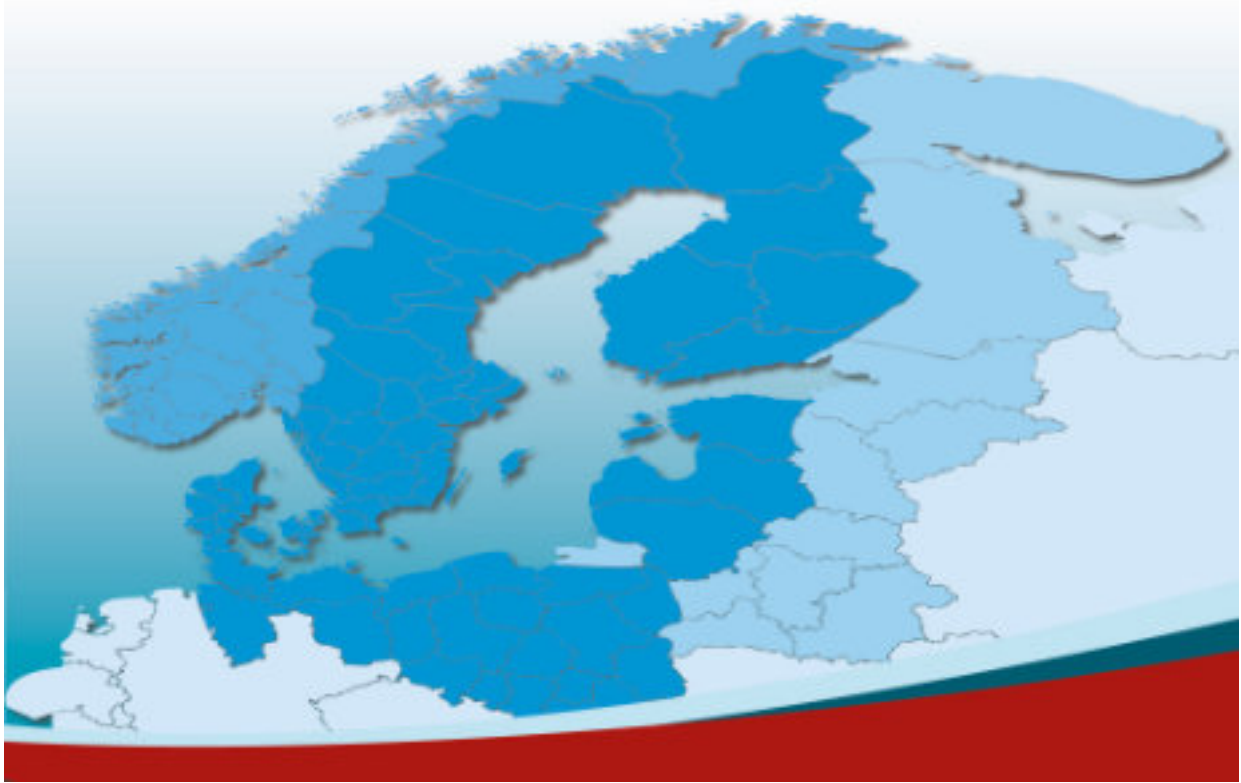




Hogeforster / Wildt (eds.)

Promotion of business transfers in the Baltic Sea Region - Background and strategies



Promotion of business transfers in the Baltic Sea Region

- Background and strategies

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Content

| | |
|---|-----|
| 1 Business Start-ups and Business Transfers | 4 |
| 2 Current situations of the promotion in the Baltic Sea Region and their support ... | 33 |
| Literature review | 35 |
| Results of survey | 41 |
| Conclusions | 54 |
| References | 55 |
| 3 Overview of political strategies | 60 |
| 4 Policy Strategy Program | 62 |
| 4.1 Background | 62 |
| 4.2 Securing the next Generation of Entrepreneurs for SMEs | 64 |
| 4.3 Securing the Qualification of SME Entrepreneurs | 67 |
| 4.4 Securing the Financing of Business transfers | 73 |
| 4.5 Securing a comprehensive Service and Consulting Network for Business trans- fers | 73 |
| 4.6 Overview and Outlook | 77 |
| 5 Action Plan “Women” | 79 |
| 6 Action Plan “Employees as successors” | 106 |
| 7 Action Plan “Immigrants as entrepreneurs” | 118 |
| 8 Action Plan “Brain drain” | 134 |
| 9 Closing Remarks | 193 |
| Other Publications by the Baltic Sea Academy | 195 |
| Members of the Hanse-Parlament | 202 |
| Members of the Baltic Sea Academy | 205 |

1 | Business Start-ups and Business Transfers¹

Business transfers began to raise special attention in European policy strategies with the launch of the Entrepreneurship 2020 action plan. It was stated that business transfer support is as important for the European economy as start-up support because both are equally important for the development of the European economy. In the EU-28 around 450.000 companies with more than two million employees are transferred to a new owner every year according to the European Commission. Of these transfers, around 1/3 is not successful and the company goes bankrupt. Additionally, due to a lack of available and suitable successors, many companies are liquidated instead of being transferred.² To ease this process, the INBETS project (www.inbets.eu) was initiated, co-funded by the INTERREG VB Programme of the European Union.

The main reason for a business transfer is the retirement of the owner-manager, but other reasons like the pursuance of other career opportunities or unforeseen events are also existent. An unsuccessful transfer of the business can cause several negative effects:

- Job loss of the workers
- Domino effects on local enterprises and suppliers
- Loss of valuable and specialized knowledge
- Negative wealth effects for the owner-managers family assets
- Harm to ongoing and future business prospects by unsettling partners, customers and suppliers³

¹ Prepared by Christian Wildt – Hanse-Parlament

² https://ec.europa.eu/growth/smes/promoting-entrepreneurship/advice-opportunities/transfer-business_en

³ <https://dspace.ub.uni-siegen.de/handle/ubsi/1014>

On the contrary, successful business transfers provide many positive effects for the economy:

- Preservation of numerous jobs
- Continuity of production processes
- Retention of business contacts
- Preservation of the value of tangible and intangible assets
- Successful business transfer as an opportunity to rethink the strategic vision and the business model and a chance to introduce innovation and new management practices
- Opportunity for new entrepreneurs to take over a business⁴

The topic of securing successful business transfers is viable for an economy and now the topic is rapidly gaining attention among European policy makers. Surprisingly little country-specific information is available in European databases and a lack of academic studies, exploring business transfers and successions and its outcomes, is observable. The following pages try to fill in the gap regarding business transfers in the Baltic Sea region and aim to provide a more detailed foundation for European policy makers.

Countries in Eastern Europe have not yet developed a business succession environment, mainly due to historical reasons. Business owners in Eastern Europe who established their business in the 1990s and now want pass on their business have no to little support mechanisms available.⁵

There is also evidence that investments in securing the successful transfer of businesses are more sustainable than start-up investments. Survival rates of start-ups after

⁴ <https://journals.sagepub.com/doi/abs/10.1111/j.1540-6520.2007.00162.x>

⁵ Schiefer, J., Überwimmer, M., Füreder, R., & Costa, Y. (2018). Obstacles and Challenges of Business Succession in Central Europe. *HAGENBERG | LINZ | STEYR | WELS*, 285.

five years generally ranges between 35-50%, depending on the economic climate, while the survival rates of transferred firms are between 90-96% five years after the transfer.⁶⁷

The focus on business transfers is enlarged in the analysis in order to include start-ups and business creations as well. Just as many start-up entrepreneurs could take over an existing business and vice versa, both groups represent the same scarce resource “entrepreneurs”. Therefore, country specific information about entrepreneurial characteristics, opportunities and potentials is included as well, serving as a proxy for successors characteristics. In the following country specific information about business transfers and start-ups are presented individually for each country in the BSR.

Analysis of Potential Business Transfers

One purpose of this analysis of business transfers and start-ups in the Baltic Sea region is the approximation of the demand of entrepreneurs in this region. Start-ups and business transfers are the two main areas demanding entrepreneurs. The analysis therefore covers both sides. As little data is available about the total number of businesses to be transferred in the upcoming years, the analysis will work with known business transfer rates and estimates the rates in countries without hard numbers available.

⁶ Geerts, A., Herrings, W. & Peek, M. (2004). *Change of Ownership Creates New Prospects in SME Sector: A Closer Look at Business Transfers in Three European Regions*. Amsterdam, Nederland: ING Economics Department.

⁷ Kohn, K., & Spengler, H. (2009). *KfW-Gründungsmonitor 2009*. Frankfurt am Main, Germany: KfW Bankengruppe. (ISSN 1867-1489)

| Coun- try | Number of SME (2019 - Eurostat) | Busi- ness Trans- fer Rate | New limited liability busi- nesses (2018 - World Bank) | Total En- trepre- neur De- mand | Busi- ness Trans- fer En- trepre- neurs | BT share on total en- tre- pre- neurs | Col- umn 3 / Col- umn 1 |
|------------------------|--|---|---|--|--|--|--|
| Den- mark | 227.102 | 3,33% | 36.341 | 43.911 | 7.570 | 17% | 16% |
| Ger- many | 2.552.890 | 3,33% | 72.844 | 157.940 | 85.096 | 54% | 3% |
| Latvia | 114.131 | 6,00% | 9.864 | 16.712 | 6.848 | 41% | 9% |
| Estonia | 76.856 | 6,00% | 19.950 | 24.561 | 4.611 | 19% | 26% |
| Lithua- nia | 197.788 | 6,00% | 6.072 | 17.939 | 11.867 | 66% | 3% |
| Poland | 1.729.233 | 6,00% | 36.879 | 140.633 | 103.754 | 74% | 2% |
| Swe- den | 738.624 | 3,33% | 45.590 | 70.211 | 24.621 | 35% | 6% |
| Finland | 228.562 | 3,33% | 14.700 | 22.319 | 7.619 | 34% | 6% |
| Norway | 293.403 | 3,33% | 29.959 | 39.739 | 9.780 | 25% | 10% |
| Hun- gary | 581.927 | 6,00% | 24.252 | 59.168 | 34.916 | 59% | 4% |
| Russia | 1.949.205 | 6,00% | 317.468 | 434.420 | 116.952 | 27% | 16% |

| Country | Number of SME (2019 - Eurostat) | Business Transfer Rate | New limited liability businesses (2018 - World Bank) | Total Entrepreneur Demand | Business Transfer Entrepreneurs | BT share on total entrepreneurs | Column 3 / Column 1 |
|------------------------------|--|-------------------------------|---|----------------------------------|--|--|----------------------------|
| only EU+BSR countries | 6.447.113 | | 266.492 | 553.394 | 286.902 | 52% | 4% |
| BSR Region | 8.689.721 | | 613.919 | 1.027.553 | 413.634 | 40% | 7% |

The numbers of SMEs in each country were extracted from the SBA country reports referring to Eurostat data. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities. In this data the non-financial business economy is included, but no enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health.

In order to calculate the number of business transfers per year estimates of rates of business transfers per year were used. These estimates were based on the information available about business transfers and the qualitative research within the partner network. Two categories of countries were created to outline the different development paths.

The first category consists of countries without Soviet history, including Denmark, Germany, Sweden, Finland and Norway. For these countries, a business cycle at the

upper end of the generation cycle of 30 years was used to estimate the rate of business transfers.⁸ The calculated number of 85.096 business transfers in Germany is within the range of findings of different German research associations (see Germany). Looking at the Finish numbers the estimate of 7.619 business transfers per year solidly ranges within the numbers of business transfers the Finish SME barometer and other finish researchers calculated (see Finland).

The situation is different for countries in Eastern Europe, which form the second category. These countries were members of the Soviet Union until its collapse in 1991. The collapse came with a change of economic systems. In the Soviet system the companies belonged to the state and a communist system restricted entrepreneurial activities. This changed in 1991 and a new, market-oriented system allowed the people to create businesses, which results in strong entrepreneurial activity.⁹ Now, almost 30 years after the system change many entrepreneurs of the first hour are close to their retirement. Consequently, a rising number of businesses need to be transferred each year. Numbers from IPOSZ (Hungarian Association of Craftsmen's Corporations) suggest that 6% of all craftsmen are going to transfer their business per year in the next years. Due to the lack of sound data from other Eastern European countries this rate was adopted for all Eastern European countries. This seems plausible, taking into account the structural similarities and development processes of these countries.

Looking at the BSR a total business transfer potential of more than 413.000 companies per year was identified. These numbers stand partially in contrast to the numbers of business transfers publicized by the European Commission (EC). The European Commission reports that around 450.000 businesses are transferred within the EU-28 per year.¹⁰ But, calculating the number of business transfers with a rate of only 3.3%

⁸ Tremblay, M., & Vézina, H. (2000). New estimates of intergenerational time intervals for the calculation of age and origins of mutations. *American journal of human genetics*, 66(2), 651–658.
<https://doi.org/10.1086/302770>

⁹ Sauka, A., & Chepurenko, A. (Eds.). (2017). *Entrepreneurship in transition economies: Diversity, trends, and perspectives*. Springer.

¹⁰ https://ec.europa.eu/growth/smes/promoting-entrepreneurship/advice-opportunities/transfer-business_en

over all Europe with more than 23.5 million SME registered this would mean that almost 800.000 business transfers take place in Europe per year. Due to a lack of statistical data, it is not possible to completely retrace the EC estimates, but the huge difference to the reported numbers by the partner network clearly indicates a need for more data collection and analysis.

One limitation of these calculations is the inclusion of all SMEs. Some researchers argue that SMEs that fall below a certain level of operating profit (e.g. 58.442 € for sole proprietorships and partnerships in Germany or no losses in corporations¹¹) should be classified as not transferable and therefore should not be included in the calculations of potential transfers. But it can also be argued that companies can dispose of tangible and intangible business assets which nevertheless make a transfer economically feasible, that losses can be of a temporary nature and that even companies below certain operating profits can be transferable, if the business prospects are promising.

In the following, more detailed information about business transfers and entrepreneurial activity are presented individually for each country.

Denmark

In 2019, Denmark had a total number of 227.102 SMEs, representing 99.7% of all Danish companies. They employed 1.149.785 employees, this way providing 64.1% of all Danish private jobs and adding 60.8% or 91.0 billion € of value to the Danish economy.¹²

The entrepreneurial numbers in Denmark are at an all-time high, over 36.000 new SME were registered in 2018, more than ever before. In the area of entrepreneurship and start-up promotion significant improvements were made in recent years, like

¹¹ Kay, R.; Suprinovic, O.; Schlömer-Laufen, N.; Rauch, A. (2018): Unternehmensnachfolgen in Deutschland 2018 bis 2022, IfM Bonn: Daten und Fakten Nr. 18, Bonn.

¹² 2019 SBA Fact Sheet Denmark

lowering administrative barriers and costs. Also a special entrepreneurial training is in place. In the school year 2017-2018, 26% of all students ranging from primary school to university received this training in entrepreneurship.¹³ But, the early stage entrepreneurial activity of women in Denmark is with 3.79% substantially lower than the European average of 5.85%.¹⁴

The analysis of potential business transfers shows that, if 3.3% of SMEs are transferred per year, an additional need for entrepreneurs of 7.570 is needed to ensure a successful takeover of the company. Compared to the 36.341 newly registered businesses per year, this indicates that business transfers are responsible for around 17% of the total demand for entrepreneurs in the country. This is the lowest number in the BSR.

Germany

The annual averages of the estimates range between 19.000 and 102,000 potential business transfers per year. The most recent extrapolation is based on 511.000 companies planning to transfer their business between 2018 and 2022.¹⁵¹⁶

In another study the IfM (Institute for SME Research) assumes 150,000 business transfers in the period 2018 to 2022 (five-year period), which means 30.000 transfers per year. But in these calculations only companies with an annual profit of at least € 58.442 € for sole proprietorships or no losses for corporations are included in the projections. Despite the increased number of companies that are due for handover, the IfM Bonn does not expect a general gap of successors for the period 2018 to 2022 in

¹³ Fra ABC til ph.d. Kortlægning af entreprenorskabsundervisning i det danske uddannelsessystem 2017/2018 <https://www.ffe-ye.dk/media/788902/kortlaegning-2017-2018-ny.pdf>

¹⁴ 2019 SBA Fact Sheet Denmark

¹⁵ Schwartz, M. (2018): Generationswechsel im Mittelstand: Bis 2019 werden 240.000 Nachfolger gesucht, KfW Research, Fokus Volkswirtschaft, Frankfurt/Main.

¹⁶ KfW Mittelstandspanel 2018 <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-Mittelstandspanel/KfW-Mittelstandspanel-2018.pdf>

Germany. However, regional and industry-specific bottlenecks cannot be ruled out. A good half of all German family-owned companies resolve their succession within the family. 18 % of family businesses hand over the business to their employees and the remaining 29 % sell their business to external parties.¹⁷

A study about successor in Germany found out that 77.3% of successors of German companies were men and only 22.7% were female. This shows a potential for female entrepreneurs and business successors in Germany.¹⁸ This is in line with research about female early stage entrepreneurial activity. This ratio is in Germany with 3.29% clearly lower than the European average of 5.65%.

The estimates of the calculations at the beginning of this work indicate a potential of 85.096 business transfer per year in Germany. This number is a little higher than the total of 72.844 new limited liable businesses registered per year in Germany and show the importance of business transfers in Germany, as business transfers represent 54% of the entrepreneur demand in Germany. These numbers range within recent numbers published by the IfM and the KfW.

Latvia

Latvia in 2019 reported 114.131 SMEs, meaning 99.8% of all companies in Latvia were classified as SMEs. 519.697 workers were employed in these SME, meaning 79.4% of the Latvian workforce was working in SME. They added a total value of 9.3 billion €, which was 71.1% of the total value added that year.

Entrepreneurship in Latvia began to rise almost 30 years ago, similar to other Eastern European countries, marking a path of transition. Almost at the same time as

¹⁷ Kay, R.; Suprinovic, O.; Schlömer-Laufen, N.; Rauch, A. (2018): Unternehmensnachfolgen in Deutschland 2018 bis 2022, IfM Bonn: Daten und Fakten Nr. 18, Bonn.

¹⁸<https://www.slideshare.net/AecmEurope/business-transfers-results-of-a-study-from-germany>

declaring independence the first Law of Entrepreneurship was introduced in Latvia. This marked the beginning of a wave of entrepreneurs starting new businesses.

It strikes out that from 1991 – 1994 around 100.000 new companies were registered, meaning an average of 25.000 businesses per year were registered. A comparison to the 9.864 businesses that were registered in Latvia in 2018 shows the scope of this founding boom. Especially, the businesses from that that are still active have a need of being transferred in the next years, as more and more of their founders are getting close to retirement age. Therefore a higher rate of business transfers for the next years can be assumed.

The calculations made in this work indicate a potential of 6.848 business transfers per year in Latvia and according to the World Bank 9.864 limited liable companies were registered in Latvia in 2018. Meaning that the share of business transfers in the total demand for entrepreneurs was 41%.

Estonia

In 2019 76.856 or 99.8% of all Estonian enterprises were SMEs. These companies employ in total 345.531 employees, representing 79.2% of the Estonian workforce. This is a quite high share compared to the 66.6% European average. 10.6 billion € of value is added per year by Estonian SME, meaning they create 76.7% of the added value in Estonia.¹⁹

Traditions of SMEs in Estonia were destroyed during the incorporation of Estonia into the Soviet Union. In past centuries entrepreneurship in Estonia had advanced, but during the occupation period private entrepreneurship was not allowed. After Estonia regained independence in 1991, private entrepreneurship gained a lot of momentum, the first family farms were established and family business started to evolve. People with entrepreneurial spirit started to develop private business as private entrepreneurs.

¹⁹ 2019 SBA Fact Sheet Estonia

The topic of business transfers is still underrepresented in the political agenda in Estonia, but the entrepreneurs who started their business shortly after the independence are now in the age where they wish to pass the business on to the next generation.²⁰

Nowadays, Estonia is one of the leading European countries in promoting entrepreneurship among its citizen. It has the highest rate of early stage entrepreneurial activity in general and among women in the European Union. Also, entrepreneurship education at basic school levels and at post-secondary levels are among the best in the EU.²¹

The estimates made in the calculations above indicate a potential of business transfers in Estonia of 4.611 business transfers per year. The number of newly registered limited liable companies in 2018 was 19.950, meaning that business transfers have a share of 19% on the total demand of entrepreneurs. This is after Denmark the lowest share in the BSR.

