

Work Package 5 Political Strategies and Transfer

Group of activities 5.1 Political strategies

Policy Strategy Program

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1. Background

The important tasks of the promotion and support of SME transfers enjoy different priority in the BSR countries. While there are comprehensive political programs in some countries, these are missing in other countries. The aim of the policy strategy and action program is to create comparable framework conditions and promotions in all BSR countries.

The main output consists of a policy strategy program to strongly support SME transfers to ensure the innovative continuation of the enterprises and the maintenance of the jobs. The program covers relevant fields of action for SME transfers, such as the establishment of the framework conditions, financial support and granting of state guarantees, promotion of entrepreneurship and qualifications as entrepreneurs, support for the establishment and permanent operation of promotion and advisory capacities at the intermediary SME business support organisations.

The program integrates four action plans for the promotion of target groups “SME successors”, which are so far underrepresented and which are essential to achieve the necessary increase in the number of entrepreneurs in general as well as SME successors, especially in all BSR countries.

Political support for SME transfers is inadequate in many BSR countries, and important groups of potential successors are simply excluded in many regions. The purpose of the output is to achieve the positive changes in all BSR countries by implementing a comparable, comprehensive support of SME transfers by the public authorities, and thus to unleash new target groups as SME successors, significantly increasing the number of entrepreneurs.

In all Baltic Sea Region countries, different groups are underrepresented to varying degrees as business successor. This concerns in particular:

Women

SME employees who run a company individually or collectively

Foreigners

Specialists who have migrated abroad (brain drain)

These target groups require special support in order to increase the number of potential successor entrepreneurs and to close the entrepreneurial gap. For this reason, specific action plans have been developed for these four target groups as part of the political strategy program. They are attached in the appendix.

Various Baltic Sea Region countries already have comprehensive, effective programs and a well-developed infrastructure to promote and ensure business transfers. However, Poland, Lithuania, Latvia, Estonia and Russia still need to develop such infrastructure to catch up with other countries in the region. In these countries, SMEs were primarily founded after 1990, and business transfers were of no great importance in the following years. But now a large and growing number of SMEs have to be handed over to the next generation, as previous owners age and retire, but the infrastructure and programs are still largely missing.

The existing differences between the Baltic Sea Region countries, the different funding programs and experiences should give rise to an intensive exchange of experiences, learning from each other and sharing of best practices. Since this transnational exchange has so far been very sporadic and rather incidental, cross-border cooperation must be systematically organized and promoted. Appropriate strategies can be found in Chapter 5. Ensuring a comprehensive information and consulting network for business transfers.

Given the existing regional differences in the promotion of business transfers and the different national conditions, the current political program includes strategies for four overarching thematic priorities that are of outstanding importance for the entire Baltic Sea region:

- Ensuring the next generation of entrepreneurs for SMEs
- Ensuring the Qualification of SME Entrepreneurs
- Ensuring the financing of business transfers
- Ensuring a comprehensive service and consulting network for business transfers

2. Securing the next Generation of Entrepreneurs for SMEs

Around 450,000 companies with around 2 million employees are transferred to a new owner in the EU each year. However, up to 150,000 EU companies with 600,000 jobs fail to do this each year, which is why they have to close down. More than 40% of older entrepreneurs in Germany cannot find a successor. The same applies to the EU as a whole. The present situation, which will worsen in the future for demographic reasons, severely limits further development of SMEs.

In order to tackle these challenges and to close the wide and still growing entrepreneurial gap, promotion of entrepreneurship at all levels of education for all target groups must be pursued in the Baltic Sea Region to increase the number of young entrepreneurs by 5% annually.

In order to achieve the goals, three strategy packages are proposed in addition to the existing subsidies for entrepreneurship.

Extensive promotion of previously underrepresented groups

In all Baltic Sea Region countries, four groups of successors in particular are underrepresented to varying degrees, namely:

- Women
- SME employees who run a company individually or collectively
- Foreigners
- Specialists who have migrated abroad (brain drain)

Specific action plans have been developed for these four target groups, which are included in the attached appendix. Consistent implementation of these four action plans is essential for a continuous increase in the number of potential entrepreneurs and for ensuring company transfers.

