

# SUCCESS ROAD

Enhance the Competitiveness and Sustainability of European SMEs through succession procedures and models

## EVERY SME'S FAILED SUCCESSION PROCESS IS A THREAT TO THE EU'S ECONOMY

Surrounded by uncertainty, it has never been more important to embrace a new formula for lasting family business success. The COVID-19 pandemic has transformed ways of living, consumption behaviours, production processes, and made businesses reconfigure their strategies. In particular, family businesses looked for ways to address the economic crisis and to prepare for an uncertain and unpredictable future. During the pandemic, family businesses have been faster in realising that by timely preparing their succession, and shifting to digitalisation, e-commerce and sustainability they could faster and better respond to the latest consumers' demands. It will not come as a surprise that since early 2020, the number of formalised succession planning has doubled to 30%, according to the 2021 PWC Family Business Survey.

This semester, the Interreg Europe Success Road project consortium composed of public authorities and private stakeholders from Greece, Lithuania, Poland and Spain, continued their work to smoothen business succession and to design what is needed for a business-friendly legislative framework.

The highlight of this period has been the **High-level roundtable "Helping small & family businesses thrive"**, an event organised at the occasion of the EU Regions Week 2021 that brought together experts

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- Good practices for business succession planning
- Formula for successful&resilient family businesses

from regional, national and EU levels. Following an interactive discussion, the panellists affirmed their commitment to continue supporting family business transfers given their distinctive role in the European economy.

Furthermore, the project partners have defined four action plans that amend existing national and regional innovation and competitiveness policy instruments (presented in previous project newsletters).



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## FOUR INTEGRATED REGIONAL ACTION PLANS FOR A SMOOTH TRANSFER AND SUCCESSION PROCESS

Following an initial phase of interregional cooperation and peer-learning in the four regions targeted by the Success Road project, the action plans defined a set of measures and strategic goals to smoothen business succession and to support small business owners in their transfer process. Project partners analysed regional needs, identified good practices and matched the results with the project objectives. Each developed plan aims at improving one or several policy instruments touching upon all important aspects of business succession: education, lifelong learning, competitiveness, entrepreneurship, digitalisation, innovation and regional development.

Country/ Region	Policy instruments to be improved	Objective of the action plan
Greece	<b>Operational Programme (OP) Human Resources Development, Education and Lifelong Learning</b> <ul style="list-style-type: none"> <li>Tackles unemployment by focusing on quality education opportunities, skills upgrading and sustainable employment for all, and with a view to enhance social cohesion.</li> <li>Pilot training programmes on planning the transfer process.</li> </ul> <b>Operational Programme (OP) Competitiveness, Entrepreneurs and Innovation 2014-2020 (EPANEK)</b> <ul style="list-style-type: none"> <li>Enhances the competitiveness and internationalisation of Greek companies.</li> <li>Facilitates the transition to quality entrepreneurship and innovation.</li> </ul>	Legislation reform on business succession related to human resources development, education and lifelong learning
Lithuania	<b>Operational Programme (OP) for Investing European Structural and Investment Funds, Thematic priority “SME Competitiveness”</b> <ul style="list-style-type: none"> <li>Supports digitalisation of SMEs and offers assistance to implement novel solutions to increase their productivity and competitiveness.</li> <li>New tools that incorporate project results and create new processes using ICT tools that facilitate the transfer of business and the creation of new business models in the manufacturing sector.</li> </ul>	Support family companies with financial measures for innovation and digitalisation
Poland (Mazovian Region)	<b>Regional Innovation Strategy for Mazovia until 2030 (RIS Mazovia)</b> <ul style="list-style-type: none"> <li>Aims at increasing the competitiveness and innovation in the region.</li> <li>Adapts the policy instrument and its tools to the specific needs of family businesses, in particular in terms of succession.</li> <li>Explores alternative mechanisms of administrative intervention at the regional level, both through consultation with stakeholders and learning from other EU regions.</li> </ul>	Promotion of succession knowledge through educational programmes and communication campaigns
Spain (Valencian Region)	<b>European Regional Development Fund (ERDF) Operational Programme 2021-2027 for the Valencian Region</b> <ul style="list-style-type: none"> <li>Aims at boosting economic growth in the region, and at contributing to achieve smart, sustainable and inclusive growth as well as job creation and productivity.</li> <li>Policy guidelines developed within the project, and interregional peer-learning exchanges that will contribute to the development of business succession models in the region adapted to the contemporary context.</li> </ul>	Encourage the economic growth of family SMEs and improve their competitiveness with training programmes and conflict mediation.

## INTERREG EUROPE SUCCESS ROAD AT EU REGIONS WEEK 2021: HIGH-LEVEL ROUNDTABLE “HELPING SMALL & FAMILY BUSINESSES THRIVE”

On the 3rd of November 2021 took place the high-level roundtable at the occasion of the European Week of the Regions and Cities. The roundtable brought together Jesús Casado (Secretary-General of European Family Businesses), Themis Eftychidou (Secretary-General for Industry, Ministry of Development and Investments, Greece), Konstantinos Kapodistrias (Prefecture of the Ionian Islands, Greece), Jordi Sebastia (Valencian Institute for Competitiveness- IVACE and former MEP, Spain), and Birute Miskiniene (Head of the Vilnius University Business School) to discuss the specificities and the value of family businesses in the European economy and how governments support them.