Lithuania

Lithuania in 2019 reported 197.788 SMEs, so 99.8% of all companies in Lithuania were classified as SMEs. 755.158 workers were employed in these SME, so 75.9% of the Lithuanian workforce is working in SMEs. They added a total value of 14.0 billion €, which was 69.4% of the total value added to the Lithuanian economy that year.²²

Researchers found out that SME business transfers can be a component of regional development concepts, which has only recently been an issue in Lithuania. They indicate that in Lithuania, a priority should be given to the promotion of growth poles with SMEs and that it is important to assess the opportunities that exist for the economic

²⁰Güldencoh, M. (2014). Improving conditions for transferring family enterprises in Estonia. *Discussions on Estonian Economic Policy: Developments in the EU Member States After the Economic Crisis*, (2).

²¹ 2019 SBA Fact Sheet Estonia

²² 2019 SBA Fact Sheet Lithuania

development of SMEs.²³Ensuring the successful transfer of SME is such an opportunity, worth to be assessed.

The calculations of the potential of business transfers in Lithuania resulted in an estimate of 11.867 potential business transfers per year in Lithuania. Its importance is notable, when compared to the number of newly registered liable companies in Lithuania, which was 6.072. This results in a total entrepreneur demand of almost 18.000 entrepreneurs per year willing to overtake or start a business, of which business transfers have a large share of 66%.

Poland

In 2019, Poland had a total number of 1.729.233 SMEs, representing 99.8% of all Polish companies. They employed 6.125.825 employees, this way providing 67.1% of all Polish private jobs and adding 51.4% or 119.5 billion € of value to the economy.²⁴

The analysis for business transfers in Poland indicates that a little more than 100.000 companies need to be transferred per year. Also, 36.879 limited liable companies were registered in Poland in 2018, indicating a total need of entrepreneurs of more than 140.000 per year. In Poland a large share (76%) of these entrepreneurs is needed for the securing of business transfers.

Polish SME are mainly the effect of the functioning of the economy over the last 25 years and their managers are actually the first generation of entrepreneurs after the Soviet time.²⁵Most of these family businesses want the company to stay within the family (56%), only 18% do not want that and the rest is undecided (26%). Of these

²³ Snieška, V., Virvilaite, R., Banyte, J., Kvainauskaite, V., & Savaneviciene, A. (2017). Small and Medium-Sized Business as a Regional Development Factor in Lithuania. In *Regional Economic Growth, SMEs and the Wider Europe* (pp. 192-208). Routledge.

²⁴ 2019 SBA Fact Sheet Poland

²⁵ PARP (Panel Polskich Przedsiębiorstw, Warszawa) (2014), Firmy rodzinne w Polsce '2014. Projekt badawczy, PARP Panel Polskich Przedsiębiorstw, Warszawa 015.

transfers within the family the preferred form of transfer for Polish companies is handing over only the management to the next generation (42%). 32% of owner-managers want to transfer the complete ownership and 18% also want to transfer the governance/supervisory board.²⁶ This shows the strong involvement of owner-managers in family businesses and their desire of staying involved. Also, the high preference for transfers within the family indicates a good starting point for entrepreneurial training.

According to the EU Start-up Monitor, the Polish start-up ecosystem has been actively developing over the past few years. Looking at the characteristics of Polish founders, the typical Polish founder is male (74.6 %) and holds a university degree (81.7 %). But Poland is also leading the way for European female entrepreneurship, with 23.9 % female founders compared to the EU average of 15.6 %.²⁷

In Poland, the lack of awareness and knowledge of entrepreneurs and governmental agencies about business succession is one of the main obstacles. An additional problem is that Polish family business owners have a distrust of external people (i.e. managers, advisers and experts) and a low interest in external training. Additionally, there are almost no external advisors available in Poland. Also, senior owners do not want to consider succession in their companies as they think they still have time and they want to do everything by themselves. In their point of view, they are still able to work and they postpone the moment of the succession further and further. When the moment comes, it is already too late, because different to their desire the children often do not want to take over the family business in Poland. Stakeholders from Poland criticize their system in regard to business succession. One of the main criticisms is that successors entering the businesses activity must immediately fulfil all legal requirements. This discourages people from becoming successors. The local Polish authorities ask for a reduction of taxes in a specified timeframe, counselling of professionals and support from the EU funds. From conversations with the owners of Polish family firms it appears that even

²⁶ https://static3.santander.pl/asset/r/a/p/raport-kpmg-w-polsce-sprzedaz-sukcesja-akwizycja_96126.pdf

²⁷ 2018 SBA Fact Sheet Poland

more advanced forms of business (e.g. limited liability company) do not guarantee safe transfer of ownership and power. However, many owners do not take into account rules and mechanisms ensuring the smooth transfer of management. Therefore, Polish companies are neither from the organizational side nor from the legal side prepared for business succession.²⁸

Sweden²⁹

In 2019 738.624 or 99.9% of all Swedish enterprises were SMEs. These companies employ 2.184.295 employees, representing 65.5% of the Swedish workforce. 142 billion € of value is added per year by Swedish SME, meaning they create 61.2% of the added value in Sweden.³⁰

The entrepreneur characteristics in Sweden show that, the female entrepreneurship rate is relatively low (4.02% of female population) and below the EU average (5.65%). Also, the proportion of Swedish women who are self-employed with employees (1.6 % of females) and the proportion of own-account workers (3.8 % of females) are among the lowest in the OECD.³¹ One reasons for this might be the good labour market, causing a lack of women who want to start a business. Even the improvement of entrepreneurial framework conditions and the high social status of entrepreneurs didn't lead to an increase in female entrepreneurial activity.³²

The potential for business transfers in Sweden is estimated by the previous calculations to a total amount of 24.621 transfers per year. 2018 in Sweden 45.490 companies

²⁸ ENTER- transfer (2017), Report on the needs assessment and stakeholder engagement in the participating regions- Poland. Institute for Sustainable Technologies –National Research Institute.

²⁹ Prepared by Josefina Crowther- Drivhuset Skaraborg

³⁰ 2019 SBA Fact Sheet Sweden

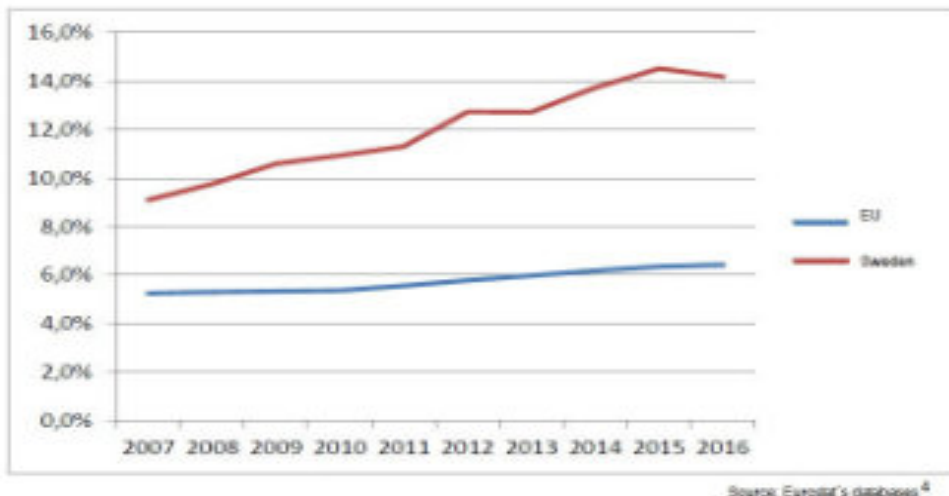
³¹ Country Report Sweden 2019 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances – European Commission.

³² 2019 SBA Fact Sheet Sweden

were registered, meaning that the total entrepreneur demand can be estimated to 70.211 entrepreneurs per year, of which 35% are needed to ensure business transfers.

The reason for this drastic increase in business transfers is that a quarter of all business owners are 55-64 years old (the average age of business owners in Sweden is 52 years old)². One-sixth is 65 years old or older (the retirement age for Sweden is 65 years old), which corresponds to approximately 47 000 businesses with a total of 310 000 employees. The majority of these business owners are in the mineral exploration and mining industry (29%) or the energy sector (29%). One out of four limited liability companies are also run only by one person, the business owner. One out of every five limited liability companies with more than 50 employees has a business owner that is over 65 years old, which corresponds to about 3 200 companies, with a total of approx. 200 000 employees. Notably, Sweden has the second-highest number of business owners that are over 65 years old in the EU (14,2% compared to the average of 6% in the EU)³³. About 25 % of the business owners in Sweden plans to work until they are at least 68 years old (3 years longer than the normal retiring age) because they love their job (50% of them) or they feel like they have to work longer to be able to survive on their retirement plans (33% of them)⁴. It's not usual that business owners retire even later when they are 70-75 years old².

³³ <http://mb.cision.com/Public/67/2474664/a895d87cc9c09106.pdf>



Percentage of Business Owners Over 65 Years Old

There has been a long ongoing discussion about taxes for businesses in Sweden for several years. Taxes for business transfers are high, and until June 2019 the taxes favored business transfers to an external successor, rather than a family member as the successor³⁴. Today the taxes are the same no matter who the successor is. However, there are still other regulations and laws that benefit business transfers outside the family.

Awareness of business transfers among business owners

In 2017, the Swedish Federation of Business Owners carried out a survey². They asked 1 100 business owners about their business transfer plans. For 6% of the business owners, a business transfer will take place within 2 years, 16% believe it will happen within 5 years and one out four expects a transfer within 10 years. Notably, half have not taken any action to prepare their business transfer yet. Among the ones that have

³⁴ <https://www.riksdagen.se/sv/aktuellt/2019/apr/26/nya-skatteregler-for-generationsskifte-mellan-narstaende-i-famansforetag/>

started the preparations, the majority have started discussions with their family or an auditor. Just a few have discussed it with their employees and/or board.

Every fourth business owner will most likely close down the business rather than transferring it. This seems to be the case for business owners who run their business by themselves and the business depends on their skills, knowledge, and network. Hence, the number of employees seems to be crucial, businesses with 10 employees or more are highly likely to carry out a business transfer. Other common reasons for closing down are that no family member or employee can or want to take over the business, difficulties in estimating the value the company, failure to find an external successor, law issues, and uncertainty about how the transfer should happen. The majority plan to retire after a close down or business transfer. Some plan to start a new business, continue to work within the company (new position), counseling other companies, engage more in another company they own, be employed, or carry out board member activities in other companies.

Among the business owners that will carry out a business transfer within 10 years, the majority believe that the most likely one to take over the business is another company or a family member. Some believe that the successor will be a shareholder, private person, or current employee. The majority also think that a business transfer will decrease the competence within the company but will have a positive impact on the number of employees, growth, competitiveness, and profitability. Almost everyone believes it will be difficult to carry out a business transfer and about one out of ten expect challenges with their business transfer. The biggest challenge is that the business depends on the business **owner's** competence and network. The fact that many business owners enjoy running their businesses is another limiting factor. Other challenges are difficulties in valuing the company, no successor, taxes, and laws. When it comes to the timeline, the majority (40%) believe it takes 1-2 years to complete a business transfer. About a third think it will be faster, within a year. 12% believe it takes 3–4 years and 4% think 5-10 years.

In 2019, The Confederation of Swedish Enterprise carried out a survey³⁵. 502 companies in the Västra Götaland region in Sweden answered the survey about a possible business transfer. Every third business owner plans to make a business transfer within 5 years. 12% are not sure if a business transfer will happen or not. The main reason (52%) for a business transfer to occur is due to the business owner's age or health condition. When it comes to the successor, 38% plan to sell to an external buyer. Three out of ten expect a family member to be the successor.

Generally in Sweden, business owners in start-ups love to talk about their businesses for publicity, but when it comes to business transfers the owners tend to be more cautious and reserved about letting others know that they are selling the businesses. It seems business owners are ashamed to sell their company³.

Available support

Several organizations in Sweden offer support during a business transfer e.g. banks, business brokers, auditors, lawyers, business support organizations (e.g. almi.se, foretagarna.se, nyforetagarcentrum.se and connectsverige.se), branch federations (e.g. lrf.se for farming and iuc.se for the industry sector), consultants (e.g. excore.se) and business transfer websites (e.g. blocket.se, objektvision.se, and bolagsplatsen.se). Companies can get support from expert advisors (which give advice within their area of expertise) or process advisors (which have knowledge about the business transfer process including the emotional aspects)². There are also books available, for example, in 2018 a book about successful business transfers with hand-on tips and guides was published. In the Swedish Federation of Business Owners survey half on the business owners answered that they will ask an auditor for help with their business transfer. 25%

³⁵ https://www.svensktnaringsliv.se/regioner/vastra-gotaland/stora-varden-star-pa-spel-generationskiftet-i-vastsvenskaforeta_734607.html/BINARY/Stora%20v%C3%A4rden%20st%C3%A5r%20p%C3%A5%20spel%20-%20Generationskiftet%20i%20V%C3%A4stsvenska%20F%C3%B6retag.pdf
<https://www.bokus.com/bok/9789152350386/framgangsrika-agarskiftet/>

will ask a lawyer or their own network. Others will ask their bank or a business broker and some will not ask for any help.

Finland

Finland in 2019 reported 228.562 SMEs, meaning 99.7% of all companies in Finland were classified as SMEs. 962.785 workers were employed in these SME, so 65.2% of the Finnish workforce is working in SMEs. They added a total value of 63.5 billion €, which was 59.6% of the total value added that year.³⁶

Finland is one of the few countries with more extensive research available about business transfers. The research carried out in Finland, focused on business transfers and the role of aging entrepreneurs. At the time of the study (2008 - 2011), it was estimated that there were about 74.000 entrepreneurs, 55 years old or older. A survey was carried out: 15.000 questionnaires were sent and about 20% replied. According to the responses, it is estimated that about 28.000 firms will be transferred to new ownership in the next 10 years, or about 2.800 per year. In addition, there will be succession in family firms of about 14.800 over the period, or some 1.500 per year. About 20.000 firms are expected to close down, or 2.000 per year. This will affect some 8.000 jobs every year.³⁷

Another survey was carried out among young entrepreneurs and had 170 responses: according to this 20% of those under 50 years of age were willing to sell their business, while 42% were willing to buy, which suggests there is potential for successful business transfers. Additionally, the Finnish SME barometer estimates that about 10.000 business transfers could be realised every year during the five following years and 39% of

³⁶ 2019 SBA Fact Sheet Finland

³⁷ A longitudinal panel study of entrepreneurial intentions of higher education students in Finland by Elina Varamäki et al. <http://pyk2.aalto.fi/ncsb2012/Varamaki.pdf>

Finish aging entrepreneurs wants to sell to a third party, only 20 % think they find within family and 27% want to close the business ³⁸

The calculations at the beginning of this report range within these numbers, as a potential of 7.691 Finish SMEs transfers is estimated. In combination with the registration of 14.700 new limited liable companies per year a total entrepreneur demand of slightly more than 22.000 entrepreneurs can be identified for Finland. Business transfers account for share of 34% of these entrepreneurs.

There is also data about the business size of aging entrepreneurs (older than 55 years) approximated with the number of employees

| Number of employees | Share of aging entrepreneurs (older than 55) |
|----------------------------|---|
| One-person company | 37 % |
| 2 – 4 employees | 33 % |
| 5 – 10 employees | 17 % |
| 11 – 20 employees | 7 % |
| Over 20 employees | 5 % |

It is notable that the share of aging entrepreneurs is especially high in one person companies (37%) and in companies with 2 – 4 employees (33%). But the larger the company the fewer aging entrepreneurs are running the business. In the very same study aging entrepreneurs were also asked about the challenges of business transfers and with a value of 3.17 on a scale from 1 (not at all a problem) to 5 (a very significant

³⁸ A longitudinal panel study of entrepreneurial intentions of higher education students in Finland by Elina Varamäki et al. <http://pyk2.aalto.fi/ncsb2012/Varamaki.pdf>

problem) finding a successor was by far the biggest problem for aging entrepreneurs in Finland.³⁹

In another study from 2018, 55-year-old Finish entrepreneurs were asked what they think about the future of their company after they have retired and these are the results:⁴⁰

| What do you think about the Future of the company after you have retired? | Size of the company (number of employees) | | | | |
|--|--|------------|-------------|--------------|---------------|
| | 1 | 2-4 | 5-10 | 11-20 | >20 |
| Generational transfer within the family | 9 % | 23 % | 34 % | 26 % | 41 % |
| The other owners will continue | 4 % | 5 % | 11 % | 9 % | 15 % |
| Business will be sold to outsiders | 36 % | 55 % | 44 % | 58 % | 42 % |
| Company will be shut down | 52 % | 16 % | 11 % | 7 % | 2 % |

This survey shows that there is a great expectation from business owners to be able to sell their company to outsiders, when they reach retirement age. In some size classes this is true for up to 58% of the owners, showing a substantial need for well qualified successors. As for many business owners the sale of their business is strongly connected with their pension provision, finding a successor is critical for their life as a pensioner.

³⁹ Gnan, L., Lundberg, H., Songini, L., & Pellegrini, M. (Eds.). (2014). *Advancing European entrepreneurship research: entrepreneurship as a working attitude, a mode of thinking and an everyday practice*. IAP.

⁴⁰ https://www.yrittajat.fi/sites/default/files/omistajanvaihdosbarometri_2018.pdf

Norway

In 2014 Norway has approximately 281.777 SMEs, this means that 99.8% of all Norwegian enterprises were SMEs. These companies employ 1.037.382 employees, representing 67.7% of the Norwegian workforce. 156 billion € of value is added per year by Norwegian SME, meaning they create 71.4% of the added value in Norway.⁴¹

The results of the potential business transfers per year in Norway indicate that almost 10.000 Norwegian enterprises need to be transferred be year. Also in 2018 almost 30.000 new limited liable businesses were registered in Norway, leading to a total entrepreneur demand of close to 40.000 entrepreneurs per year, of which business transfers stand for 25% of the demand.

Hungary

In 2019 581.927 or 99.8% of all Hungarian enterprises were SMEs. These companies employ 1.899.936 employees, representing 65.5% of the Hungarian workforce. 37.7 billion € of value is added per year by Hungarian SME, meaning they create 61.2% of the added value in Hungary.⁴²

According to the Hungarian Association of Craftsmen's Corporation (IPOSZ) 30% of all Hungarian craftsman businesses need to be transferred within the next five years. This means that on average 6% of companies need to be transferred each year. This high number shows that many Hungarian companies were founded after 1990 and now need to be transferred, which corresponds with the findings from other former Soviet countries.

Research about the preferred form of succession shows that many Hungarian owner-manager want to stay involves in their business. Only 35% plan to transfer the ownership and the managerial function of their company. But, 22% only want to

⁴¹ 2014 SBA Fact Sheet Norway

⁴² 2019 SBA Fact Sheet Hungary

transfer the ownership and 43% say that they only want to transfer the managerial functions, but keep the ownership.⁴³

Statistics about the successor show that in 37% of the cases the successor was not a family member, but already working in the business. In 27% of the cases the successor was not a family member and didn't work in the business before. 23% of the successors were family members that worked in the company before and 13% were family members that didn't work in the company before.⁴⁴

Russia⁴⁵

The problem of ensuring transfers of SMEs is a relevant issue in Russia. Many Russian companies were created in the 1990s and still are managed by their founders. The owners of these companies are now reaching retirement age. Numerous researches and studies show that the typical business owner in Russia is between 45 and 55 years old. It should be noted that only a few companies or families have developed formal and documented business transfer plan.⁴⁶

The topic of transferring business is quite new and poorly understood in Russia. The private businesses as an institution started to develop in the 1980s in Russia. During this period spheres like politics, society and economics had changed radically in the country. Such types of small enterprises as cooperatives, business associations and cooperative movement associations were formed. Despite the fact that a lot of studies about succession have been carried out recently in Russia by Skolkovo Management

⁴³Bogdány, E., & Csizmadia, T. (2014). Leadership succession and the origin of successor in Hungarian SMEs. *Management & Marketing*, 9(3).

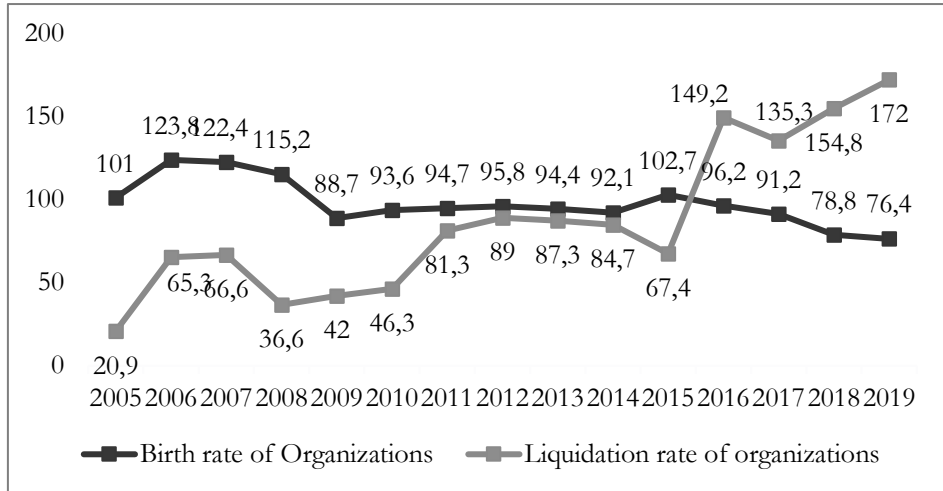
⁴⁴ Bogdány, E., & Csizmadia, T. (2014). Leadership succession and the origin of successor in Hungarian SMEs. *Management & Marketing*, 9(3).