Identification of entrepreneurial potential

Promotion of entrepreneurship must start with general education. However, school leavers do not or only partially know their own potential, skills, strengths and ideas for life. Parents and teachers are also unable to assess students' competencies. School grades hardly say anything about graduates' individual competencies, strengths and the suitability to perform a certain profession or to be self-employed.

Therefore, every student should undergo an assessment to determine general competencies and entrepreneurial potential in the course of the last two school years, as well as an individual consultation. The results of the competence and potential assessment as well as the recommendations formulated after a counseling interview should be recorded in the form of a report that every pupil must receive in addition to the leaving certificate or diploma.

Thanks to this approach, school leavers get to know their skills and entrepreneurial potential and can make initial assessments of whether they are suitable for pursuing self-employment.

However, regardless of an entrepreneurial career, the assessment and counseling process enables students to make a more informed and sound choice of vocational training or a field of study that corresponds to their individual skills and potential. Likewise, the certificate with the results of the competence and potential assessment is much better than conventional school certificates and is a suitable basis for companies that have to decide on the admission of a young person to vocational training or employment.

This assessment and counseling process should be available as an option at any time later in professional life, in order to determine changes over time or to provide a reliable decision-making guide for embarking on a new career path. The assessment and advisory procedure is also particularly effective in attracting people from the target groups which were previously underrepresented as entrepreneurs.

Various models, instruments and procedures for carrying out the assessment and advisory procedure already exist. They should be thoroughly evaluated for their suitability and, based on the evaluation results, a reliable procedure should be developed and made freely available. As part of the "Innovative Business Transfer Models for SMEs in the BSR" project, a two-stage assessment procedure and a tool were developed and successfully implemented in various countries.¹

¹Innovative Business Transfer Models for SMEs in the BSR: Entrepreneurial potential, Baltic Sea Academy, Hamburg 2020

Provision and communication of information

Information on an entrepreneurial activity should be delivered in a closed, appealing form, and should provide an overview of the necessary skills, training and implementation opportunities, employees' income, creative possibilities, risk, as well as brief reports made by entrepreneurs, etc. A presentation of entrepreneurial competences needed to succeed enables the participants of the assessment to determine to what extent their individual skills meet the requirements of a business activity.

The information packages should also be tailored to the special requirements, conditions and ideas of younger people, because in 2020 around a third of the skilled workers will come from the generation of the so-called millennials, which are entering the labor market and have very special demands.

Information should be distributed through all channels, e.g. social media, school classes, discussions and advisory sessions, etc.

3. Securing the Qualification of SME Entrepreneurs

Business start-ups and company takeovers primarily fail due to the lack of preparation and insufficient qualifications. According to the Small Business Act (SBA) national fact sheets, increasing the qualifications and capacity for innovation in SMEs is one of the most important political priorities in all participating countries in the face of dynamic technological and economic change. Qualifications for entrepreneurial activity are an integral part of SBA for Europe. Without adequate support for start-ups and SME owners to successfully transfer businesses, the EU's most important economic power is at risk. However, such a support framework is missing in more than half of the EU Member States.

Employees, graduates or other individuals interested in taking over an operating company don't have knowledge how to actually run it in a long-term perspective. In most SMEs the transfer of ownership goes hand in hand with the transfer of the management function. The new managers need the right skills. They might be experienced employees with a lot of expertise, but not necessarily suitable entrepreneurs. A successful continuation of a company after a transfer requires thorough knowledge and skills. Research proves that the survival rate of companies three years after a handover is up to three times higher if the successor has a thorough entrepreneurial training.

Entrepreneurship training

It is recommended to develop a multi-level entrepreneurial training program aimed at all target groups to ensure a sufficient number of well-qualified young entrepreneurs. Such an approach to the promotion of entrepreneurship and the training of entrepreneurs as required by the SME conditions must be comprehensive in order to

- target all groups of people, starting from the final grades of general education, through vocational training, professional life and further vocational training up to higher education. At the same time, the special needs of the groups who are currently underrepresented in self-employment should also be taken into account.
- to create specific educational offers corresponding to the different capabilities and potential of various groups of people.
- to make targeted offers corresponding to the different requirements of various entrepreneurial activities (e.g. management of a single-person company or a small business up to medium-sized companies).
- to reach out to prospective entrepreneurs at all levels of vocational education, specialized vocational training and higher education (EQF Levels 3 - 6) and provide training courses to them.