During the interactive discussion, the panellists agreed that family businesses must find a balance between heritage, tradition, and innovation. When young people decide to enter the family business, they shake things up by expanding the business through new marketing techniques, apps, or e-commerce, and that is the right balance. Furthermore, the experts asserted their commitment to continue supporting family

business transfers given their distinctive role in the European economy and called other EU private and public stakeholders to follow this direction. Family businesses are part of our culture, important actors in local communities, and high-performing economic engines. They are also a distinct structure, where emotional ties and the notions of tradition and legacy have a prevalent role. And because of this distinctive nature, family businesses require tailored legislation and support measures.

**If you missed the event, you can watch it on the Success Road YouTube channel!**



## BUSINESS SUCCESSION PLANNING: GOOD PRACTICES

The next generation family members will play a vital role in pushing family businesses forward while preserving the company's legacy and savoir-faire as well as responding to the latest trends and incorporating new technologies.

Planning a business succession involves more than just coming up with a list of possible successors. Done well, a succession plan ensures that no relevant knowledge is lost with the departure of a senior family member. To inspire and support EU companies in their succession process, the Success Road partners have created a database of good practices which will be regularly updated.

## FORMULA FOR SUCCESSFUL AND RESILIENT FAMILY BUSINESSES

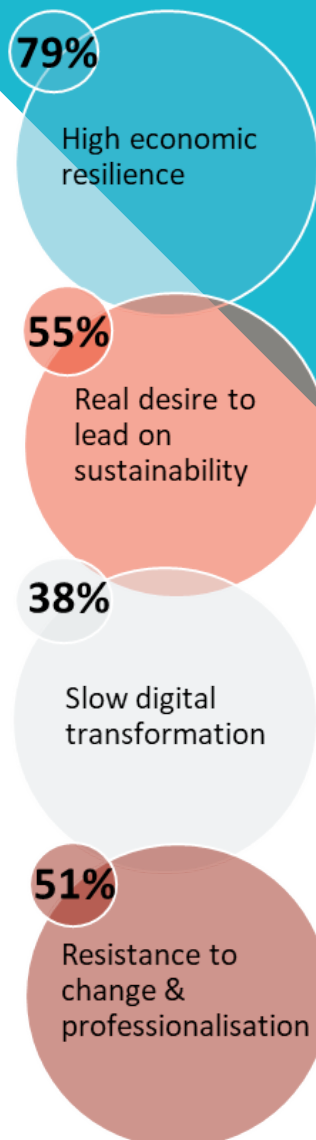
According to the 2021 PWC family business survey of 2.801 participants conducted in 87 territories at the end of 2020, the COVID-19 pandemic has been a test of resilience for almost all companies. Only one-third of surveyed businesses had to cut dividends, and 31% of family members took salary cuts. One in five businesses needed to access extra capital. Having in mind both the long-term goals for the business and their importance for the family, 15% of the owners put in more of their own resources, and a further 23% said they were prepared to do so if necessary. Looking beyond the pandemic, 46% of the respondents expected sales to decline.

As initially mentioned, during the pandemic the number of formalised succession planning has doubled to 30%. This has been possible thanks to the solid grounds on which these businesses are developed. In this sense, speakers of the high-level roundtable underlined that family businesses are complex, given their structure build on emotional relationships. However, it is the strength of those relationships that make a business agile and adaptable but it can also influence negatively its succession process. Only 58% of the respondents said that all family members share similar views about the company's direction.

35% of the owners expect that the next family generation will be majority shareholders within five

years. Bridging the generational gap and understanding the priorities of the next generation, especially their motivation for meaningful objectives, can only be achieved through good communication of companies' values and long-term vision. Today's business environment is transforming, and therefore it also requires a shift in companies' policy to align profit with purpose. The study concluded that immediate actions in three key areas would help secure a lasting formula for success for the generations to come: 1) Deliver on environmental, social and governance; 2) Transform digital capabilities; 3) Professionalise family governance.

## SURVEY RESULTS: HOW DO FAMILY COMPANIES OPERATE IN A PANDEMIC?



## THE PROJECT CONSORTIUM

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## INTERREG EUROPE PROGRAMME

Interreg Europe helps regional and local governments across Europe to develop and deliver better policy. By creating an environment and opportunities for sharing solutions, we aim to ensure that government investment, innovation and implementation efforts all lead to integrated and sustainable impact for people and place.

We know that better performance leads to better results. By building on its forerunner, INTERREG IVC (2007-2013), Interreg Europe aims to get maximum return from the EUR 359 million financed by the European Regional Development Fund (ERDF) for 2014-2020. This time round, it's still about doing good, but doing it better!