⁴⁵ Prepared by Natalya Ivanova - Association of SMEs support centers of the Kaliningrad region

⁴⁶<https://www.forbes.com/sites/markeghrari/2017/10/29/how-to-ensure-a-family-business-stays-in-the-family/#3dead5b8700d>

school, PWC and Deloitte, there is no exact information about the number of business transfers per year or a number of employees involved.

According to Rosstat data in spite of many SMEs being created every year, there is also a significant number of SMEs that go out of business. Until 2015 the birth rate of businesses was below the liquidation rate. This ratio has reversed since 2015 and more businesses are liquidated than created.

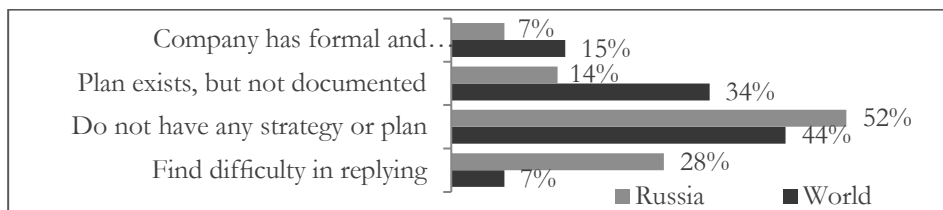


Business demography indicators for Russia as a whole

The figure shows that the liquidation rate of organizations is more than 2 times higher than the birth rate. This statistic indicates that a potential for transferring businesses is increasing every year despite the small share of value SMEs in Russian contribute to the economy, compared to European countries (only 22%).⁴⁷ Nevertheless, studies conducted by PWC and the Moscow School of Management Skolkovo indicate, that the main strategies of Russian business owners regarding business continuity are: "be the owner of the business further" or "manage the company as long as possible."

⁴⁷<https://www.themoscowtimes.com/2020/01/28/russias-small-businesses-contribute-20-percent-russia-economy-a69063>

The main hindrance for successful business transfer is a lack of participating owner-managers, entrepreneurs and other interested parties' awareness about the complexity of business transfer process and absence of united supporting ecosystem for companies. According to PWC research conducted in 2018, only 21% of Russian private companies have a business transfer plan in some form for managerial positions and only 7% of companies recognize this plan as detailed, efficient and documented, what is far below global total –15%.⁴⁸



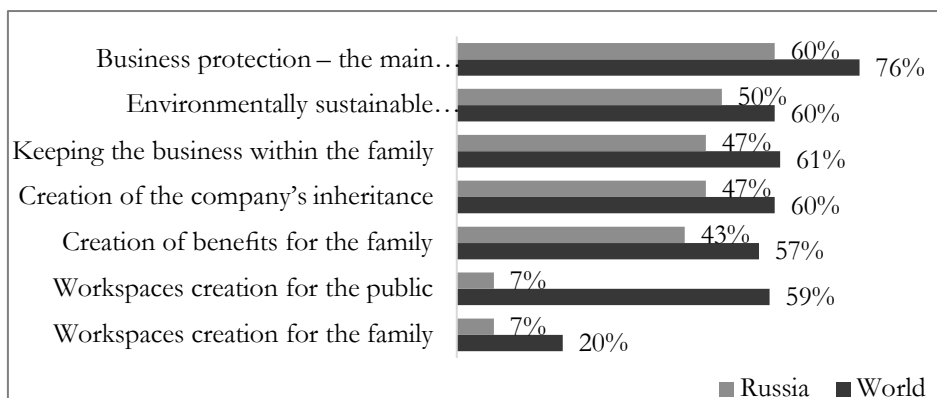
Existence of business transfer plan in Russian companies, % (PWC Research, 2018)

Many families running their own businesses delay the strategic decisions (especially related to transfer) and focus on current issues. However, a family business should clearly understand its strategy on the next 5-10 years. Besides, 79% of potential successors of Russian companies are interested in managing a family company.⁴⁹

The main reasons for developing a business transfer plan for Russian entrepreneurs are the protection of their business, the environmentally sustainable development of the company and the continuation of the family business.

⁴⁸ Private and family business in Russia – PWC Research

⁴⁹<https://www2.deloitte.com/us/en/insights/topics/strategy/next-generation-family-owned-businesses-emea.html>



The main reasons for developing a business transfer plan, % (PWC Research, 2018)

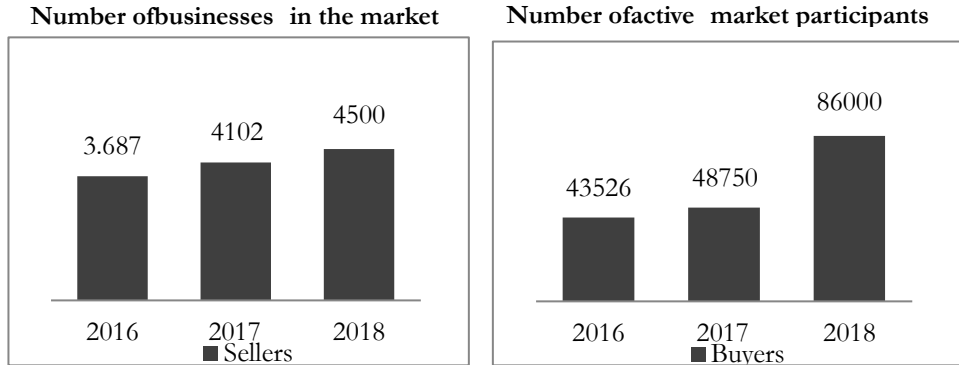
88% of family business owners are confident in the existence of their company over the next 5 years, but statistics undermines this statement. According to Volkov (2017), only 30% of enterprises reach the second generation, 12% remain viable after the transfer to the third generation, and only 3% of existing enterprises are managed by the fourth generation. Today, 55% of Russian companies are managed by representatives of the first generation.⁵⁰

70% of Russian owners want to keep the business in the family and transfer the company's assets to the next generation by inheritance. Despite the fact that during the last few years, Russian entrepreneurs' confidence in transactions related to the purchase and sale of a existing business has increased, only 14% of owners plan to sell their business.⁵¹ The volume of the existing business purchase and sale market is small and does not exceed 25 billion rubles per year.

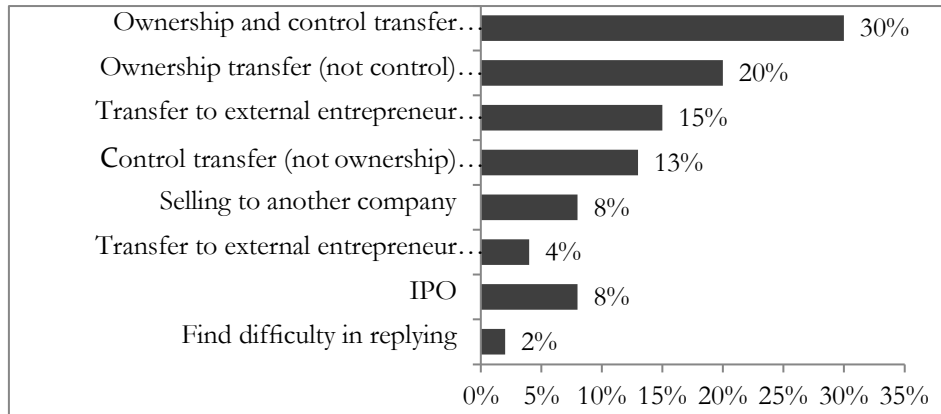
⁵⁰<https://cyberleninka.ru/article/n/razvitie-semeynogo-predprinimatelstva-kak-sinergii-predprinimatelskih-kompetentsiy>

⁵¹<https://www2.deloitte.com/us/en/insights/topics/strategy/next-generation-family-owned-businesses-emea.html>

Nevertheless, this direction of business transfer is quite promising, and its annual growth is about 15%. For example, in 2018 the ratio of sellers to buyers of a existing business in the St. Petersburg market was 1 to 19.



Generally, families rarely sell or close their business and are often willing to experience serious financial difficulties if this allows not surrendering their control or renouncing influence within the company. However, about 34% of the owners declared readiness to constrain their right of sole ownership to achieve financial success in the long term.



Most preferred business transfer models for company owners in Russia

Management of many family-owned enterprises supposes that the family business can do without a formal succession and business transfer plan. In fact, the business transfer process is extremely difficult for the majority of stakeholders despite the longer-term focus of family companies and the crucial importance of succession in management for the future of business.

Concluding Remarks

The European Commission states that business transfers are as important for the European economy as start-ups because both are equally important for the development of economy. But the above analysis suggested that the scope of business transfers is wider than known. This seems especially true for countries with a strong Soviet history. In these countries the number of entrepreneurs needed to ensure business transfers outnumbers the number of new registrations of limited liable companies.

The topic of business transfers is also for countries like Germany, Denmark, Norway, Sweden and Finland important, as a successful business transfer is connected with the preservation of sophisticated tangible and intangible assets. Furthermore,

encouraging entrepreneurs to engage more in business transfers can be a strategy to include groups like women, who are underrepresented as entrepreneurs in all BSR countries, to become a part of the entrepreneurial environment.

This analysis also shows the existing lack of national and European statistics and research on the topic of business transfers. This is remarkable under the aspect that the European Commission declared this topic a priority and recognizes its importance.

The high estimated number of annual business transfers shows that support for business transfers in general and for certain previously underrepresented target groups of potential entrepreneurs in particular is absolutely essential. The high proportion of business transfers in comparison with the other business start-ups shows, particularly in Eastern Europe, the potential for economic development that lies in securing business transfers. It was shown how important SMEs and their transfer are in the overall economic development and that especially the Eastern European countries of the BSR need to develop further target groups in order to remedy the emerging lack of entrepreneurs. Therefore, the project developed a general political strategy programme and action plans for four specific target groups, which are women, employees of SMEs, immigrants and former emigrants returning to their county of origin.

2 | Current situations of the promotion in the Baltic Sea Region and their support⁵²

Below, the state of the literature on business transfers is reviewed and a survey conducted in 2020/2021 is presented and analysed. Business transfers have increasingly gained importance over the last three decades, not only within the realm of academic research, but also within national and international policy arenas. Business transfers are understood in a broad sense, as defined by the European Commission: “Business transfers refer to the process where all assets representing in their totality an enterprise as a going concern are transferred to a new owner” (Calogirou et al., 2010). As company owners are increasingly reaching retirement age in line with demographic trends in Europe, the issue of transferring the company is essential. While business start-ups have been heavily researched, the importance of business transfers has gone relatively unexplored until more recently. Some scholars even argue that support of successful business transfers may be even more important for stable and sustainable economic growth than those of start-ups (Van Teeffelen, 2012). This is due to the significantly higher survival, turnover and profit rates of transferred businesses compared to start-ups, estimated between 35–50% for start-ups compared to over 90% for transferred businesses (Alpeza et al., 2018; Battisti & Williamson, 2015; Varamäki et al., 2014; Viljamaa et al., 2015a).

The European Commission started paying attention to business transfers in 1994 and has been issuing recommendations and guidelines both for its member states’ governments and small and medium size enterprises (SMEs), in general ever since (Alpeza

⁵² Part of a peer-reviewed paper authored by M.Hogeforster and S.Horn and published in spring 2021

et al., 2018; Bastié et al., 2018; Deschamps et al., 2020). Particularly in the face of a failure rate of just over 30%, it is vital for national governments to provide the best possible support for business transfers in the best possible economic and political environment (European Commission, 2013 in Deschamps et al., 2020). Moreover, the importance of business transfers is expected to increase over the next decade or so, due to the ageing populations of most European countries (Battisti & Williamson, 2015; Deschamps et al., 2020; Ryan & Power, 2012; Viljamaa et al., 2015b). Business transfers are particularly important for SMEs as they make up the vast majority of firms across Europe with nearly 98.7% of all firms being “classified as small firm” (Ryan & Power, 2012). They thus employ 50.4% of the overall workforce (approx. 90 million people) and are responsible for nearly €4 trillion in added value (Alpeza et al., 2018). According to the European Commission (2013, in Deschamps et al., 2020), each year more than 450,000 SMEs and over two million jobs are affected by business transfers. This is particularly concerning, as one third of these business transfers fail due to a variety of reasons, often related to a lack of resources, and are thus endangering up to 150,000 businesses and threatening the loss of 600,000 jobs (Alpeza et al., 2018; Deschamps et al., 2020). Business transfers, especially transfers of SMEs, are therefore not only of great importance for the individual businesses transferred, but also for the overall economic stability of the European economy (Viljamaa et al., 2015a). A resilient economy heavily relies on successful transfers. This is particularly true in the new EU member states and Russia, where many new companies were founded privately in the context of the transition and the structural changes in the economy at the beginning of the 1990s. Starting their companies in their 30–40ties, their owners are now increasingly at the age when a transfer of business is required.

Literature review

Business transfer theory and models

Business transfers can be analysed from a number of different perspectives, varying from the actual business transfer process to the services provided to support them to the political and economic environment that these are being carried out in (Van Teeffelen, 2012; Varamäki et al., 2014). Research into business transfers was first introduced in the 1980s and has developed from placing a stark focus on family business transfers, to more general research on business transfer processes (Alpeza et al., 2018; Van Teeffelen, 2012). While there is no consensus about the meaning or definition of business transfers, they are generally defined as the transfer of ownership of a company to another person or legal entity of more than 50% of the assets or shares, while at the same time “assuring the continued existence and commercial activity of the [company]” (Alpeza et al., 2018). This definition was first introduced by Van Teeffelen in 2010 and has enjoyed great support since (e.g., Deschamps et al., 2020; Alpeza et al., 2018). Transfer models were first introduced in the late 1970s, e.g., by Longecker and Schoen in 1978 which, while providing a seven-step process for business transfers, failed to include “any reference to post-succession issues” (Meijaard et al., 2005), an issue that has been repeatedly criticised within other business transfer models as well (Meijaard et al., 2005). A business model developed by Van Teeffelen’s highlights the great amount of preparation which needs to go into a business transfer (Bastie et al., 2018; Meijaard et al., 2005; Varamäki et al., 2014). Business owners have a wide variety of different options of how to transfer their business, ranging from transfer to a family member, to transfer to an employee to transfer to an external buyer (Battisti & Williamson, 2015; Meijaard et al., 2005; Molly et al., 2010; Ryan & Power, 2012). The success rate of business transfers is also highly dependent on the socio-economic environment in which they take place. This environment, the so-called “business transfer

ecosystem”, the system in which business transfers take place, needs to be able to provide transparent, affordable and readily accessible services to business owners seeking to transfer their business (Alpeza et al., 2018; Viljamaa et al., 2015a, 2015b).

While sellers and buyers are understood to represent the main actors in business transfers, the transfer is always influenced by external and internal factors, such as the quality and expertise of advisors, the accessibility of financial institutions and services, as well as market and economic conditions (Van Teeffelen, 2012). Particularly influential are advising parties to the process, as business owners usually lack the necessary expertise for a business transfer which makes a well-working business transfer ecosystem so important (Alpeza et al., 2018). Unfortunately, research has shown that governments and policymakers are generally unaware of the importance of such an ecosystem, and thus still do not offer businesses the necessary support. Another issue is that the services and support offered, as well as the overall economic and political conditions, differ immensely between countries and regions despite the EU’s continuous work to support all of its member states with building and expanding their national support structures (Alpeza et al., 2018; Van Teeffelen, 2012; Viljamaa et al., 2015b).

Challenges for business transfers

Although business transfers may seem like a rather straight-forward process at first, business owners who are looking to transfer their business for a number of reasons face many challenges during that process. The literature on business transfers provides a lot of reasons and challenges to explain why over a third of business transfers fail (Alpeza et al., 2018; Deschamps et al., 2020, European Commission in Deschamps et al., 2020). The overall consensus is that business transfers primarily fail due to a lack of knowledge and a lack of affordable and accessible resources for business transfers (Alpeza et al., 2018; Battisti & Williamson, 2015; Van Teeffelen, 2012; Varamäki et al.,

2014; Viljamaa et al. 2015b). The reason for the lack of knowledge and expertise of business owners of business transfers is due to the fact that for most business owners, a business transfer is a “once-in-a-lifetime issue” (Van Teeffelen, 2012). Business transfers require unique knowledge and skills which are neither acquired nor needed during the every-day practice of running a business (Battisti & Williamson, 2015; Van Teeffelen, 2012; Varamäki et al., 2014; Viljamaa et al., 2015a). Business owners tend not to plan for succession and often postpone the transfer of their business as much as possible, making it difficult to find a suitable successor (Van Teeffelen, 2012; Varamäki et al., 2017). Nonetheless, despite the EU’s acknowledgement of business transfers as a matter of great importance, the “the EU market [still] fails to provide adequate professional services and support for small business owners” (Van Teeffelen, 2012). Overall, there appears to be not only a lack of appropriate support and services for businesses going through a business transfer, but also a general lack of awareness of the difficulties and challenges that businesses face (Alpeza et al., 2018; Van Teeffelen, 2012; Viljamaa et al., 2015b). Particularly small businesses struggle to access the necessary support for a successful business transfer (Battisti & Williamson, 2015; Van Teeffelen, 2012; Varamäki et al., 2014). This is due to a number of factors. For starters, there does not exist one single point of contact for business transfer advice, but rather a wide variety of intermediaries that offer their services to businesses seeking to transfer. This, however, makes it more difficult for smaller businesses to access the appropriate service and support that they require, as costs increase with each service they access. This results in particularly smaller businesses having to rely on one single intermediary, usually an accountant, who is not adequately equipped to assist and support the business in its transfer (Battisti & Williamson, 2015).

Another barrier for small businesses in particular is their reluctance to trust outsiders,

especially when the business is owner-managed and relies on specific, unique expertise which is generally not passed on to outsiders (Battisti & Williamson, 2015; Meijaard et al., 2005). This is a distinct challenge especially for family-owned businesses. Family businesses and their unique challenges have enjoyed a lot of attention in business transfer research, nevertheless, even though family business transfers are a special situation, they do not provide the majority of all transfers. Because research suggests that the actual transfer process runs more smoothly if the buyer is already familiar with the acquired company, due to the already existing trust and familiarity with the business and between the buyer and the stakeholders, it is so important to offer adequate support for non-family transfer processes (Bastié et al., 2018; Meijaard et al., 2005; Varamäki et al., 2014). Yet, this reluctance to rely on and trust outsiders also has an effect on non-family business transfers. Business owners and managers prefer to rely on (small) accountancy practices which they already have an established relationship with, rather than maybe other better suited and equipped intermediaries who could give better advice. On top of that, they often find themselves rejected due to the lack of value that they can offer to big business brokers, when they do try to access other, bigger intermediaries. Other intermediaries, such as business support organisations, are also rarely equipped to support businesses of any size, but particularly small businesses, in their business transfer process (Battisti & Williamson, 2015; Van Teeffelen, 2012). On top of their lack of expertise, suitable business transfer intermediaries are often difficult to find and generally lack transparency as to what services they offer (Varamäki et al., 2014). Few countries currently offer long-term regional or national programmes for business transfers which makes it difficult for small businesses to access the support they need, while bigger, medium-sized businesses, do not have to rely on public services, but can additionally access private sector support (Van Teeffelen, 2012; Varamäki et al., 2014). Another factor that has a stark influence on the chances of a business

succeeding in the long run is „how well they manage their knowledge“ (Desouza & Awazu, 2006) which also influences their long term survival. Poor knowledge management is particularly problematic for external buyers, because – unlike transfers within the family with a longer learning phase – they often have particularly short transition periods (Cadieux, 2007). SMEs especially lack the traditional resources due to their size which gives knowledge and efficient knowledge management even more importance (Desouza & Awazu, 2006; Durst & Edvardsson, 2012; Rodrigues et al., 2014). Knowledge and knowledge management also play a role when it comes to gaining access to business transfer intermediaries and potential buyers. They also become an issue during business transfers, as SMEs generally lack explicit knowledge management systems and instead often rely on the owner-manager and their expertise and the informal transfer of information within an enterprise (Centobelli et al., 2017; Desouza & Awazu, 2006). They do not have the resources to adequately manage knowledge in their everyday activities, resulting in knowledge “being kept in the minds of the owner and some key employees” (Durst & Edvardsson, 2012). Thus, when the owner-manager leaves the business, a vital information also leaves the business. For this reason, making effective knowledge management part of the transfer process is so important (Rodrigues et al., 2014; Durst & Wilhelm, 2012). Unfortunately, research has shown that businesses often underestimate knowledge management as part of the transfer process and therefore run into big issues caused by knowledge gaps after a business transfer (Thévenard-Puthod, 2020). A serious challenge for all companies continues to be the lack of skilled workers. This inevitably also has an impact on the number of potential entrepreneurs who are suitable to continue a company at all. In particular in Russia and the Eastern member states it is not easy to find a suitable successor. It is precisely in these countries that it is particularly difficult to find suitable successors. Almost all countries suffer from demographic change, so that there are generally not enough

young people. But Estonia, Latvia, Lithuania and Poland in particular have lost additional potential young entrepreneurs as part of the so-called brain drain (Kaczmarczyk & Okólski, 2008). Of course, this has an immense economic impact and there are efforts to bring back the young people who have left (Svazas & Liberyte, 2019), but with moderate success.