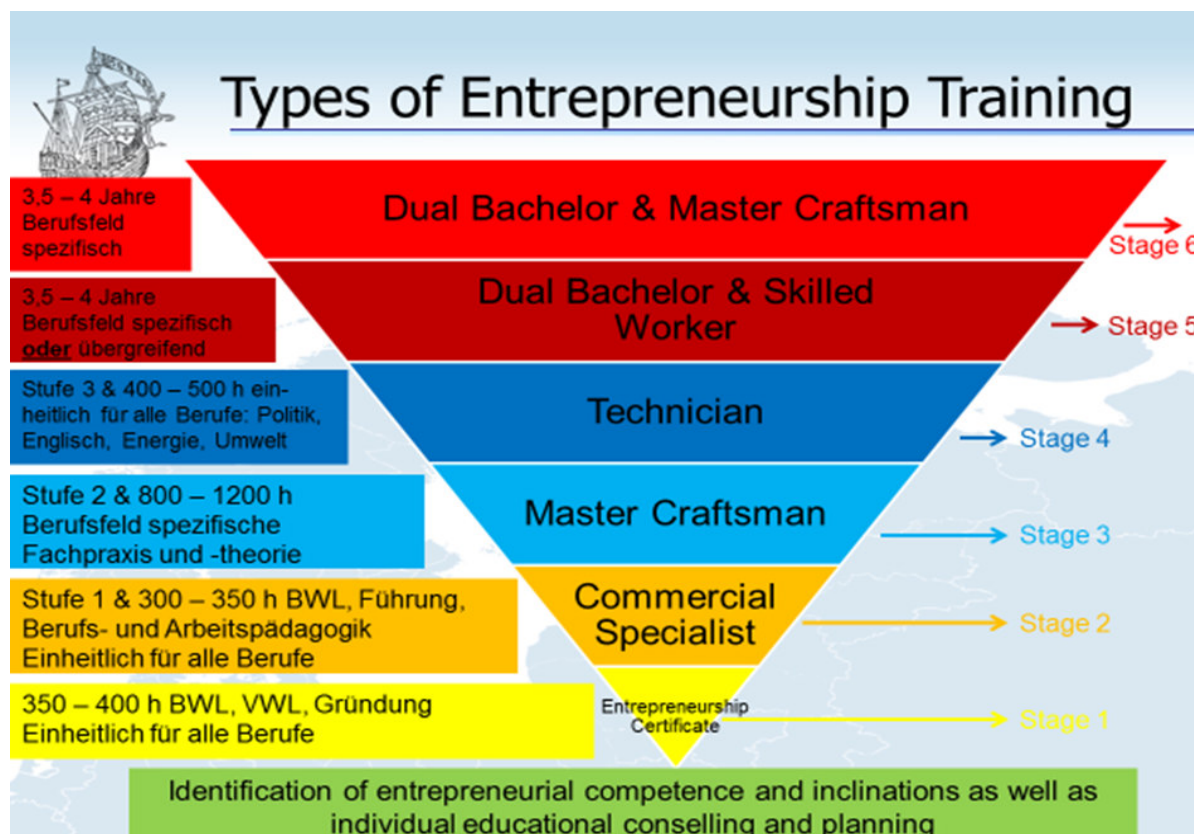
- to create a high level of interchangeability between the modules of various training courses across all levels, taking into account already acquired skills of the participants.
- to achieve a very flexible education system with various options for starting and continuing education.

These requirements could be met by a six-level entrepreneurial training, in which each level ends with an official examination and a recognized qualification of a specialized vocation. Acquired credit points can be transferred to other countries. The levels follow on from each other, with the knowledge acquired at one level transferred to the next one, and credit points being awarded for it.

Participants can choose which level they want to start with based on their skills and knowledge and, if necessary, want to continue learning without delay or at a later date.

