the good practices developed in Andalucía and learning about the other regions participating in the project, through study visits and thematic seminars. Policy makers, experts and CADE advisors and other key actors have participated in the learning process and capacity building activities, and will be involved in the implementation of the Action Plan:

- **Andalucía Emrende.** Andalucía Emrende is a public foundation attached to the Regional Government of Andalusia, whose mission is to promote entrepreneurship and business development to contribute to the revitalization of the regional economy. Its general objective is to encourage and support the creation and consolidation of businesses and employment through quality services. Andalucía Emrende supports the creation, development and consolidation of any entrepreneurial project with specialized services, provided by a qualified technical team of specialists from a wide network of centres present throughout the region. Andalusia Emrende, as policy instrument owner, will be the organisation that will be implementing most of the activities proposed.
- **Cámara de Comercio de Sevilla.** The Chamber of Commerce, as project full partner, has been leading the policy learning process involving the regional stakeholders. The Chamber will also lead the second phase of the project, taking care of the monitoring of the implementation of the Action Plan.
- **Business Associations.** The regional Business Association (CEA – Confederación de Empresarios de Andalusia) is member of the national network of the National Plan to Support Business Transmission.

## Proposed Timetable

Andalusia Emrende has already started the implementation of the Action Plan, incorporating the lessons learned during the interregional policy learning phase of the STOB project to improve the policy instruments to promote entrepreneurship. The table below summarises the progress expected under each strategic axis during the two years of implementation of the Action Plan:

Semester	Setting up an integrated framework for business succession and transfer	Elaboration and dissemination of information, awareness-raising and technical support materials	Training of staff to provide advisory services in business transfer	Special programme to support business transfer in rural areas
1	Setting up the working group	Production of the brochure Dissemination through the CADE network	Definition of the training programme Recruitment of participants	Info-days in Seville rural area
2	Draft strategic document	Production of the microsite	1 <sup>st</sup> edition of the training programme	
3	Approval of the strategic document		2 <sup>nd</sup> edition of the training programme	Extension of info-days to other rural areas
4			3 <sup>rd</sup> edition of the training programme	

## Budget

The costs of the activities proposed in the Action Plan are limited, as they are mostly based on the use of existing resources (staff and operational costs), eventually reorganised and redeployed. Additional activities that may require earmarked some funding would be:

Activity	Estimated cost
Setting up an integrated framework for business succession and transfer	15,000
Elaboration and dissemination of information, awareness-raising and technical support materials.	30,000
Training of staff to provide advisory services in business transfer	30,000
Special programme to support business transfer in rural areas	40,000

The costs for the implementation of the Action Plan will be funded out of the Andalucía Emprénde ordinary budget.