An indispensable prerequisite for the successful continuation of the companies is, of course, not only the quantitative component of young people as potential takeovers, but also their qualifications. Therefore, they need an entrepreneurial education that is very practice-oriented and enables them to continue running a business. Vocational training or studies in the dual model, so-called work-based learning, seem to be predestined for this (Hogeforster & Alexander, 2018). An essential prerequisite for any successful business transfer in companies – and it must be emphasised that a large number of transfers unfortunately fail and thus endanger jobs – is of course successful negotiation between owner and successor (Matalamäki et al., 2020).

Literature review conclusion

Overall, there appears to be not only a lack of appropriate support and services for businesses going through a business transfer, but also a general lack of awareness of the difficulties and challenges that businesses face (Alpeza et al., 2018; Van Teeffelen, 2012; Viljamaa et al., 2015b). There thus needs to be more awareness-building activities among policymakers, intermediaries and business owners on the challenges arising during business transfers and the support available. Additionally, the transfer ecosystem needs to be expanded and altered to offer the necessary long-term support not just for bigger and medium-sized companies, but particularly to small businesses which suffer the most under business transfer failures.

Results of survey

Since the topic of age-related company changes has only been sparsely researched to date, the authors initiated a new study. From October 2020 until March 2021 a survey has been conducted by the authors to learn more about the status quo, challenges and needs for support when it comes to business transfers. 283 participants from 14 countries, mainly around the Baltic Sea Region, took part in the survey. The survey was distributed through a network of 76 chambers of commerce, universities and public administration around the Eastern region. The settings were such that only one response option was allowed from each IP. A total of 12–16 questions were asked, following a piped logic depending on previous answers. In case of multiple answer options, the order of answers was randomised in each questionnaire. To minimise the language barrier of SMEs, it was available in English, German, Estonian, Latvian, Lithuanian, Polish, Russian and Swedish language. In this way, a relatively high number of very small companies could be achieved, which have fewer than 10 employees and do not have much time to fill out surveys in their day-to-day business. The average time for responses was 6 minutes. In the beginning, the participants were asked which organisation are relevant when promoting business transfers. Rather unusual was the questions regarding the support by knowledge institutions. But in particular organisations like business schools and universities can play an essential role for a strong ecosystem when cooperating with companies (Mazzarol et al., 2016), in particular when it comes to an innovative entrepreneurial education (Hogeforster & Priedulena, 2014). Thus, this option was included and surprisingly slightly more education institutions answered than intermediaries. Overall, with 140 filled questionnaires the most responses were collected by small company with less than 10 employees (49.47%), which is shown in Table 1.

Table 1. Participants of the survey (source: formed by the authors)

| | Number of answers | Percentage |
|--|-------------------|------------|
| Private sector (small company, less than 10 employees) | 140 | 49.47% |
| Private sector (medium-sized company, less than 250 employees) | 61 | 21.55% |
| Private sector (large company, more than 250 employees) | 14 | 4.95% |
| Intermediary (Chambers, Business support organisations) | 28 | 9.89% |
| Education (VET school, University) | 29 | 10.25% |
| Public (Ministries, Authority, National Agency, Policy Maker) | 9 | 3.18% |
| Other | 2 | 0.71% |
| Total | 283 | 100% |

Current challenges

At the beginning, the participants of the survey were asked what the biggest challenge for their companies will be in the next two years. They answered on a scale of 1–5, with 1 meaning no challenge at all and 5 indicating a major challenge. In order to present a comparability and the significance of company transfers, challenges were selected which are known to pose challenges to SMEs in recent years (Eggers, 2020; Hogeferster, 2014; Uvarova & Vitola, 2019). For this purpose, the Corona crisis was added due to recent circumstances. Also some research argues that the impact of the corona virus on European SMEs is not as strong as often assumed (Secinaro et al., 2020) it is assessed as a strong threat on a subjective level.

This is confirmed by the presented survey as shown in Table 2. Overall, the Corona Virus is clearly the dominant threat for the participants, with 72.34% of all participants rating this with 4 (big challenge) or the highest possible score 5 (major challenge), followed by cash flow. Interestingly, the generation shift in companies is considered the third biggest challenge and has been mentioned more times than the often-mentioned digitalisation, qualification and innovation challenges. This may be due to the fact that the entire survey was very much concerned with business transfers and specifically addressed companies affected by them.

Table 2. Challenges (source: formed by the authors)

| | 1 no challenge | 2 small challenge | 3 somewhat challenge | 4 big challenge | 5 major challenge | Average |
|-----------------------------------|----------------|-------------------|----------------------|-----------------|-------------------|---------|
| Low education level of staff | 32.86% 92 | 27.86% 78 | 23.57% 66 | 12.50% 35 | 3.21% 9 | 2.25 |
| Missing Qualification of managers | 22.14% 62 | 28.93% 81 | 31.07% 87 | 15.36% 43 | 2.50% 7 | 2.47 |
| Innovation level | 16.43% 46 | 30.36% 85 | 36.07% 101 | 14.64% 41 | 2.50% 7 | 2.56 |
| Digitalisation level | 21.43% 60 | 23.93% 67 | 28.93% 81 | 19.29% 54 | 6.43% 18 | 2.65 |
| Lack of workforce | 30.71% 86 | 18.93% 53 | 16.07% 45 | 16.43% 46 | 17.86% 50 | 2.72 |
| Generation shift in companies | 16.01% 45 | 15.30% 43 | 25.98% 73 | 34.52% 97 | 8.19% 23 | 3.04 |
| Cash flow | 6.81% 19 | 19.71% 55 | 28.67% 80 | 18.64% 52 | 26.16% 73 | 3.38 |
| Pandemic / Corona Situation | 2.13% 6 | 10.99% 31 | 14.54% 41 | 37.59% 106 | 34.75% 98 | 3.92 |

There is a notable difference when the results are divided into two groups of countries. The old member states and the new member states (Estonia, Hungary Latvia, Lithuania, Poland) as well as Russia and Belarus, hereafter referred to as Group 1. Like shown

in Figure 1. Here the concerns regarding the Corona virus (average rating 4.11) and cash flow (average rating 3.81) are clearly dominant. Third is the generation shift in companies (average rating 2.73). The lack of workforce is considered to be a small challenge only (average rating 1.97).

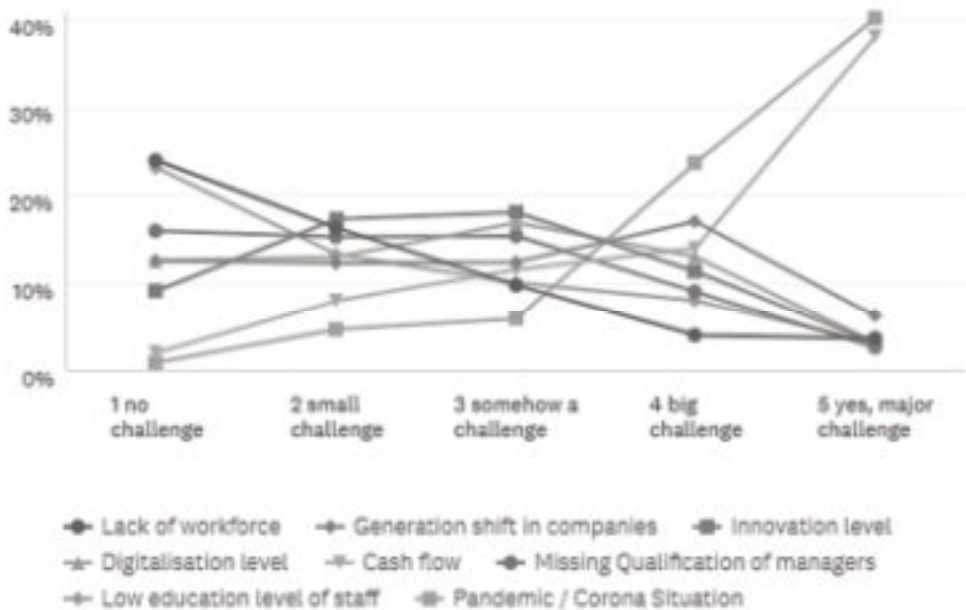


Figure 1. Challenges of new member states (Group 1)

In the old member states like Denmark, Finland, France, Germany, Netherlands, Sweden and Norway, hereafter referred to as Group 2 the priorities are very different, as shown in Figure 2. The lack of available workforce is by far the most pressing challenge, with an average rating of 4.18. Followed by generation shift with a rating of 3.63 and the Corona pandemic with 3.56. Considered to be the least pressing challenge at the moment seems to be innovation level, that is rated with 2.45.

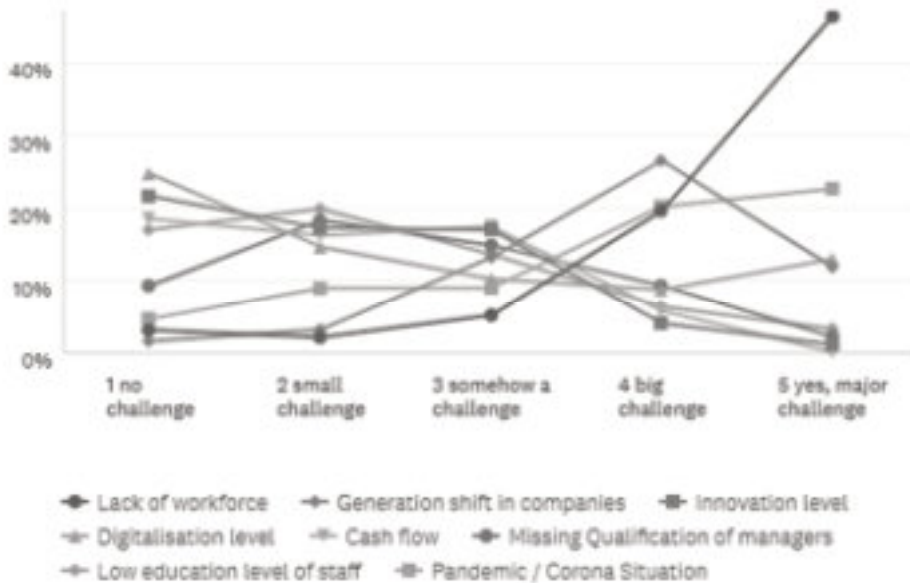


Figure 2. Challenges old member states (Group 2)

Consequently, labour shortages are the most important problem in the old member states and hardly play a role in the new member states at present. It can be said that these are all very relevant issues, and innovation, digitalisation and skills are undoubtedly still important for the firms. However, the fact that the change of company is in the middle of this selection of all important topics confirms its high relevance.

Experiences

The participants were asked about their experiences with business transfers. 20.36% had already been involved in a handover, mainly as advisors or successors, as a follow-up question clarified. 9.29%, corresponding to 26 participants, declared themselves to be in the handover process. 32.50% expect to be involved in a handover in the future and only 37.86% answered that this is not relevant for them at present. Conversely, this

means that 62.14% of the respondents have already been involved in a transfer process or are currently involved. This is an extraordinarily high number and may be due to the fact that the survey clearly deals with the topic and cannot be extrapolated for the European economy in general. However, the number of companies to be transferred is still very high overall. For Germany, it is expected that 76,000 SMEs will have to be handed over to the new generation in 2020 and 2021 respectively (Schwartz, 2019). An interesting result came from a follow-up question for those who are currently in a handover process. 13 companies or 50% answered that they are already receiving external support. 2 companies, corresponding to 7.69%, said they did not want any support and were doing everything internally. 11 participants or 42.31% said they would like to receive support. This clearly shows that there is a demand for support.

Support

The participants, who have yet not been part of a transfer, were asked what kind of support they needed. needs they personally expect in the context of a handover. Since the results in this question diverge strongly by country, two country groups are again combined: The new member states and Russia/Belarus (Group 1) and the old member states with Norway (Group 2). The choices were “business consultation, entrepreneurial training, financial consultation, improved business support network and support in finding a successor”. From Group 1 a total of 147 participants answered. Like shown in Figure 3, in the countries of Group 1 there is a strong need for financial consultation with 58.50% of all answers and business consultation with 57.14% of all answers. Support to find a successor is only seen relevant by 21.77%.

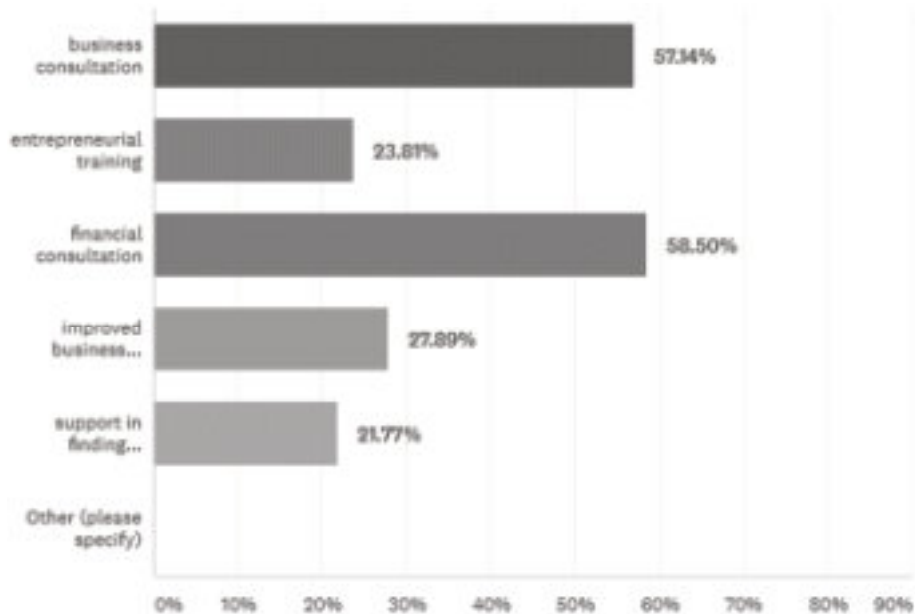


Figure 3. Support for transfer, new member states (Group 1) (source: formed by the authors)

For the Group 2 the picture is quite different, like shown in Figure 4. A total of 47 participants from these countries answered. With 82.89% the strongest need is very clearly the need to find a successor for the company, so the need for a matchmaking between the retiring owner and the potential successor. Improved business networks are rated second with 34.04%. A need for financial consultations is hardly in demand with only 14.89% of all answers, showing that these participants seem to be quite confident regarding the financial part of the transfer process.

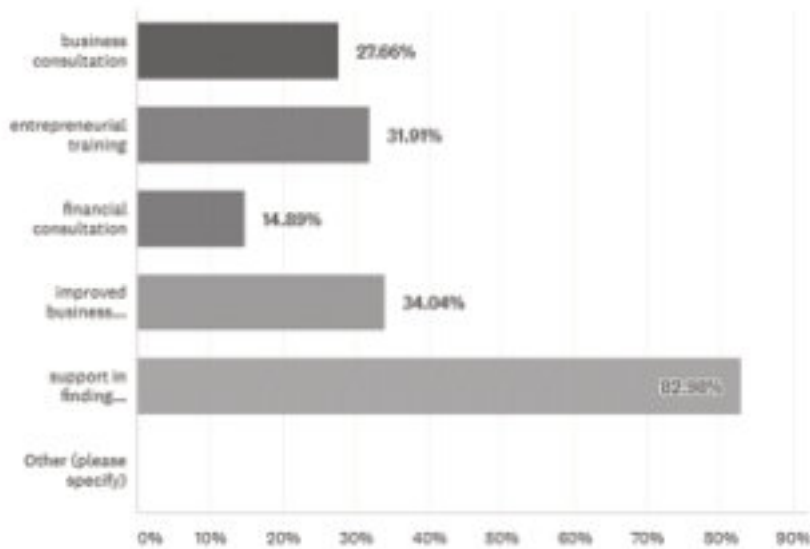


Figure 4. Support for a transfer, old member states Group 2) (source: formed by the authors)

It is noteworthy that the differences between the two groups of countries on this issue are also serious and in part diametrical.

Duration

Another crucial element for the success of a transfer is the duration of a business transfer. In the literature mentioned above and from practical experience, it is known that the planning horizon of SMEs is generally short. Planning is initially done for the coming months. Strategic planning, as in larger companies, is generally less prevalent in SMEs due to the demands of day-to-day business (Stonehouse & Pemberton, 2002). As shown in Figure 5, those participants who already have experience or are in a hand-over process assume that this will take an average of 12–24 months.

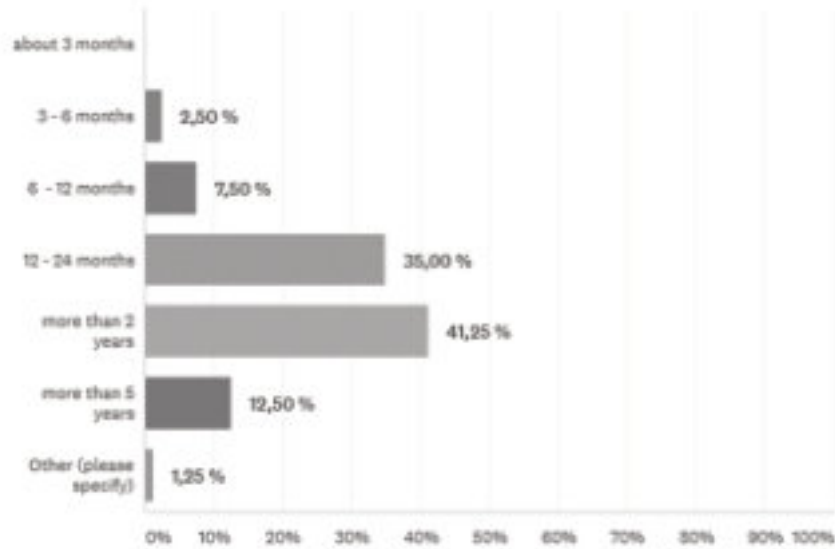


Figure 5. Duration of transfer, answered by experienced participants (source: formed by the authors)

Overall, only very few (10%) assume that a handover will take between 3 and 6 months. The vast majority of 88.75% estimate the duration of the handover to be between 12 and 60 months. The data divided by size of companies indicated further that the duration increases depending on the size of the company, i.e., in a small company the handover process can already be completed after 12 months, but in a large medium-sized company it is actually planned for 4 years. The other group of participants that consider a transfer maybe in the future or not at all expect that this process takes less time, with 18.51% of participants even only between 3–6 months like shown in Figure 6.

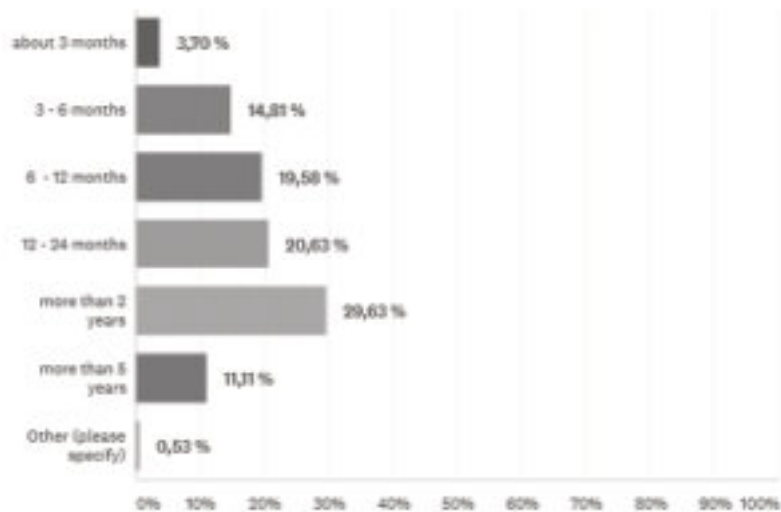


Figure 6. Duration estimates by inexperienced participants (source: formed by the authors)

A transition period of about 3 months is usually too short, unless the company is simply bought out by a competitor, which is not a transition in the true sense of the word. When the company passes from one generation to the next, this is accompanied by significant organisational upheaval and poses major challenges for both management and employees and, where applicable, suppliers (DeTienne, 2010; Haveman et al., 2004). This shows that especially companies that have not yet dealt with the generation change need external support here and at least get the awareness to consider a longer planning phase.