Graduates can start their own business from any training level. Before starting a self-employment, short training sessions can be completed, namely:

- Creativity and motivation training to check and advise the start-up or a takeover concept, develop further business ideas, consolidate the plans, etc.
- Start-up and takeover training as the last stage of preparation, clarification of open questions, e.g. on legal issues, financing and promotion, etc.



The curricula are modularized at every stage of the entrepreneurship training so that the modules can be completed according to specific needs and individual modules can be designed in correspondence to national conditions, e.g. on legal issues, subsidies etc.

At all levels of education (general and vocational training, further and higher education) as well as prior to each stage of entrepreneurial training, entrepreneurial competence assessments and educational guidance can be provided (also on repeated basis) in order to structure the learning process, show learning progress, help with decision-making on further learning or appropriate timing for the transition to self-employment.

Accompanying individual coaching (see Chapter 5) should be offered from the assessment of competence until after the company has been taken over or formed.

Entrepreneurial potential can be fully exploited by reaching out to people at an early stage in the graduating classes of general education and in vocational training. The start of an entrepreneurship training with the first stage "Entrepreneurship license" encourages and motivates the participants to pursue an entrepreneurial activity.

The very flexible, multi-level system also allows a high degree of orientation and structuring of the path to self-employment tailored to the needs of individual target groups. For example, in the last phase of parental leave, women (as well as men) can use their limited amount of time to complete the first stage of training. After that, they enter professional life with a proper preparation, can take part in further entrepreneurial training alongside their job and can start their own business.

Similarly, the high proportion of young people with a high school diploma get the possibility of combining a full university degree with vocational training and the gathering of professional experience, which is very important for the management of SMEs. Thanks to these specific courses, university graduates are attracted to entrepreneurial activities to a much greater extent.

Teaching of entrepreneurial skills and matters pertaining to SMEs at the higher education level has been very basic, which means SMEs can only attract young entrepreneurs to a limited extent. Graduates have good theoretical knowledge, but have little practical skills, which are crucial for SMEs. For this reason, dual learning programs must be developed and offered on a wide scale.

Although 99% of all companies are SMEs, university courses, for example in business administration, are primarily focused on the needs of large companies, with SME-specific courses being an exception. Due to their importance for the economy, SMEs must become the focus of entrepreneurship training.

Universities are not involved in the training of companies at EQF levels 3 - 5, but they do provide the largest proportion of SME entrepreneurs. In some Baltic Sea Region countries, training opportunities for professional entrepreneurship are very limited. Also universities should get involved in the development of professional entrepreneurship training and contribute their staffing, spatial and technical capacities to entrepreneurship education at EQF levels 3-5.

Such involvement surely can improve the cooperation between universities and SMEs. Because the innovation rates in SMEs are too low, the productivity gap between large companies and SMEs is constantly widening. At the same time, the cooperation between universities and SMEs is low. Reliable cooperation can be developed, and innovations can be optimally promoted in SMEs in connection with the entrepreneurship training, especially in a dual form.

Integration program for the unemployed

Being unemployed is a serious predicament. Usually, it results in being short of money and leads to a lack of self-confidence. Through education programs, job application seminars and intensive advice and support, unemployed people can get prepared for the requirements of self-employment, while entrepreneurs can receive motivation to open businesses or to take over companies.

The multi-level entrepreneurship education, in particular levels one to four or modules of these training levels, can be combined with an integration program for the unemployed to successfully introduce the unemployed to self-employment. Target groups are unemployed people

- with professional training and several years of professional experience.
- without vocational training, but with many years of practical experience.
- with a university degree and possible professional experience.

Everyone should have a keen interest in self-employment, with entrepreneurial skills and aptitude determined through an assessment and an advisory process (see Chapter 2).

The combined integration and education program consist of a sequence of different modules that are coordinated in terms of content and schedule.

- Identification of existing strengths, competences and entrepreneurial potential.
- Specific training and a counseling program for the unemployed.
- Follow-up training for qualifications deficits.
- Completion of various aspects and subjects of entrepreneurship training.
- Internships in companies lasting two to four weeks.
- Assistance and introduction into self-employment.
- Individual coaching during the entire duration of the integration program and - if necessary - also in the first months after starting self-employment.

