

# BASES FOR DELIVERABLES

## D.T2.1.3

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Report - engagement of public bodies, business support organisations and related entities in business succession transfer

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# 1. Objectives

## 1.1. General objective of the document

The objective of the document is to present the level of engagement of public bodies, business support organisations and related entities in business succession transfer based on the results collected during two pilot actions with the representatives of authorities at different levels and the entrepreneurs from family companies organised in Mazowieckie region in Poland in November 2018.

## 1.2. Specific objective of the document

The Institute for Sustainable Technologies - National Research Institute (PP8) measured the level of engagement of public bodies, business support organisations and related entities in business succession transfer based on the feedback received during the organisation of two pilot actions in Mazowieckie region in November 2018:

- 14<sup>th</sup> of November 2018 - the meeting with the representatives of authorities at different levels and the entrepreneurs from family companies in Mazovia region (big pilot action);
- 15<sup>th</sup> of November 2018 - the meeting with the representatives of local authorities and the entrepreneurs from family companies in Radom (small pilot action).

The document presents the level of engagement of these two target groups in the topic important for ENTERtransfer project.



## 2. Engagement of public bodies, business support organisations and related entities in business succession transfer based on the feedback from two pilot actions

### 2.1. Small pilot action - critical evaluation of the model. Possible improvements. Feedback from the participants

During the small pilot action 9 representatives of different environments (indicated in deliverable D.T2.1.2) took part in the meeting. The following conclusions were formulated:

1. Succession in family companies is a new topic in a present Polish economy. The lack of tradition of transferring the company into the hands of subsequent owners (most of the companies were created after the year 1989), causes that we are dealing with the first generation of successors.
2. There are no institutions / law offices / individual people on the market that are specialized in conducting the succession process, both in terms of organization management, as well as legal and tax aspects.
3. Thinking about the succession should start de facto already when the company enters the development phase and starting bringing profits.
4. A very difficult element is the separation of property from management. While this problem can be solved at the organizational and legal level, it is still difficult due to psychological reasons of the owner and the family members.
5. In the point of view of the participants of the pilot action, the most advantageous model concerns taking over the company by an external manager or a long-term employee of the company (due to competency reasons).
6. The Act of 5 July 2018 on the succession management of the enterprise of a natural person solves only several problems related to succession, but further legal regulations are still needed.
7. An external manager can bring benefits to the company as far as it concerns new technological and organizational solutions.

The meeting was a discussion about the problem of succession. The participants shared their experiences related to running the company through the various stages of succession. It was stated that the ENTERtransfer project is a breakthrough, because up to now there have been no initiatives in the Mazovian region aimed at solving the problem of succession in companies. The succession is perceived mainly as taking over the company by children (family succession). The current project, alongside the traditional route, explores the possibilities of taking over the company by external people, i.e. the company's



management staff or individual employees. The participants of the pilot action confirmed that this last path is possible and very desirable (especially when the children are not interested in taking over the company). This path is unfortunately still rejected by many entrepreneurs, as they do not want to give the company to a “foreign” hand. Raising awareness about this succession model will help entrepreneurs to keep the company in the future and at the same time ensure proper management in the company. Based on the feedback from this pilot action, the managerial model was significantly improved (deliverable D.T1.2.10).

## **2.2. Big pilot action - recommendations and opinions to the model related to business succession process**

During the small pilot action 16 representatives of different environments took part in the meeting. The following conclusions were formulated:

1. The presented solution cannot be considered a final model, but only a preliminary scheme based on which, after careful analysis and a series of meetings with entrepreneurs, such a model should be fully developed.
2. Entrepreneurs assessed that the potential succession methods are basically three: succession by a family member, change of ownership and liquidation of the company.
3. In their opinion, employee and managerial succession should not be the main path in business succession.
4. When assessing the prospects for the popularity of forms of succession, they stated that family succession is the most appropriate, which has a strategic dimension.
5. The processual nature of succession requires preparation after the company's establishment and stabilization.
6. The participants admitted that parents, who are the owners of the companies, have many instruments to influence the career paths of their children and they positively assessed this impact and inclusion of children in the company's mission, values and culture.
7. Managerial succession, according to the presented entrepreneurs, has little chance of popularizing due to changes at the labour market. Becoming a real fact of so-called employee market significantly weakens the motivation to take risks related to succession.
8. The succession model presented during the pilot the meeting is correct, but too general in the point of view of the participants. They require an enlargement and a more clearly defined time frame.
9. The processual nature of succession should also be determined.
10. The model should more clearly expose the desirable family character of succession, by indicating possible forms of support at all stages.



11. A particular role should be paid attention to planning career paths of future successors, depending on their current life situation, but also related to the company's needs.
12. Analysing the experiences of the companies of the participants, they indicated potential paths, but they drew attention to the need to expand the aspect of succession planning.
13. The participants also had clearly defined visions of the role of the public sector in the processes of succession. The areas of this impact are: education at all levels (introducing the issue of succession to learning entrepreneurship, secondary and higher school programs); broad information campaigns; consultancy at all stages of succession; training for various succession sites.
14. Advisory and information support should be provided by associations and chambers of entrepreneurs, also through the promotion of various succession paths and their threats.
15. Participants agreed that succession is a sociological problem, not a purely economic and legal one, and these aspects should prevail in the model preparation process. Economic and legal counselling is already the next stage and cannot overtake social arrangements.

Although the participants of two pilot actions complained on the lack of time to often meet in order to discuss about business succession problems, they expressed their high interest in the participation in further phases of the project's development.