Support

Finally, the participants were asked which organisations in their countries were particularly suitable for supporting a business transfer. There were several possible answers. The choices were “business support organisations (chambers), regional development

agencies (public), Financial institutions, Knowledge institutions or private consultants”. Again, the results between the different countries involved are so different, that a separate analysis was made for Group 1 and Group 2. As shown in Figure 7 the new member states believe in a majority if 55% that private business consultations can provide the best support.

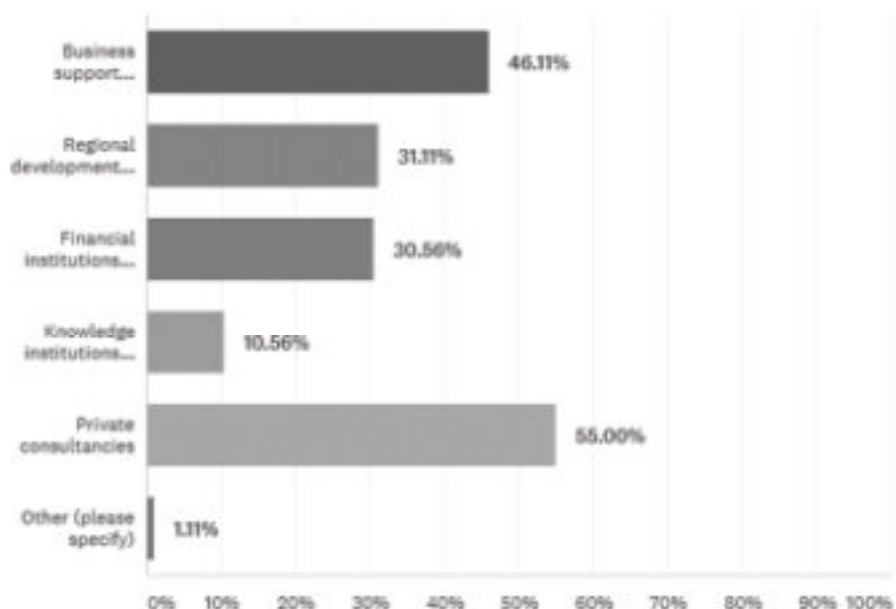


Figure 7. Who can support business transfers, new member states and RU/BY (Group 1) (source: formed by the authors)

In the old member states, the role of business support organisations such as chambers of commerce is very much appreciated, with 89.66% like shown in Figure 8. Indeed, they have their own departments and experts to support their member companies during the handover in most old member states. Secondly, the regional development agencies are indicated, and the private consultants seem to be less in demand.

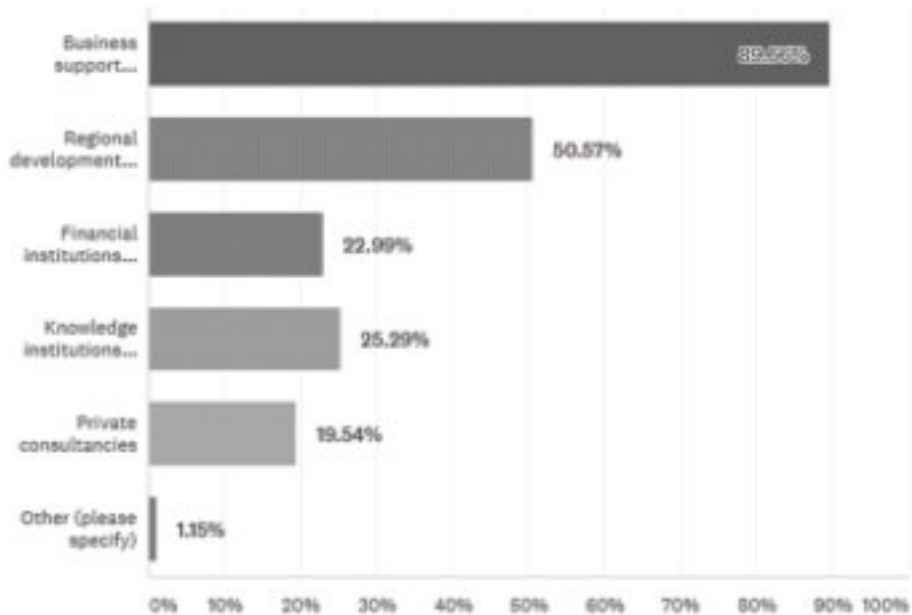


Figure 8. Who can support business transfers, old member states and NOR (Group 2) (source: formed by the authors)

Both groups consider knowledge institutions less relevant as organisations that can support their transfer process. This was mainly indicated by larger companies. The difference in the perception of business support organisations such as chambers is striking. This may be due to the fact that in old member states such as France, Austria, Belgium or Germany, the chambers of commerce are very strong and often have semi-public structures. These chambers have been performing sovereign tasks for a long time. The chambers in Lithuania, Latvia, Estonia or Poland on the other hand, are organised much more privately and compete more strongly with the consultancy market. The fact that chambers in the new member states do not have compulsory

membership forces them more to compete on the free market for services. As handovers will increase strongly in the future, the further qualification of internal advisors to become business transfer experts could be very interesting and actually an advantage. The very consultation of the generation change means that one needs a permanent contact person for years, whom one trusts sufficiently. SMEs need to plan early for the upcoming transfer and should allow at least 2 years. It can also be the task of the chambers of commerce, regional development agencies and business consultants to establish this as a future and permanent field of consultation.

Conclusions

The literature review revealed that, despite its enormous economic importance, research has largely ignored the area of business transfer over the last 20 years. Much of the existing articles refer to business succession within the family and ignore other forms. A successful generation shift in SMEs is of utmost importance for a resilient economy. Especially in SMEs, the individual process is very different and requires targeted counselling. Relevant advisory fields during the transfer, such as knowledge management, are often overlooked. The current survey clearly shows that the topic is of great importance for SMEs, but that the challenges and demand for support diverge between the old and the new member states. The latter are in particular need of help in finding suitable successors, while in the new Member States financial and entrepreneurial advice is particularly required. SMEs need to plan early for the upcoming transfer and should allow at least 2 years. It can also be the task of the chambers of commerce and similar business support organisation in the new member states to establish this as a future and permanent field of consultation.

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3 | Overview of political strategies

The INBETS project aims at closing the entrepreneur gap and securing business transfers in the Baltic Sea Region. As one part of the solution four different political strategies to approach new target groups have been developed. This ensures that each identified relevant target group receives a tailor-made approach, safeguarding the promotion of entrepreneurial support. These distinct strategy programs cover relevant fields of action for SME transfers, including: the establishment of the framework conditions, financial support and granting of state guarantees, promotion of entrepreneurship and qualifications as entrepreneurs and support for the establishment and permanent operation of promotion and advisory capacities at the intermediary SME business support organisations. Four relevant target groups were identified by the project consortium: Women, employees of SMEs, immigrants and returning emigrants.

Within the entrepreneurial area women have been underrepresented ever since. All BSR countries show large differences in numbers between male and female entrepreneurs. This strategy program aims at tackling this dilemma by providing guidance of how to set free the enormous untapped potential of female entrepreneurs. We examined economic activity rates of women and found out that their economic activity increased in all BSR countries in the last ten years tremendously. Despite this increase women are underrepresented in managerial positions. After analysing the reasons for this difference, we came up with eight case studies of successful female entrepreneurs. Analysing their cases and connecting their abilities to the previously identified barriers we developed solutions in the area of awareness building, direct support and encouragement of women and specialized training courses in order to attract more women to take a leading role in business transfers.

The second focus group are employees of SMEs. This idea builds up on so called employee buy-outs (EBO), which were quite popular in the 1990 in former Soviet countries. During an EBO one employee or a group of employees takes over the company from the retiring owner-manager. In the last years, these EBOs have become less

popular, but as their potential is enormous, due to the following reasons, we decided to revitalize this successor model. EBOs are an excellent way to preserve knowledge and skills about procedures, products and partners within a company. Moreover, the employees' identification with the company is usually extremely high. Building up on a long employer-employee relationship, trust is given between the two parties, one key component of successful business transfers. Encouraging governments to support EBOs through tax breaks is the key for more business transfers conducted by employees. Strong SME support institutions are needed to advocate for EBOs and to transfer well-proven models from southern European countries like Italy.

Another, filling up lately, reservoir of potential entrepreneurs, willing and qualified to take over existing businesses, consists of immigrants. To accomplish successful business transfers of this target group their entrepreneurial potential needs to be tapped and they need to be encouraged to take advantage of all the support they need to become self-employed. This strategy program developed a comprehensive approach building up on three pillars. First competences must be assessed fast and reliable. Then the qualifications of the immigrants need to be strengthened by language, motivation, creativity, entrepreneurial and start-up and takeover trainings. Finally, the information management need to be improved. Immigrants need comprehensive information and repeated intensive individual counselling during the process of becoming a successful SME successor.

Finally, the strategy program focuses on one group of people, especially relevant for business transfers in Eastern European countries like Poland, Lithuania or Latvia, returning emigrants. Many people left these countries after the end of the Soviet Union to look for new opportunities in Western Europe. But recently, and supported by digital transformation, more and more former emigrants are returning to their home countries. These highly creative, open-minded and ambitious people represent a considerable group of potential SME successors. We developed means and methodologies to attract them as entrepreneurs for SMEs. Among others these include streamlined

information about potential business transfers, support for the returning emigrants' children (e.g. language courses) and redesigning local consular services.

4 | Policy Strategy Program

4.1 | 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 SMR 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

4.2 | 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 sounder 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.⁵³

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.

⁵³Innovative Business Transfer Models for SMEs in the BSR: Entrepreneurial potential, Baltic Sea Academy, Hamburg 2020

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.

4.3 | 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 enough 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:

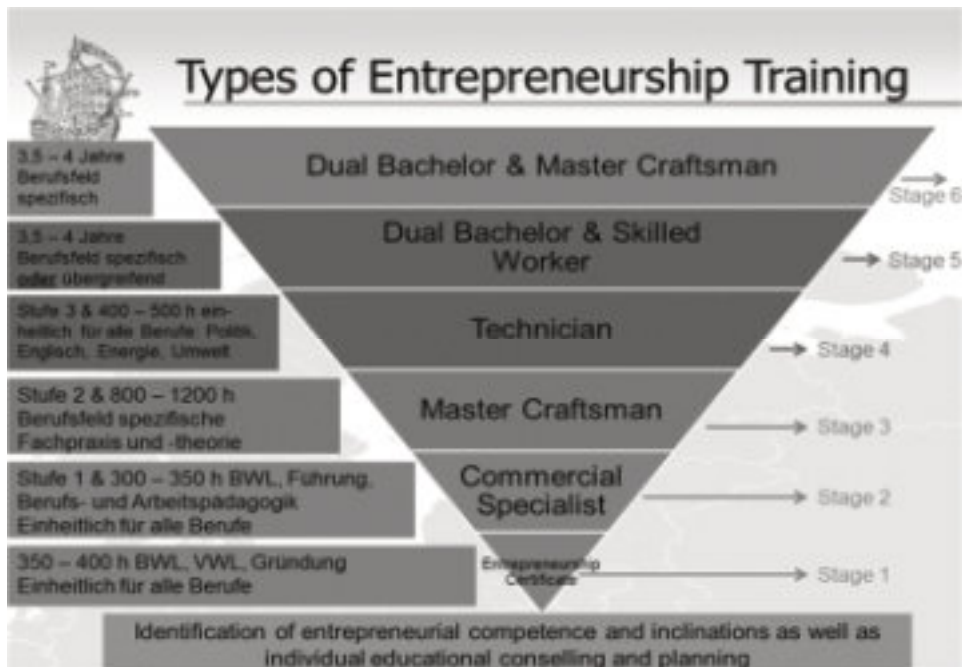
- target all groups of people, starting from the final grades of general education, through vocational training, professional life and further vocational training up to higher education. At the same time, the special needs of the groups who are currently underrepresented in self-employment should also be taken into account.
- create specific educational offers corresponding to the different capabilities and potential of various groups of people.
- 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).
- 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.
- 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.
- 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:

- a) Creativity and motivation training to check and advise the start-up or a takeover concept, develop further business ideas, consolidate the plans, etc.
- b) 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.

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 and depending on the number of participants, their experiences, needs, etc. The integration program should last a total of at least five months, but usually six to seven months. Extending the program by 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.

4.4 | 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, bank guarantees 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 the Baltic Sea Region countries so that no business start-up or business transfer fails due to financing problems. Transferring existing best practices from 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

4.5 | 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 does not require the creation of new institutions, and because chambers, as institutions for economic self-administration, take a neutral position, they can 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 a particular company takeover or start-up.

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.

4.6 | Overview and Outlook

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:

- b) Development and permanent operation of service and advice centers for start-ups and business transfers in every area of the Baltic Sea Region.
- c) 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.

5 | Action Plan “Women”⁵⁴

In view of the declining population and ongoing global ageing, the economic and social activation of women is of paramount importance. Women make up more than half the world’s population — statistically they also live longer than men and are better educated. Women’s role in family business is invaluable: they support male-owners (mainly wives who advice their husbands/partners in firms’ managing or take over home duties and let men focus on companies), they are non-formally employed helpers (performing specific work in the firm), they provide qualified staff for family firms (as employees on different positions). At the same time, women are characterized by lower level of professional activity then men, as well as lower engagement in management boards in all types of companies, including family firms.

The following issues are addressed in this report:

- Differences in professional activity level between men and women in the Baltic Sea Region States – statistics and determinants.
- Women’s leadership – statistics and analysis of its specificity.
- Women’s participation in management boards of family firms and their role in succession processes – statistics and forecasts.
- Propositions of supporting actions/tools for women-successors.

While preparing the report, several publicly available reports of research results, scientific publications and expert opinions were used, as well as interviews conducted by the INBETS project partners with female successors.

Women and the labour market

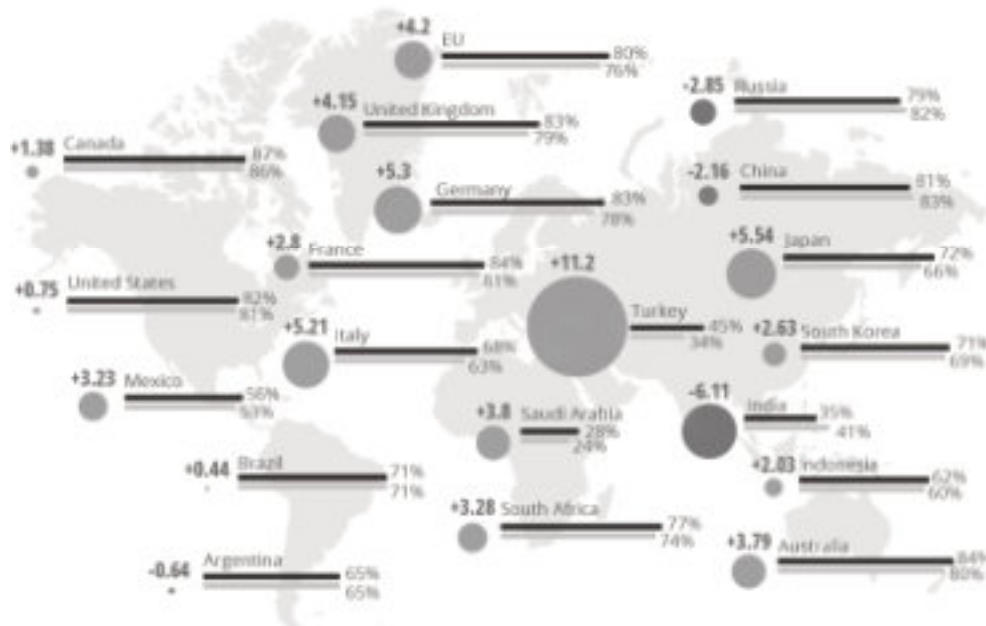
Women’s participation in the labour market has been rising for the last years, nevertheless it is still on a lower level than men’s participation. In G20 countries during the

⁵⁴ Prepared by Anita Richert-Kaźmierska and Marzena Grzesiak - Gdansk University of Technology

past decade the labor force participation numbers show only modest increases in the ratio of women activity relative to men, the highest in Turkey, Germany and Italy. In Turkey – mainly because of cultural changes (women have received more freedom despite the rules of the Islam) and as the implication of international changes (increase in the number of foreigners working and starting families in Turkey). In Germany and Italy – mainly because of the changes in their traditional family models. For many years in those countries women's activity was centered on homework and family. Nowadays, since there are more and more single households – women are becoming more independent and economically active.

Percentage of women in the workforce, 2007 and 2017; bubbles indicate change in female-to-male employment ratio.

■ 2017 ■ 2007 ● Positive change in female-to-male ratio ● Negative change in female-to-male ratio



Source: (Majumdar, Buckley, 2019)

In the period from 2010 - 2018 there can be observed a trend of increasing women's professional activity in the Baltic Sea Region States (activity rate increased by an average of 4,2 p.p.) – measured among women aged 15-64. The highest increase was noted in Poland – women's activity rate increased by 14 p.p. (from 58,5% in 2010 up to 72,4% in 2018). The only country from the Baltic Sea Region where it has slightly decreased (by 0,1 p.p.) is Norway. Meaningful changes were observed among women in older age groups: 40-64 and 65-74. Their economic activity rate has increased in all Baltic Sea Region States. Quite interesting is the significant increase of economic activity rate among women aged 65-74 in Estonia, Latvia and Lithuania. It shows a how huge potential that has been unexploited in Eastern European countries so far, and still can be used by employing women and older people.

As stated before, even though women's activity rates are increasing, they are still lower than activity rates of men. In 2010 the biggest gender activity rate difference was noticeable in Poland (13,6p.p.) and German (11,5p.p.). In 2018 it was – in Germany (8,6p.p.) and Estonia (7p.p.). The active participation of women in the labour market is influenced by numerous factors (Kunasz, 2016; Hunt, Samman, 2016; Agüero, Marks, 2008; Mammen, Paxson 2000). The literature indicates and divides them according to various criteria, including individual, workplace, economic and social factors. They can both encourage professional activity and “pull into passivity”.

| Factors | Increasing the professional activity rate | Inducing professional passivity |
|--------------------------|--|---|
| Individual | <ul style="list-style-type: none"> - personality traits such as: curiosity about the world, enthusiasm, professionalism, diligence, independence - a high level of education | <ul style="list-style-type: none"> - personality traits such as: dependence, passivity, submissiveness - low level of education |
| Workplace related | <ul style="list-style-type: none"> - promotion prospects - flexible working hours - a women-friendly organisational culture - possibility of self-fulfilment | <ul style="list-style-type: none"> - discrimination on grounds of gender (gender payment gap, difficulties in getting promotion etc.) |

| | | |
|--|--|---|
| | | <ul style="list-style-type: none"> - poor growth and promotion prospects (so-called “sticky floors”) |
| Eco- nomic and so- cial | <ul style="list-style-type: none"> - childcare system - legal solutions to promote women’s labour market participation | <ul style="list-style-type: none"> - an extensive social benefit system - lack of systemic childcare solutions - gray zone |

Source: (Richert-Kaźmierska, 2020)

The key factor limiting women's professional activity – as it was diagnosed in several research – is their engagement in home and family duties (Barrientos, 2002; Kabeer, 2008; Lantara, 2015; Morikawa, 2015; Winkler, 2016). Women report spending an average of 13 hours on housework and 23 hours on caring for family members each week – the equivalent figures for men are 8 hours and 10 hours. Both sexes view their relative contributions as unfair. 60% of women report doing more than their fair share (compared with just 10% of men), while 37% of men report doing less than their fair share (compared with just 6% of women) (Park et al., 2013).