The integration program is carried out in full-time. Depending on participants' number, experiences, needs, etc., the integration program should last a total of at least

five months, usually six to seven months. Extending the program up to three months should be planned and agreed in advance in order to have enough time to deal with any issues that may arise.

The entire integration and education program must be financed from public funds. Participants should receive double unemployment benefit from the start until two years after becoming self-employed.

4. Securing the Financing of Business transfers

It is essential that no business start-up or a take-over that has been assessed as promising by neutral experts should fail due to the lack of funding. Appropriate funding and financing programs have been developed in various countries in the Baltic Sea Region, whereas in others they are either missing or insufficiently developed.

In Germany, for example, loan financing from banks, supplementary public financing programs with loans and non-repayable grants, guarantee banks with counter-guarantees from public funds and funds of the sponsoring community or investment companies with dormant holdings have existed for many years. These financing systems for start-ups and business transfers involve neutral experts who provide advice on the creation of an optimal financing combination, and give an expert opinion on each application for funding. Such funding and financing programs must be set up in all regions of all Baltic Sea Region countries so that no business start-up or business transfer fails due to financing problems. Transferring best practices existing in some Baltic Sea Region countries to others, adapting them to the regional conditions and implementing them is straightforward. This eliminates the need for creating new measures and lengthy trial periods, so that the foundations for achieving the postulated goal can be laid in all areas of the Baltic Sea Region within a reasonable timeframe.

5. Securing a comprehensive Service and Consulting Network for Business transfers

All support measures for business start-ups and business transfers from SMEs will not be able to achieve resounding, lasting effects if there is no effective consulting and support infrastructure at a local and regional level. For this reason, promoting business start-ups and business transfers must be the focal point of the political strategy program, so that a corresponding infrastructure in the Baltic Sea Region is created as soon as possible.

Regional service and advice centers for start-ups and business transfers

The business advisory centers of German chambers, which have been very successful for decades, should serve as a model for the establishment and continuous operation of service and advice centers for start-ups and business transfers across the whole Baltic Sea Region. Each chamber should cover one region, so that a comprehensive infrastructure network for the promotion of business transfers and business start-ups is created across the Baltic Sea Region. The approach implemented by the chambers is particularly advantageous because it doesn't require the creation of new institutions, and because chambers, as institutions for economic self-administration, take a neutral position, work closely with enterprises and maintain direct contact with SMEs.

The service and advice centers for start-ups and business transfers must perform the following tasks in particular.

- Development and permanent coordination of municipal and / or regional funding alliances involving all relevant institutions, such as public administrations, financial institutions, guarantee associations, holding companies and other relevant funding agencies.
- Providing a central point of contact for entrepreneurs involved in business transfers and business start-ups, whom they can assist and support through the funding alliance from a single source.
- Fulfillment of individual coaching tasks with a single contact person, from the competence assessment up to a successful establishment of a start-up or a company takeover.
- Management of internal registers of SMEs that are to be handed over, business premises or space for start-ups etc. as well as corresponding mediation tasks.
- Ongoing provision of comprehensive, target group-specific information and the provision of effective and up-to-date tools, for example for creating business plans, investment plans, assessments, knowledge management systems, etc.

- Execution of all advisory tasks for company acquirers and start-ups.
- Organization and participation in training courses for start-ups and company takeovers.
- Valuation of companies and determination of realistic sales prices.
- Help with the creation and evaluation of business plans.
- Assistance in getting loans, financial support from the public sector, guarantees or company shares, as well as support regarding application procedures and assistance in corresponding negotiations.
- Preparation of a neutral expert report on the planning and prospects of success of particular company takeovers or start-ups.

Baltic Sea Region-wide center of competence for start-ups and business transfers

A Baltic Sea Region-wide center of competence for start-ups and business transfers must also be developed and managed on a permanent basis to perform centrally the following essential tasks in particular.