Women as the members of management boards

Women are less economically active and they are underrepresented in management boards. All research results (conducted in different countries) confirm there is still wide gender gap in leadership positions. It results from horizontal and vertical segregation to which women are still subject in many workplaces (Hozer-Koćmiel, 2008, p. 115). Horizontal segregation means the concentration of demand for the female labour force in certain — usually worse-paid — economic sectors. Vertical one — occurs when women occupy less prestigious positions, at the bottom of the professional hierarchy, and are less likely to be promoted than men.

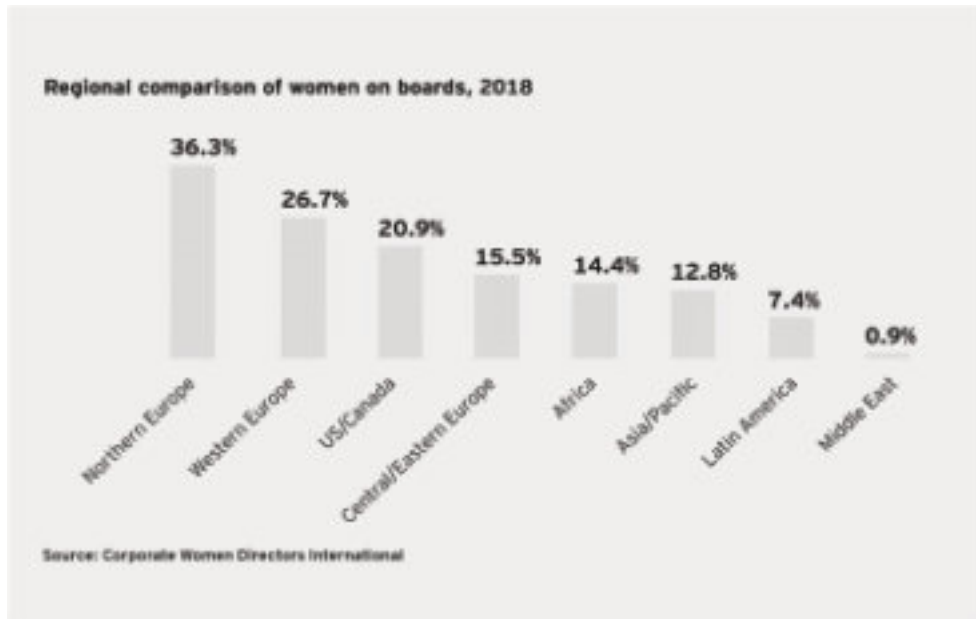
Women occupy key managerial positions or become members of the management bodies in companies and public institutions less often than men. Despite the growth

observed for several years, in 2017 only 25% of the members of boards of the largest publicly listed companies in the European Union were women.

| | Proportion of women on boards of the largest publicly listed companies |
|-------------|---|
| EU28 | 25,3 |
| DE | 31,9 |
| EE | 7,4 |
| FI | 32,8 |
| LV | 28,8 |
| LT | 14,3 |
| PL | 20,1 |
| SE | 35,9 |

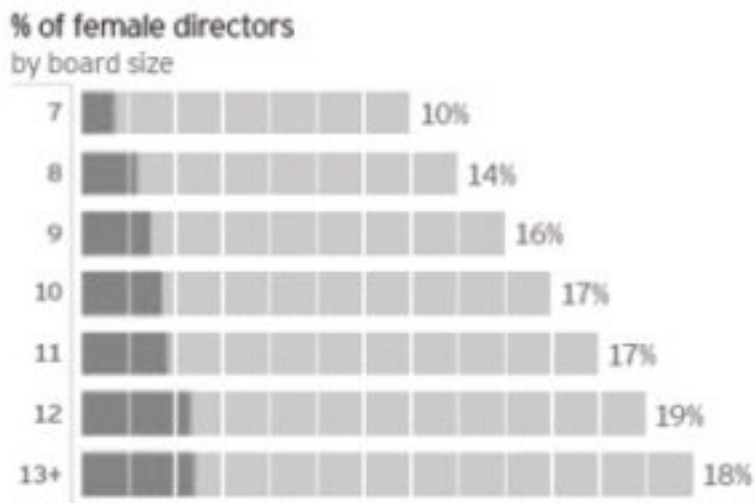
Source: (2018 Report on equality, 2018, p. 65).

Most often women are the members of the boards in Northern Europe, least likely – in the Middle East.



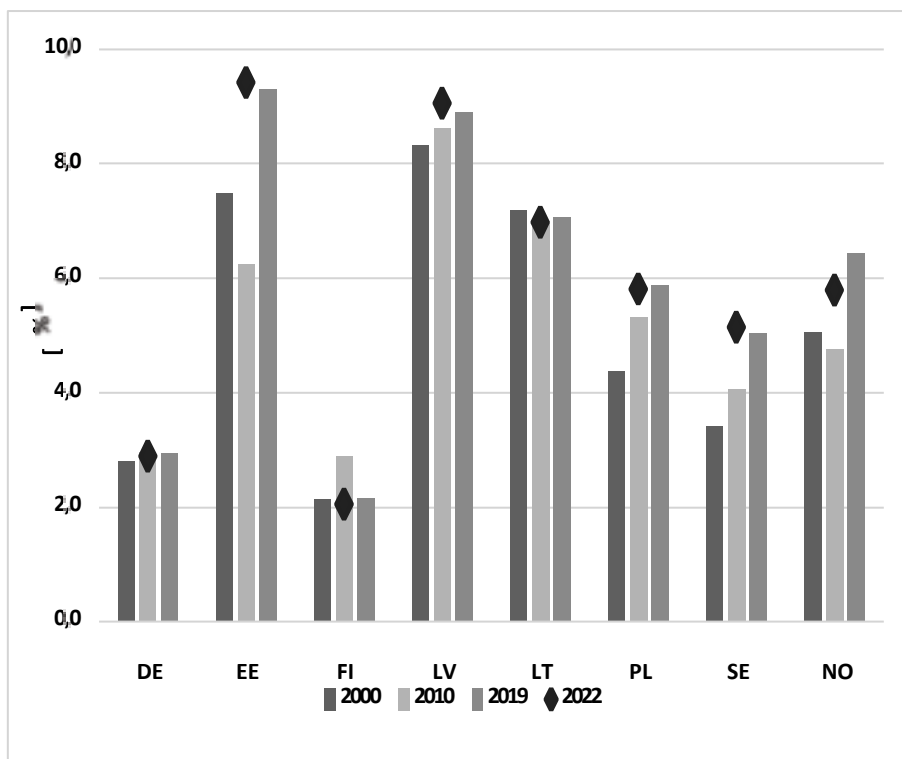
Source: (How to get more women, 2019)

The proportion of senior business roles in different types of companies held by women stands in Europe at 24% (Medland, 2016), but in 85% of cases where CEOs are women they are the sole owners (Lee, Jasper, Fitzgerald, 2010), therefore it is a self-employment formula. The presence of female top managers in larger companies remains extremely low (Dawley, Hoffman, Smith, 2004). 51% of the companies that increased directorships held by women last years, did so by increasing board size (Women on US boards, 2015). Women's participation in the board remains correlated with board size



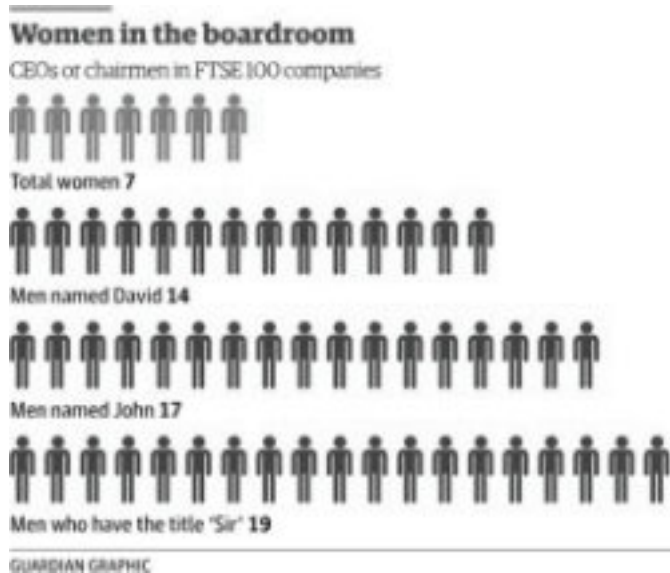
Source: (Women on US boards, 2015).

According to the research results of the International Labour Organization, in countries of the Baltic Sea Region less than 10% of working women are employed on managerial positions. In 2019 in Finland – only 2,2% (the lowest value among BSR States), while in Estonia – 9,3% (the highest value among BSR States).



(Source: own calculations using the data of the International Labour Organization
<https://ilostat.ilo.org/data/>)

Research conducted in 2015 in Great Britain has showed that among chief executives and chairs of FTSE 100 companies, there are 17 men called John (or Jean) - outnumbering all the female bosses put together. Men called David or Dave also outnumber women, by 2:1. Female leaders of FTSE 100 companies are outnumbered by Davids, Ians, Marks or Andrews (or variations of those names) by nearly 5:1 (Rankin, 2015)



Source: (Rankin, 2015).

In the United States of America only 16% of S&P 1500 board seats are held by women – less than the proportion of seats held by directors named John, Robert, James and William. 15% of S&P Midcap 400 and 12% of S&P SmallCap 600 directorships are held by women (Women on US boards, 2015). Women as board members are usually younger, less tenured and more likely to serve on multiple company boards than their male counterparts (Women on US boards, 2015).

Research results show, no significant difference between men and women regarding leadership skills or ability to handle management and business challenges. The only significant difference was the level of self-confidence. Men considered themselves more effective as leaders. This self-confidence is reflected in how highly they rated their leadership skills and ability to tackle management and business challenges. Women, on the other hand, were less likely to rate themselves as highly effective leaders compared to their peers, to have completed international assignments, to lead across geographies or countries, and most significantly, to lead geographically dispersed teams (Global leadership, 2015).

Barriers for women's advancement to senior leadership

| Barriers | “strongly agree” and “agree” | |
|---|---------------------------------|-----|
| | women | men |
| Stereotyping and preconceptions of women's roles and abilities | 66% | 34% |
| Lack of senior or visibly successful female role models | 64% | 49% |
| Lack of significant general management or line experience | 63% | 63% |
| Commitment to family or personal responsibilities | 62% | 54% |
| Lack of mentoring | 61% | 31% |
| Failure of senior leadership to assume accountability for women's advancement | 56% | 35% |
| Lack of desire to reach senior levels | 53% | 41% |
| Lack of job assignments which are highly visible to key decisions-makers | 52% | 26% |
| Lack of professional or executive development opportunities | 47% | 17% |
| Lack of awareness of organizational politics | 43% | 11% |
| Inhospitable corporate culture | 36% | 20% |
| Lack of skill or ability to reach senior levels | 14% | 11% |
| Sexual harassment by supervisors, colleagues, customers or clients | 10% | 1% |

Source: (Women in leadership, 2002).

Scientists emphasize the importance of engaging women in management boards. They mention several reasons. Most often they point five of them: more efficient problem solving, higher transparency of decisions processes, significant ability for cooperation, better education (wider knowledge) and readiness to be mentors (important in the times of qualified employees lack)

Women as successors – case studies

The type of companies where the number and share of women in managerial positions and management bodies is increasing, is family businesses⁵⁵(Barrett, Moores, 2009; Humphreys, 2013; Staying Power, 2017). More than half (55%) of family companies have at least one woman on the board, and 70% also consider electing a woman as the next CEO.

According to the researchers, the specificity of family business favours the presence of women, offering them independence and access to potentially better jobs, including management and leadership positions. In addition, working in a family business means more flexible working hours, greater job security and opportunities for development and promotion (Salganicoff, 1990; Wagner, 2011; Borisova, Sterkhova, 2012).

However, young women (daughters) who actually assume the leadership of the family business are very few. The main factor which hinders their path towards a leadership role, seems to still be the gender of the successor (Jimenez, 2009). Family business owners rarely consider their daughter as a “first” candidate for succession (Martin, 2001; Lee et al., 2003). Most often that is a son who is expected to join the family business. Daughter “is given a choice – or not invited – as a matter of course” (Francis, 1999). Daughters can assume the leadership of the family business only in “special circumstances” (Wang, 2010) such as: all siblings are female and the family has no male heirs (sons or even son-in-laws) (Haberman, Danes, 2007); all the male members of the family are not interested in running the business (Vera, Dean, 2005); the family or the business is going through a tough time (such as a predecessor’s sudden illness, a risk of failure of the business, etc.) (Dumas, 1998); daughter has an effective involvement in the family business and a close relationship with the predecessor (Curimbaba 2002).

⁵⁵ Family businesses lack a clear definition in the literature. For the purpose of this study, a family business will be understood as a business of any legal form whose capital is wholly or mainly held by a family, while at least one member of the family has a management function and there is an intention to keep the business in the hands of the family (Frishkoff 2005).

In some cases, families choose to create a team of siblings – sons and daughters – to share leadership and ownership in the future so that all the descendants are potential successors, regardless of gender. But even in these cases, the effective leader is the eldest son, and the daughter most often works in a secondary position, with very limited powers and responsibilities (Garcia-Alvarez et al., 2002).

Below there are presented some cases of women who have taken over the family business. The examples confirm the “special circumstances” that decided about women’s succession.

CASE 1: MB Pneumatyka

| Country | Brand | Size | Lenght of func. |
|--|--------------|-------------|-------------------------------|
| Poland | automotive | medium | MB Pneumatyka founded in 1984 |
| https://mb-pneumatyka.pl/en/profile/ | | | |
| Donator and sucesor characteristic | | | |
| <p>Daughter-successor’s father was determined, strictly defined in action, visionary, very good engineer. He adhered to the principle that a good product would sell itself. He assumed that the Polish market is large enough for the company.</p> <p>Successor has no doubt that a good product is not enough. The team and marketing activities are important. The market is the whole world. A definite visionary proving that you don't have to be an engineer to run an engineering company.</p> | | | |
| Factors determining succession (positive/ negative) | | | |
| <p>The father was forced to transfer the company to the daughter because he was seriously ill. The positive of this situation was that in company did not appear the problem of dual power-ownership. Negative: the successor didn't have anyone to learn from.</p> | | | |

CASE 2: Met-Lak

| Country | Brand | Size | Lenght of func. |
|---|--------------------------------|--------|--------------------|
| Poland | Production of metal furnitures | medium | Met-Lak, from 1989 |
| https://www.met-lak.com.pl/en/ | | | |
| Donator and sucesor characteristic | | | |
| <p>Daughter-successor has a lot of doubts, because a woman is not associated with the metal industry. However, after a few years, she finds that metal can be used to make beautiful things, including combining them with other materials (wood, glass) and creating cool products. She can't imagine that more than 30 years of her father's work could be compromised. She believes that working for herself</p> | | | |
| <p>is the coolest job. She has a lot of “female ideas” that could be brought to the industry. She believes that it is good to create a place where people earn, but also feel safe or can increase their competences.</p> | | | |
| Factors determining succession (positive/ negative) | | | |
| <p>The father does not seem still ready to hand over the company or at least some of his competence. For several years, siblings have been introducing to take over a business, but it is not yet known how it will end. Success will depend on whether she and/or he can identify with the company, give it their heart and soul. It should be a passion or at least conditions should be created for realizing the passion in the future.</p> | | | |

CASE 3: Antinasu & Ratsula Oy

| Country | Brand | Size |
|--|----------------------|--------|
| Finland | Commercial (Clothes) | Medium |
| <p>The business was founded by Mr. Gösta Wilsson in 1924, when Mr Willsson bought the bankruptcy estate of B. Arifullen in Pori, and started a clearance sale of textiles and dry goods. Gösta Wilsson was only 22 year old, full of ideas, and it didn't took a long time until Pori saw a new textile and clothing boutique being opened close to its market place. The Swedish name "Wilsson" was soon replaced by family of traders' original name "Ratsula" and the business was started by selling coats and men's suites.</p> | | |
| Donator and sucesor characteristic | | |
| <p>At the moment, transferring the business from third to the fourth generation is under the planning, and at this time, it means not only generational change but also the gender change. Although in each generation also the wives and sisters have been strongly involved in the business, there are no male heir in the fourth generation.</p> <p>The fourth generation has already been in the executive team, and are by this way growing to meet the new challenges. A consult has been involved in executive team training and building the new strategy.</p> <p>The fifth generation is growing and some of them have already taken their first steps on duty.</p> | | |
| Factors determining succession (positive/ negative) | | |

The depression in the change of 1920's and 1930's was hard, but young business managed through the hard times, as well as through the war years 1939-1944. The years after the war were the years of growing and widening the business. New shops were opened and new building built. In the beginning of 1970's it was time for the first generational change. Gösta's son, Pertti Ratsula, who had already in the late 1960's been involved in the management, took over the business. Mr. Gösta Ratsula remained the ownership of the company until his death in 1972.

The 1970's was a challenging time in Finnish fashion business. During the 1960's the dressing habits of Finnish people had begun to change, and during the 1970's the youth adopted totally new styles. The youth fashion had broken through. This meant rapid changes and companies working in the fashion business were continuously bound to have their finger on the pulse. Also an energy crisis in 1973 and depression caused by that brought their own challenges to the markets.

1980s was a decade of growing and adjusting the business, whereas the beginning of 1990's was an era of biggest depression in Finland after the war. Thousands of companies went into bankruptcy, unemployment was huge and people's purchasing power declined dramatically. The company managed to stay alive through this challenging period too. In 1996, Mr Pertti Ratsula and his wife decided to retire. It was time for the third generation to take the helm. Their son, Mr Matti Ratsula, his

wife and his sister had been working in the company even before that, but they also had experience from other companies, which brought new ideas how to do the things. One of these was to start the development process a year before the retirement by a survey directed to the whole personnel. In the survey both their view of disadvantages and weaknesses as well as their wishes were collected. The process continued by removing the disadvantages and after that, new directions were given and improvements realized. The directions were compiled together as a quality system which gives resources for independent working to everyone.

The change of the man at the helm was made within one night, and it was agreed that after having retired, the former CEO do not intervene in the business if he is not

asked for that. Retired entrepreneur presented the company if the successor could not do it, he managed some projects and he was always willing to answer the questions. This worked well and can be recommended for companies that are in the situation like this. The ownership was transferred piece by piece within the next 10 years.

Although the transfer was planned well, it took one year for the retired couple to get accustomed with the situation. Before that, they were comparing the new ways to do things with their former ways.

CASE 4: Sinituote Oy Ltd

| Country | Brand | Size |
|---|--|------|
| Finland | Manufacturing industry (Cleaning equipments) | Big |
| <p>Sini-Tuote Oy (Ltd) was founded by Mr. Einto in the end of 1940's. Company was growing few decades but got difficulties in the end of 1980's and company's major bank took over the company which was after that splitted. Mr Ilkka Brotherus bought company's cleaning equipment production and the name "Sini-Tuote Oy".</p> | | |
| Donator and succesor characteristic | | |
| <p>Johanna Hamro-Drotz, Ilkka Brotherus daughter, will take the responsibility.</p> <p>It was not by any means self-evident that Mrs Johanna Hamro-Drotz would follow in her father's footsteps. The decision begun to clarify nine years ago when she was living in Geneva and begun her career as Export Manager of company. Before that she had been working in Metso Corpration Plc and in Golla Plc. For six years ago the Hamro-Drotzs moved to the Finland and after family leave Mrs. Hamro-Drots began as Marketing Manager of the company. In September 2018 she was nominated as CEO of the company.</p> | | |

Factors determining succession (positive/ negative)

The company has been growing up and many new products has been developed and launched within the past 30 years. Now, at the age of 67, Mr. Brotherus thinks that it is time for generational transfer.

CASE 5: Otto Brandt Ab Ltd

| Country | Brand | Size | Lenght of func. |
|---|--------------------|-------------|--|
| Finland | Diversified | Big | Otto Brandt Ab Ltd > Oy Otto Brandt Ab Ltd and Brandt Group Ltd, since 100 years on the market |
| <p>This company had in its history two stormy transfers. The first transfer in the 1930's was close to fail:</p> <p>The founder of the company did not trust on his son and sold majority of shares outside the family. Piece by piece son succeeded to collect them back. The second transfer during the end of 1960's and beginning of 1970's was technically uncomplicated operation, but the problem was that it was difficult for father to transfer the responsibility to his son.</p> <p>Third transfer was executed step by step in the beginning of 1980's. First step was to double the share capital. New capital was subscribed by sons, Tom and Stefan, who now owned 50 % of the company. A few years later company bought its own shares from Tor Brandt, his wife and daughter. Finally, Tom and Stefan owned the company 50 / 50. The earlier transfers had been complicated, characterized by the confidence gap between fathers and sons, and this transfer had its figures too: Father, Tor Brandt, was seen in the office almost daily even in the end of 1980's.</p> <p>Corporate had two product lines, consumer products and industrial products. One brother was responsible for consumer business and the other for industrial business. Both brothers developed their parties, but it was not enough that products and</p> | | | |

customers were very different from each other. That were the brothers too. And furthermore, both brothers had children some of them were willing to continue the business. Dividing of the corporate had been planned for long time, but diffusion would have cost a lot in the form of taxes to be paid. Finally, the Limited-liability Companies Act was changed, and tax-neutral diffusion became possible. At first, the value of each business was balanced by group support, then the group was divided into two groups, both owned by brothers in 50/50. The last phase was to change the shares and now both brothers owned their own business alone.

After that there has been another business transfer in industrial group, known as Brandt Group Ltd, the first without any problems in juridical or personal relationship level. Group is now managed by 4th and 5th generation together. In the former consumer division, Oy Otto Brandt Ab Ltd the transfer from 4th to 5th generation is still ongoing.

Donator and sucesor characteristic

3rd transfer: Tor Brandt > Tom and Stefan Brandt; 4th transfer: Stefan Brandt > Stefanie Brandt

(Ongoing) Tom Brandt > Jesper Brandt and Charlotta Furuhjelm

Factors determining succession (positive/ negative)

We have learned that the relationships between generations are not always uncomplicated, but the transfer will succeed if it is well planned.

CASE 6: Hallaworks Oy

| Country | Brand | Size | Lenght of func. |
|---|------------------------------|-------|-----------------|
| Finland | Engineering, sub-contracting | Small | Hallaworks Oy |
| Donator and sucesor characteristic | | | |
| <p>When the entrepreneur and owner of the company, Juha Hallamaa died suddenly and unexpectedly in December 2007, his daughters were 19 and 22 years old (they were students).</p> | | | |
| Factors determining succession (positive/ negative) | | | |
| <p>The production manager took operative responsibility and sisters, realizing that they were unexperienced as entrepreneurs, started the search of new CEO with help of head hunting company that knew their father and company and had an idea of what kind of person was searched. After three months a new man was at the helm.</p> <p>Both of sisters had vocational level education in business administration, and straight from the beginning of new situation they took care of administrative routines with the help of bank, bookkeeper and insurance companies, as well as customers and suppliers, all those were understanding and patient in the situation. Everything was new for sisters, although one of them had been working in the company few summers, thus they had to learn all. And much was learned from mistakes. New CEO proved to be a man at his place. His experience and knowledge were at great help, although he didn't have experience of entrepreneurship.</p> <p>At the moment both sisters are working in the company, one is CEO and the other Chairman of the Board, the former CEO who was hired after father's death, is a Member of the Board and the business is going on. The company has also ridden out the storm caused by biggest customer who closed its works in Finland – turnover was cut off with 50 % but is now step by step reaching the former level.</p> | | | |

CASE 7: Telilän Sähkötyö Oy

| Country | Brand | Size | Lenght of func. |
|---|-----------------------|----------------------|---|
| Finland | Electrical contractor | At the moment medium | Telilän Sähkötyö Oy; Telilän kiinteistöt Oy, Telilän Sähkötyö Oy, from 1956 |
| <p>Telilän Sähkö was founded in 1956 by Mr. Erkki Telilä who run the business more than 20 years. In 1977 the legal form of the company was changed and in 1978 it was transferred to Erkki's son, Mr. Sakari Telilä. In 2008 took Sakari's son Mr. Pekka Telilä responsibility of business as CEO of Telilän Sähkötyö Ltd.</p> | | | |
| Donator and sucesor characteristic | | | |
| <p>Mr. Pekka Telilä was the first entrepreneur in Generational Replacement Program of Satakunta University of Applied Sciences. His father Sakari Telilä had planned to retire. It was clear that Pekka would be the owner in near future. The company, Telilän Sähkötyö Ltd, had also future challenges for growing up as a national and international company.</p> <p>Pekka had planned his studies with teachers of his core subjects and with the mentor from the faculty of Technology and Maritime Management bearing in their minds the future entrepreneurship. A cooperation contract with the Enterprise Accelerator was signed when Pekka still was studying. He spent the academic year in Ireland as an exchange student studying electrical engineering, business management and English. The Bachelor's Thesis of Pekka was related to the generational replacement in Telilän Sähkötyö. He graduated and became an electrical engineer.</p> | | | |
| Factors determining succession (positive/ negative) | | | |

During his studies Pekka and his father had pondered the essential business activities with the mentor and a couple of experts from Enterprise Accelerator. It was considered that Pekka's challenge was to expand the enterprise activities and to make international contacts.

Pekka and his father Sakari decided to make diffusion for the company. Pekka took on his responsibility the electric contracting under the name Telilän Sähkötyö Ltd and Sakari runs new company Kiinteistö Telilä Ltd which owns and develops the facilities. Telilän Sähkötyö Ltd has grown by acquiring other electric contractors and developing new competence areas like building automation, weak current and solar power.

Empowering women successors – what can be done?

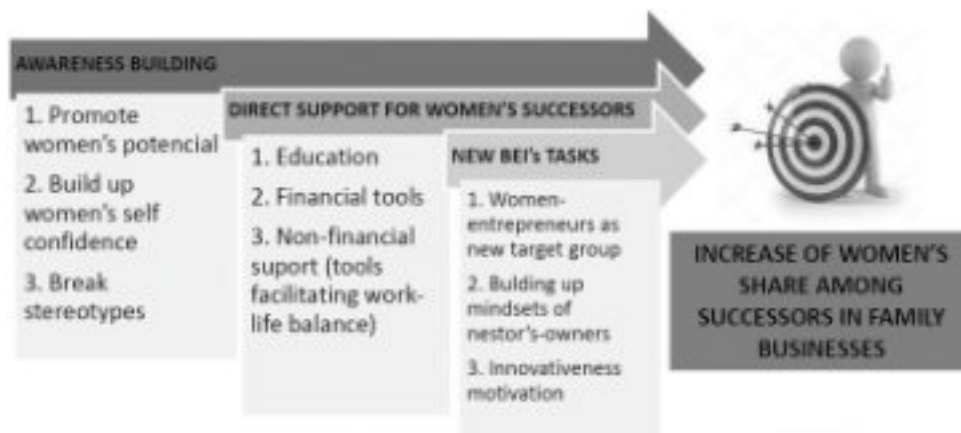
There are a number of actions that can be taken to improve diversity on boards by increasing women's participation, as well as increase the frequency of taking over family businesses by women. Those actions refer to different dimensions: women's individual self-esteem (awareness, willingness), companies internal organizational culture, regulations protecting women against gender discrimination, society education and awareness building.

Activities supporting women's participation in leadership

| Recommended activities | |
|--|--|
| AWARENESS BUILDING | Case studies, motivating movies Workshops (nestor's-owners – successors), media promotion Education: ISCED3 – ISCED7 (2011) |
| DIRECT SUPPORT FOR WOMEN'S SUCCESSORS | Courses, workshops, coaching programmes Low interest loans, women's special funds Care system for children and the elderly |
| NEW BEI's TASKS | Courses and workshops dedicated for women-entrepreneurs Women's tailoring of communication Working with „conservatives“ Innovativeness promotion – exhibitions, trade shows |

Source: own elaboration.

Activities supporting women's successors



Source: own elaboration.

Conclusions

Because of all the economic and social changes, increase of women's participation in labor market and leadership is indispensable. The actions must be taken in different

dimensions and the effects will be observable after some time. Most desirable actions, that should be undertaken are as follow:

- Promote women's achievements, especially among young women who have to believe in themselves,
- Promote diversity-friendly workplaces,
- Promote balanced work teams,
- Overcome gender related stereotypes – build up society awareness,
- Remove barriers to women's progress – regulations' changes if needed,
- Develop financial supporting tools for women-entrepreneurs.

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6 | Action Plan “Employees as successors”⁵⁶

Introduction

Employees of a company are not the first alternative coming into one’s mind when searching suitable successor for the business. Those belonging to the company’s management group are in many cases asked for their interest in being a successor, but the lower level an employee is in the hierarchy, the less probably he/she is inquired of his/her interest in becoming a successor. The contemporary entrepreneur may have had conflicts with employees, he may underestimate their capacities or there might be suspects concerning their loyalty to the company.

On the other hand, it can be also difficult for an employee to express his interests in acquiring the business. The social pressure against the colleague wishing to start a trip across the classes, i.e. from worker to capitalist, may be, depending to the country, area and culture, crushing. An employee’s own family may be very critic against plans like that too.

Nevertheless, many aspects are in favor of employees as considerable successors. On the next pages, these will be further discussed.

Background

The contemporary discourse approaching employees as successors is one thread in discussion concerning employee buy-outs (EBO), which started in early 1970’s, when employee ownership was on the fringes of public consciousness (Whyte & Blasi, 1984). The context of this discussion was double sided. On the one hand, the aim was to decrease the power of labor unions. On the other hand, EBOs were seen as a mean to increase the influence of workers into their work conditions. Third point of view to the EBOs was arisen in 1980’s when – during the hot era of rising stock exchange rates and so-called casino economy – a partnership or shared ownership was seen as a way

⁵⁶ Prepared by Dr. Sirpa Sandelin and Dr. Kari Lilja - Satakunta University of Applied Sciences

to both protect the company from malicious acquires and to pull together the dispersed shares (Ellerman, 1993). Also financing the business and rewarding loyal employees with optional wins caused by rising rates were presented as reasons for both partial management buyouts (MBOs) and EBOs. The golden era of EBOs started in the beginning of the 1990s, after the collapse of soviet imperium and in the beginning of privatization. The special privatization programs were founded in many former soviet countries and in East Germany, to privatize the former Deutsche Demokratische Republic/German Democratic Republic (DDR)-owned business. (Ellerman, 1993)

In East Germany, the “Treuhand” (the German privatization agency) carried out more than 2000 MBO or MEBO privatizations in big industrial companies. In addition to these, the Treuhand had more than 20,000 further MEBOs of small retail and service firms. The Treuhand encouraged (M)EBOs as a policy instrument that supported the goals of creating SMEs (small and medium-sized enterprises) in the eastern states and of increasing private ownership in East Germany. (Ellerman, 1993)

In other countries, the privatizing was managed in different ways (Filatotchev; Grosfeld; Karsai; Wright; & Buck; 1996). In Poland, which was one of the first socialist countries to conduct a privatization program, privatization worked, but in the other way than was advised by free-market purists and Western advisors. Liquidation, employee/management buy-out and joint venture proved to be much faster and more successful. They could be managed, controlled and approved by local authorities, and that is why they were much less impacted by the unpredictability of Polish politics. (Ellerman, 1993).

In Hungary, there were a decentralized passively controlled program called "self-privatization", which supported many MEBOs (Ellerman, 1993). The alienation of former state-owned enterprises by the employees was supported or enabled with the use of preferential credit (Filatotchev; Grosfeld; Karsai; Wright & Buck; 1996). Many of the programs were designed specifically for EBOs and MBOs. A special law for ESOPs or employee stock ownership plans was enacted, based to the American and

English models, and new forms of financing opportunities were developed to support MBOs and EBOs (Ellerman, 1993).

In the Russia and former Soviet States like Estonia, Latvia and Lithuania, one of the main forms of actual privatization was the lease enterprise with the option to buy—which was a type of (M)EBO (Ellerman, 1993). Another form of privatization in Russia was a voucher privatization scheme, in which state-owned enterprises were effectively "given-away" against vouchers dealt to employees and management. (Filatotchev; Grosfeld; Karsai; Wright & Buck; 1996). Unfortunately, a huge majority of people receiving the vouchers did not realize the value of the piece of paper, which made it possible for some brave individuals to collect huge number of vouchers for a ridiculously low price. These individuals are now called "oligarchs". Due to the failed voucher campaign, the proportion of SMEs remained lower in Russia than in other parts of former communistic imperium.

The goal of these privatizing programs was to implement western capitalistic system (Wright; Buck & Filatotchev, 2002). Especially supporting the birth of SMEs via employee and management buyouts was wished to help reaching the goal. Thanks to these programs, certain countries like Poland, Hungary, Baltic countries and Russia have more experiences on employee buyouts and partial by-outs. A major part of companies born in the beginning of 1990's is now close to their first generational transfer, and employee buyouts are one thinkable way to do this.

The potential of employees as successor / acquirer

There are many reasons why we should have a look at employees of a company and consider them as potential successor or acquirer of a business, particularly in cases where there is no willing successor or no successor at all in the owner family of the company.

Experience in the company

Employees have worked at least for a while in the company; thus, they have got acquainted with the business, the branch, their colleagues and stakeholders. Depending

to their tasks, they also know at least a part of the processes in the company. In the best case, they have new ideas on how to develop the business, organization, process or a part of the process or an individual product or service. By becoming owners, employees will be more motivated to pursue their initiatives and ideas, as well as to take responsibility on control and supervisory functions (Wright; Buck & Filatotchev, 2002).

Existing contacts

During their career, both in their contemporary business and working with their former employers, employees have created contacts. These contacts will help them or at least make it easier for them to take a grip on their new role. They are known, or at least they should have become known, in the branch and by all stakeholders of the business, which makes it easier for them to preserve existing contacts, to create new contacts and to become accepted as entrepreneurs (Di Stefano, 2018).

Existing knowledge and skills

Employees, working in certain tasks, are already professionals with skills required in their profession. They know the process, routines and phases. They are also aware of how each part of the process is connected to another. Depending to their place in the organization, they may also have had an admission to the tacit knowledge. (Di Stefano, 2018) However, they most probably miss experience as entrepreneur and knowledge concerning the entrepreneurial issues. It is also worth realizing, that the entrepreneurial competences are covering, not only formal skills and knowledge but also personal properties like ability to tolerance risks and unsureness, creativity and innovativeness. These personal properties are difficult to measure and they can be taught or learned only partially.

Trust is important

It is important that the former owner and his/her family trust in the successor. Almost as important as this is that all the members of new team i.e. colleagues and former superiors trust in an acquirer too. This can not be guaranteed, but it is most unlikely that owner would accept a successor who did not have this trust. If a successor has this

trust, will the other employees less likely question his professional competence and authority. However, the trust between predecessor and successor may conflict more with the former employee's professional attitude and less with the emotional relationship to the company than it would be the case with the former owners family that may have very strong emotional binds to the business, suppliers, customers, employees and even facilities. These emotional reactions may be reflected to long-standing employees. In such cases, the trust is emphasized. (Di Stefano, 2018).

How to support

No matter how experienced, competent and skillful the successor is, he will need many kinds of support during the phases of transfer. This support may vary from a reliable listener with whom a novice in entrepreneurship can discuss about fears, worries, unforeseen problems or lucky surprises, to financial support in the form of a loan or guarantees needed to finance investments or as operating capital.

Emphasizing entrepreneurial competences

When starting the first own business a new entrepreneur may be completely unaware of the required competences. He may be unsure about what needs to be done, and confused, even afraid of all the challenges the new role will bring along. Or by having an ultra positive attitude, he may believe that he has been born as a perfect entrepreneur who knows and can everything, which only proves that nobody is perfect.

One important form of support is to give beginning entrepreneurs and people with the intention of becoming an entrepreneur a chance to evaluate and enhance their entrepreneurial competences, and to give them a realistic picture of their contemporary capabilities and those competencies they need to develop. (Di Stefano, 2018). One may need more knowledge in foreign language, business management or human resources whereas another may need personal training on how to control and develop personal properties, for example, how to get loose of extreme impulsiveness or excessive hesitation.

The support described above should stay on personal level, partly because the support should be tailored for each entrepreneur's personal needs, partly because the issues are very sensitive. The skills needed when running the business can be trained and taught in groups. However, the groups should be small and confidential enough to enable spontaneous exchanges of experiences as well as networking. Furthermore, arranging possibilities to practice in business management would give those interested in entrepreneurship a good opportunity to train and see whether this is their career or not.

Not only entrepreneurial skills but also the knowledge concerning the acquiring process is needed. Although this knowledge can be bought from consultants, auditors and other experts, it would be recommendable that an entrepreneur himself also knows at least the essentials of the process. This requires that these issues will be discussed during the entrepreneurial training.

The use of consultants and other specialists may be very expensive, and it would be recommendable that there were also advisors working on non-profit base. Concerning the voluntary advisors, there is one question that needs to be highlighted: The liabilities, particularly the third-party liability and insurances. Professional consulting and advising can be insured against trials and liabilities, but for consulting and advising on voluntary base it is very difficult to get insurances. This means, that the real professionals stay out of the charity work or at least the advices given remain on most universal level.

Speaking about money

Funding is one of base pillars in starting a new business or acquiring an existing one. A major problem in transferring a business to an employee or group of employees is that they most probably do not have money to fund the transfer or property or other securities to be used as a guarantee needed to get a funding in the form of external capital (Wright & Buck, 1992). Thus, to enable or at least to make it easier for employee to acquire a company, alternative funding sources should be established. These sources should have reasonable interest rates and guarantee requirements set on level that is significantly lower than contemporary regulation allows for traditional financing institutions.

In addition to funding, taxation is one central question when planning the business transfer. Taxation is important for both parties of the business transfer. Taxation is often mentioned to be the major reason for failed, delayed or cancelled business transfers, although for example in Finland, the claim “Taxation prohibits the generational transfer” is considered to be true only in 2 per cent of companies. These companies are in common big family businesses with property and capital collected for tens or even hundreds of years. However, the fear of taxes is living between the ears of entrepreneurs and prohibiting the transfers. Tax benefits for employees acquiring the company and for retiring entrepreneurs transferring their company to an employee or group of employees would be a positive sign from the government, messaging that succeeded transfers will be appreciated.

It is not so rare that a retiring entrepreneur has neglected the development of the business for years before the transfer. The product range might be outdated, or processes may be obsolete, prices may be far too high or too low etc. Thus, it is probably one of the first challenges of new entrepreneur is to update products, product lines and/or processes. Sometimes this is not enough, but the totally new products must be innovated, developed and launched. To make it possible to launch new products, both financial and marketing support might be needed.

“Successor Tinder”

Many of the retiring entrepreneurs have answered in Entrepreneur barometers and other surveys that it is difficult to find interested and capable successors whom they could accept as successor. It has also stated that even if someone inside the company was interested to acquire the company, a threshold to inform it in public is too high. There is a need for system that collects the interests of employees to have the business of their own as well as employees who already have a business of their own. This would make it easier to start discussions with persons who might be interested in becoming successors.

Recommended actions

To make it possible to find and catch the potential successors and acquirers out of the employees, as well as to support their start and continuing, the following tools are suggested to develop and launch:

- Tool for evaluating and developing the entrepreneurial competences.
- Tool for collecting the employees entrepreneurial interests (“Entrepreneurial Tinder”) inside the companies.
- Tool for evaluating the value of employee’s own knowledge and experience (“Personal assets”).
- Tool for matching the potential investors and employees interested in acquiring the company.

These tools are necessary to start and support the discussion concerning the willingness to acquire the business and capabilities required to run and develop it. In addition to these, some training programs should be developed and launched:

- Training the potential entrepreneurs in the company.
- Management training program in a company for those having basic knowledge of business management and entrepreneurship and interest in becoming successors.
- Education program for those with no earlier knowledge of entrepreneurship and business management, but who have good skills and knowledge of their profession.

These training and education programs will strengthen the knowledge, skills and self-confidence of employees who are interested in entrepreneurship. Well-planned programs will also give provisions for exacting journey as an entrepreneur in the growing business.

Furthermore, it has become obvious, that voluntary or non-profit support in the form of mentoring, guidance and coaching is necessary or at least desirable help for young entrepreneurs. However, there are juridical and liability risks concerning the mentoring and counselling on voluntary base. It is recommended that following activities will be launched

- Discussion concerning the liabilities and insurances of voluntary consultants, advisors and mentors
- Discussion concerning the models of non-profit funding institutions. There are many examples of different models, but to collect experiences and to make an objective comparison between different models would be worth considering.
- Preparing the model for voluntary mentor-mentee-contracts for each country. The contract models should take into account the juridical aspects of mentoring, counselling and coaching, particularly on point of view of voluntary mentoring and counselling versus liabilities.
- Discussion concerning the possibilities to create some kind of model for non-profit insurance company or guarantee company covering the potential liabilities caused by voluntary mentoring and advising. During the discussion, also the requirements set to voluntary mentors (Qualification, experience etc.) should be defined.

Takeovers by workforces

In the context of company successions, company sales and company crises, company takeovers can also be carried out by employees. In contrast to company takeovers by one or a few employees, employee buyouts (EBO) involve the entire workforce, or at least most of the workforce, taking over the company that is providing the work. In contrast to mere employee participation and management buyouts (MBO), EBOs are when all employees who do not belong to the top management level take over more than 50% of the voting rights of a company.