- Organization of a continuous transnational exchange of experience as well as securing the cooperation of the regional service and advice centers for start-ups and business transfers from all Baltic Sea Region countries.
- Ongoing identification and transfer of best practices, adjustments to regional conditions and assistance with implementation, so that all effective support measures, including financing programs, are always up to date for start-ups and company takeovers in all Baltic Sea Region countries.
- Provision of assistance with complex tasks that the individual regional centers cannot manage themselves, or the supply of experts, for example from colleges and universities.
- Cooperation with colleges and universities to provide ongoing development of curricula, teaching materials, etc. for entrepreneurship training and other training, as well as funding instruments and methods, so that qualifications, advice and funding for business start-ups and business transfers are always up to date and are at a high-quality level in all areas of the Baltic Sea Region.
- Regular training courses for teachers of entrepreneurship education as well as for advisors at regional service and advisory centers, so that well-qualified personnel are available in all regions to perform these tasks.
- Carrying out research and developing new curricula, teaching materials, new funding instruments and programs, etc. in cooperation with colleges and universities.

- Serving as a central point of contact for political, administrative and scientific institutions on all matters concerning business start-ups and business transfers as well as providing their advice, for example on the design of funding and education programs, implementation of scientific work or for entrepreneurial training within the framework of general, vocational and university education.
- Participation at the EU level as well as exchange of experience and cooperation with other EU regions and countries.

Financing of the regional centers and the center of competence.

Both the regional service and advice centers for start-ups and business transfers and the Baltic Sea Region-wide center of competence for start-ups and business transfers have to be financed from public funds so that the subsidies and services for start-ups and business take-overs can be provided cost-effectively. Around half of this public funding should take the form of

- a) Flat-rate financing, the amount of which is measured, for example, by the number of employees and / or number of SMEs in the respective region.
- b) Success-dependent financing according to one or more success indicators, e.g. the total number of provided consultations and the number of SMEs in a particular region, percentage of advisory start-ups or companies that are still active on the market after one year since the take-over, or assessments by the advisors on the basis of predefined evaluation schemes.

6. Conclusions

Comprehensive, effective programs and a distinctive infrastructure for promoting and securing business transfers are already to be found in various Baltic Sea Region countries, whereas other countries and regions lack those to a high extent. Transnational exchange, best practice transfer and cross-border cooperation are systematically organized and promoted.

In order to close the high and growing entrepreneurial gap, the Baltic Sea Region must strongly pursue the objective of promoting entrepreneurship at all levels of education for all target groups in order to increase the number of young entrepreneurs by 5% annually.

In all Baltic Sea Region countries, women, employees of SMEs, foreigners and specialists who have migrated abroad are underrepresented as business successors to varying degrees. To exploit this potential, specific action plans must be implemented for the target groups.

The identification of individual entrepreneurial skills is a suitable instrument for attracting young entrepreneurs. Promotion of entrepreneurship must start at the level of general education. Every student must undergo an assessment and an individual consultation to determine their general competences and the entrepreneurial potential. The results of the assessment and consultation must be attached to the graduation diploma.

In order to address all target groups and to secure a sufficient number of well-qualified young entrepreneurs, multi-level entrepreneur training should be implemented. This approach accommodates the different potentials and capabilities of the different groups of people at EQF levels 3 to 6 on the one hand, and the different requirements for various entrepreneurial activities on the other.

The multi-level entrepreneurship training can be combined with an integration program for the unemployed to successfully place the unemployed into self-employment. Participants should receive double unemployment benefit from the beginning until two years after starting self-employment.

It is essential that no business start-up or a take-over that has been assessed as promising by neutral experts should fail due to the lack of funding. Appropriate funding and financing programs have been developed in various countries in the Baltic Sea Region, whereas in others they are either missing or insufficiently developed. By transferring and implementing the best practices, the foundations for achieving the postulated goal can be quickly laid in all areas of the Baltic Sea Region.

The political strategy program to support business start-ups and business transfers must be focused on the creation of the appropriate infrastructure, namely:

- a) Development and permanent operation of service and advice centers for start-ups and business transfers in every area of the Baltic Sea Region.
 - b) Establishment of the Baltic Sea Region-wide center of competence for start-ups and business transfers, which performs essential, overarching tasks centrally.
- These extremely important support institutions should be financed from public funds, half of which is paid as a lump sum and half as a performance-related fee.

Annexes

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