The takeover of companies by workforces is widespread in the USA within the framework of Employee Stock Ownership Plans (ESOP). Due to government support in the form of tax breaks, these are a widespread instrument for transferring the company as part of succession planning.

Cooperative models have also long been advocated as possible solutions for company takeovers. The threat of job losses and poor prospects for new jobs mean that the company providing employment must continue to operate under its own management. Such models are more common in southern France, Italy and Spain. In the Baltic Sea region, however, company takeovers by employees are rather an exception in most countries.

Co-operatives can be a promising option for business succession in the Baltic Sea region. If a family-internal succession arrangement does not come about, employee cooperatives are a promising option for continuing the business and thus preserving jobs and know-how. Moreover, employee cooperatives contribute to a fairer distribution of profits and a more democratic corporate culture. Experience also shows that employees identify more strongly with the company when they are co-owners.

The SME support institutions should make greater use of the opportunities offered by employee cooperatives for company successions. A look at other European countries also shows that a targeted support policy can be helpful here. Support models from Italy, Sweden and other European countries should be used as best practices. In addition, the tax framework for employee takeovers should be improved, in particular by significantly increasing the tax exemption limits for such participations.

Conclusion

An employee is an interesting alternative as successor or acquirer, because he knows the colleagues, products, business and branch. He is also – most probably – known in the branch, at least if he has long career behind. However, it is not easy for an employee to announce his / her candidacy for successor. To encourage and enable this, a system collecting interested people should be implemented. To support and encourage those

expressing their interest, facilities to practice, train and learn the new role should be created.

For a novice as an entrepreneur, the voluntary support in the form of mentoring, advising and walking alone is welcome. However, at least in some countries it may be difficult to find mentors qualified and experienced enough, because the legal issues like liabilities and insurances are ambiguous. Clarifying these and defining minimum requirements for a mentor could encourage skillful mentors to give their support.

Takeovers by workforces and Co-operatives can be a promising option for business succession in the Baltic Sea region. The SME support institutions should make greater use of the opportunities offered by employee cooperatives for company successions. Support models from Italy, Sweden and other European countries should be used as best practices.

Transferring a business requires in most cases that an acquirer has capital enough to finish the transfer. A business always needs some amount of working capital in addition to investment capital. A beginning entrepreneur may find it difficult to get funding from open markets. Thus, there should be some non-profit funding institution granting loans and guarantees for beginning successors/acquirers.

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7 | Action Plan “Immigrants as entrepreneurs”⁵⁷

Introduction

The importance of entrepreneurs with foreign origin is growing, as they can be a driving force behind creating jobs for the local economy. For example, there are now more than 740,000 immigrant entrepreneurs in Germany who contribute more than two million jobs to the economy as a whole. Immigrants set up companies mainly in the construction industry and in the area of knowhow and technology-centered services. This development is evidence of a significant modernization of the range of services offered by immigrant-owned start-ups.

Current studies confirm:

- The failure of SME take-overs and the associated loss of jobs in many EU countries is caused by the large and growing shortage of qualified successors under the current conditions.
- Over the next 10 years, 500,000 companies with around 2 million jobs in the EU will have to be handed over to a successor every year, at least a third of these handovers is in danger of failing.
- Immigrants can make a decisive contribution to closing this large and growing entrepreneurial gap. There is no denying that the entrepreneurial potential among immigrants needs to be tapped.
- There is much to be gained from attracting entrepreneurially ambitious immigrants to the local economy through appropriate offers.
- By utilizing the entrepreneurial potential of immigrants, the number of self-employed entrepreneurs can be increased significantly, and the necessary business start-ups and business transfers can be secured.

⁵⁷ Prepared by Dr. Jürgen HogeForster – Hanse-Parlament

- Achieving a much higher self-employment rate among immigrants and refugees will promote fast and effective integration.

Therefore, immigrants, like locals, must be able to take advantage of all the support they need to become self-employed. In particular, bureaucratic and formal hurdles must be removed. They also need additional specific funding, particularly in three areas:

a) Fast and reliable assessment of competences:

Professional qualification recognition procedures are often very lengthy, involve a lot of bureaucracy and are disproportionate or unnecessary with regard to selfemployment in many professions and fields of activity.

b) Improvement of qualifications:

Many immigrants who are self-employed are often less qualified than local entrepreneurs. The success rate of start-ups by immigrants is significantly lower than that of locals. The sustainability of start-ups and company takeovers by immigrants must be promoted through improved qualifications.

c) Improvement of information and accompanying training:

Immigrants verifiable manner have a particularly high need for information. Because of existing of the language and culture barrier, so they need a comprehensive information network and intensive training.

Fast and reliable assessment of competences

Severe shortage of skilled workers and young entrepreneurs in a country can no longer be effectively compensated for by immigration from the neighboring countries. For example, in most Baltic Sea Region countries, the number of younger workers will decrease by up to 30% by 2030. For economic reasons alone, immigrants could be very welcome in many EU countries.

However, excessive reliance on certificates, legal regulations and bureaucratic processes severely hampers the start of self-employment for immigrants. The formal and bureaucratic recognition of qualifications is often a major obstacle.

In Germany, for example, the process of recognition of qualifications acquired in one's home country is particularly difficult and lengthy. This is often linked to long retraining or new vocational training done in order to achieve the German qualification. The German system of dual initial vocational training is world class, serving as the foundation of German economic success. The German Meister title is also highly recognized abroad at the level of further training. In other European countries there are also proven and recognized training and further training courses. But the tried and tested national paths for achieving high levels of vocational competence must be supplemented by alternative and practice-oriented paths for special target groups (cf. the findings and results of the VALIKOM project at: <http://www.validierungsverfahren.de>).

After a relatively short adaptation qualification to learn country-specific characteristics in the host country, migrants who have extensive vocational competences must be able to be fully deployed and also paid for after a few months. Provided that the identification of the necessary professional competences has been carried out by a team of practice specialists, the aim should be to obtain a permit to carry out professional activities without the need to obtain the official qualification of the host country. This would eliminate the need for extensive training courses and examinations.

A similar situation applies to self-employment. For various professions and fields of activity, such as doctors, lawyers etc. or for professional activities with a potentially high risk, a person can start self-employment only with qualifications recognized in the host country.

In Germany, for example, for 53 skilled trades, self-employment is tied to the so-called master craftsman's certificate or a comparable qualification. But there are also 43 skilled trades and 54 craft-like trades which do not require any official qualifications to start self-employment. A large variety of non-licensed professions and activities also

exist in other economic sectors. In all of these professions and fields of activity, immigrants who have a well-founded professional practice and good entrepreneurial potential must be qualified as entrepreneurs in the host country in a relatively short period of time of few months and quickly integrated into working life as successor entrepreneurs or business founders.

It is particularly problematic when migrants are not available to the labor market in the host country during recognition procedures and retraining, which can take several years. Despite their significant, often informally acquired, skills and experience, they may have to start professionally again at an advanced age and may not be allowed to work for a long time.

One problem with the counselling and qualification of migrants is that the longer the migrants are looked after by these institutions, the more successful they are economically.

Such a system must be changed in such a way that above all the successful integration of migrants as independent entrepreneurs is financed. Indicators for the successful integration of migrants are, for example, the opening or continuation of a business and the recruitment of several employees as well as the existence of the business for at least 3 - 5 years.

A greatly delayed integration frustrates immigrants to a great extent, who are not allowed to work although they would like to contribute their skills to society. The economy, which suffers from a shortage of skilled workers and managers, has to wait a long time for the urgently needed skilled workers and entrepreneurs. The fact that migrants are not allowed to work for a long time increases rejection among the local population.

For all professions and fields of activity for which no qualification is required for selfemployment, there should be no compulsory recognition of skills already acquired, no corresponding retraining and no recognition of a vocational training qualification. Instead, an assessment should be used to identify entrepreneurial potential in practice, possibly in conjunction with a probationary phase, and on this basis individual plans

should be drawn up for the necessary qualifications and procedures up to the point of taking up self-employment.

A corresponding assessment was successfully developed and implemented in the "Innovative Business Transfer Models for SMEs in the BSR"⁵⁸ project. This procedure was also modified with regard to the specific conditions and needs of immigrants and successfully tested with around 100 immigrants in different countries. It is available free of charge in an electronic and written form with detailed instructions. In the future, it should be used in all countries in the Baltic Sea Region to attract immigrants as entrepreneurs.

Improvement of qualifications

Just like in the case of the identification of entrepreneurial skills, it is essential that the implementation of the following training courses is fully financed from public funds in order to ensure the much-needed new generation of highly qualified entrepreneurs. The associated costs are very low compared to the high economic profits. In addition, it generates considerable cost savings for the host countries, because the high cost of living and training of the young workers was incurred in the immigrants' home countries.

Language training

Language training at the B2 level must be mandatory. It is recommended to use training that is specifically tailored to immigrants as prospective entrepreneurs. Corresponding concepts and curricula are available.⁵⁹ Language training will typically consist of 240 lessons. In addition to regular classes, an online course should be set up on a suitable learning platform to support the communication and collaborative learning

⁵⁸ See Innovative Business Transfer Models for SMEs in the BSR: Entrepreneurial potential, Baltic Sea Academy, Hamburg 2020

⁵⁹ For example, see New Skills for New Entrepreneurs - Attracting and Training Immigrants as Business Successors: Language Training, Institute for Applied Commercial Research, Vienna 2018

among the participants. If necessary, further language training can be combined with professional training.

Motivation and creativity training

Experience has shown that many immigrants already have more or less concrete ideas for self-employment and are eager to begin self-employment as quickly as possible. A one-and-a-half or two-day motivation and creativity training course makes an important contribution to achieving the overarching objective of "increasing the number of young entrepreneurs to ensure company transfers". Accordingly, it is the aim of the training that at the end, the participants have a realistic idea of their own motivations and have developed one or more specific innovative ideas for starting self-employment. For this purpose, the first part of the training includes an individual assessment of one's own motivation and ideas behind the desire to be an entrepreneur. In the second part, innovative business ideas for entrepreneurial activity are developed, reviewed and consolidated in individual and group work.

The training is aimed at all people who have a basic interest in self-employment. The basic interest and a certain degree of suitability to be an entrepreneur should have been determined in advance. In this respect, it is particularly advisable to carry out the training immediately after the assessment of entrepreneurial potential for those people who have exhibited potential and interest in entrepreneurship in the course of these tests and consultations. However, the training can be used independently of these tests at all other levels of training and consultancy on the way to becoming self-employed.

The training is particularly suitable for attracting new and previously underrepresented target groups for self-employment.

In the "Innovative Business Transfer Models for SMEs in the BSR" project, such training was successfully developed and implemented, and it is available for use free of charge.⁶⁰

Entrepreneurship Training

As part of the competence assessment and the individual qualification plans based on it, as well as internships in companies, the entrepreneurial qualifications the immigrants need are identified in order to enable them to begin the planned selfemployment as effectively as possible. Accordingly, each immigrant should complete selected or, if necessary, all modules of the entrepreneurship training.

Each participant should be given the opportunity to complete all modules of the entrepreneurship training over a period of about five years after starting selfemployment, to take an official final examination and to acquire recognized further professional qualifications from the host country.

Such entrepreneurship training has been successfully developed specifically for immigrants and has already been implemented in various countries.⁴The content of the curriculum is based on entrepreneurial qualifications that are suitable for the establishment or takeover of small and medium-sized companies. In addition, the curriculum also reflects a basic understanding of the entrepreneurial activities in predominantly market-based societies with liberal-democratic systems, especially in Western and, to some extent, Eastern Europe. Thus, the expansion of skills and qualifications of immigrants through the training can significantly boost cultural integration, apart from contributing to economic integration.

The curriculum is divided into module groups. There are entry modules, core modules and elective modules. The content in the introductory modules provides a basic overview of the key operational and economic considerations that a company founder or company acquirer should make in order to increase their chances in an often highly

⁶⁰ See Innovative Business Transfer Models for SMEs in the BSR: Motivation & ideas for takeovers, Berufsakademie Hamburg, 2020

competitive market. The introductory modules include basic content, which in some cases is later covered in much more detail in the core and / or elective modules.

On the one hand, this duality can deepen and consolidate the knowledge and competences of those participants who generally still have limited learning requirements (e.g. language skills, cultural and economic knowledge and experience, etc.). On the other hand, the educational institutions can act flexibly in terms of content and scheduling for the participants who already have higher learning requirements and, for example, combine thematic units from different modules or adjust the timeframe to suit the needs of the target groups.⁶¹

Start-up and takeover training

While the above qualifications are strictly done on a voluntary basis, start-up and takeover training should be mandatory for immigrants and also for locals. The training comprises approximately 16 lessons and can be done two days a week or at weekends or five to six evenings a week.

The participants already have a concrete, mature plan for setting up a business or taking over a company, which will be implemented in the near future. However, they lack thorough knowledge of business management matters to be able to effectively continue to run a new business once it has started. Serious mistakes are made right at the beginning of a business activity and can lead to a premature end of an enterprise. The initial phase, being an important milestone for company successors, is still connected with a lot of challenges and uncertainty.

For educational and pragmatic reasons, the necessary knowledge can be illustrated using the structure and idea of a business plan. Therefore, the business plan concept constitutes the focus of the training for founders and successors. In addition, the issue of financing / liquidity poses many challenges for a number of business founders and

⁶¹ For example, see New Skills for New Entrepreneurs - Attracting and Training Immigrants as Business Successors: Curriculum Entrepreneurship Training, Hamburg University of Applied Sciences, 2018

successors. For this reason, this module should be compulsory to supplement the business plan module.

The business plan is the central planning tool for the preparation of a company foundation or company expansion. It systematically presents the business opportunities and risks as well as the steps of the implementation. The business plan serves in particular to communicate with potential investors and therefore plays an important role in obtaining the financial resources that are required to implement the business plan.

The training also teaches administrative duties and basic elements of legal regulations.

The concept and curriculum for this type of training, which should be introduced in all Baltic Sea Region countries, was successfully developed and implemented as part of the "Innovative Business Transfer Models for SMEs in the BSR" project; it is available free of charge.⁶²

Improvement of information and accompanying training

The entire action program to support immigrants as entrepreneurs comprises the following phases:

- An assessment lasting about half a day to determine entrepreneurial potential and to establish individual integration plans.
- Tailored language training, which can also be combined with professional training.
- This is followed by a two-day motivation and creativity training course in which ideas and plans for self-employment in the host country are developed.

⁶² See Innovative Business Transfer Models for SMEs in the BSR: Training for successors - Preparation to take over SMEs, Berufsakademie Hamburg and Baltic Sea Academy, Hamburg 2020

- The immigrants then complete several-week internships in different companies and at the same time receive entrepreneurial qualifications tailored to their individual needs.
- The accompanying training supports the immigrants until they have started their own business or have taken over an existing company.

The immigrants need comprehensive information and repeated intensive individual counselling during all program phases, from the assessment of existing competences until after a successful takeover or founding of a business. During all phases, immigrants should receive accompanying training from a professional coach. If possible, one coach should be assigned over the course of the entire process, so that each immigrant has the same contact person with whom a relationship of trust is developed.

The coaching process has to be particularly intensively after a successful entrepreneurial training on the preparation and implementation of a business start-up or takeover. It comprises the following phases and activities.

| Coaching-Phase | | Activities | Coaching-Tasks |
|-----------------------|---------------------------------|--|--|
| No | Titel | | |
| 1 | Assessment of Competences | Self-assessment with electronic tool | + Attracting and advising participants |
| | | External assessment through interviews | + Participation as interview partner + Ensuring further support for participants not continuing in the project |
| 2 | Motivation & Creativity Seminar | Conducting the motivation & creativity seminar | + Advisory support + Participation as lecturer + Preparation of the next phases + Ensuring further support for participants not continuing in the project |
| 3 | Language Training | Conducting the language training, if needed | + Advisory Support + Preparation of the next phases + Ensuring further support for participants not continuing in the project |

| | | | |
|-------|---------------------------------------|---|---|
| 4 | Entrepreneurship Training | Conducting the entrepreneurship training & internships | + Advisory support + Organisation of internships + Demand-oriented additional training + Ensuring further support for participants not continuing in the project |
| 5 | Founder or Successor Trainings | Conducting the company takeover or business start-up training | + Advisory support + Participation as lecturer + Assistance with planning & preparation of documents |
| 6 | Company takeover or business start-up | Realisations of company takeovers and business startups | + Intensive consultations + Establishment of contacts + Assistance with funding, financing, etc. + Matchmaking for business transfers |
| 1 - 6 | Coaching | | + Constant contact person + Advice on all professional and technical questions + Assistance and referrals in all matters |

The entire qualification and coaching program is composed of different components:

- After the assessment of existing competences, skills and dispositions as well as the creation of individual qualification and integration plans based on this assessment, a tailored language training starts. The language course can be carried out completely before the entrepreneurial training or in parts alongside the entrepreneurial training.
- During the language training period, a two-day motivation and idea-finding seminar is held
 - a) to specifically promote and strengthen individual motivation to perform the tasks of an entrepreneur.
 - b) to train creativity and the ability to innovate as well as to develop individual ideas and plans for future business activities.

- The next phase involves entrepreneurial training. The training program consists of individual modules and should be carried out in three blocks of approximately two months each. Depending on their skills and qualifications, the participants can choose to
 - a) complete the entire training program and obtain a recognized qualification.
 - b) complete only certain modules of the training program.
- During the implementation of the training program, approximately three four-week internships should be carried out in different companies.
- During the training program and internships, the central adviser/coach helps to specify the plans for taking over or founding a company, to establish appropriate contacts, etc. On this basis, an approximately two-day preparatory seminar for the takeover or founding of a company is then held.
- This is followed by the implementation of a takeover or the establishment of a business, which is intensively supported by the coach until a successful completion.
- This implementation phase involves intensive individual advising from the coach. Follow-up training is also carried out as required, which may be implemented as part of existing educational programs together with other participants.

During these phases, the coach provides the following services to immigrants in particular:

- a) The idea-finding and motivation training, as well as individual coaching on the creation and specification of plans for a business takeover and business foundation.
- b) Establishing contacts with relevant funding agencies, financing institutions, administrative bodies, etc.

- c) Arrangement of internships in companies.
- d) Supply of companies that are planning to hand over a business.
- e) Organization of follow-up training,
- f) Individual coaching and support of the takeover or start-up process.
- g) Providing comprehensive advice as well as all necessary services and assistance both for the immigrants and for the companies involved.

The takeover or start-up process can already begin during the entrepreneurial training or during the implementation of the company internships and should be successfully completed no later than six months after the completion of the entrepreneur training.

Model for the structure and sequence of the training and coaching programme

| Month | Assessment | Individual Plans | Language Training | Motivation & Creativity T. | Entrepreneurial Train. | Internships in SMEs | Additional Train. | Preparation Seminars | Takeover or Startups | Coaching & Consultations |
|-------|------------|------------------|-------------------|----------------------------|------------------------|---------------------|-------------------|----------------------|----------------------|--------------------------|
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |
| 3 | | | | | | | | | | |
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| 14 | | | | | | | | | | |
| 15 | | | | | | | | | | |
| 26 | | | | | | | | | | |

Pro-active immigrant policy

A pro-active, far-reaching and business-friendly policy for immigrants who want to start their own business is essential. In addition, targeted recruitment and appropriate offers should be made in order to significantly and sustainably increase the number of entrepreneurial immigrants in the Baltic Sea Region countries. Immigrants should also be fully supported through the measures of this action plan so that as many of them start their own business as possible.

A limitation of the residence permit to, for example, three years is too short to overcome often adverse conditions and to master tough operational processes. Such time limits reduce the recognition of a welcome culture among migrants. Moreover, two essential needs are very much affected by this: Striving for (planning) security and recognizing perspectives for shaping life for oneself and others. The business goals can rarely be successfully implemented in a very limited period of 3 years. A temporary residence permit should be valid for a minimum of five years to enable self-employment and should include quick and straightforward extension options without excessive bureaucracy.

In addition, measures to design an aggressive migration policy should be regularly checked and, if necessary, adapted to changing framework conditions and new knowledge from research and practice.

Immigration policy shall be flexible, to reflect country-specific needs. Cooperation within the EU does not mean to get all countries and regions into line, but rather to promote different cultures, regional specifics and liveliness by their diversity. Accordingly, each member state should define its own immigration policy, while the EU would “only” advise and check for compliance with overarching common objectives and basic values, like especially human rights.

Admission of refugees shall also be regulated at the level of member countries. A balance must be struck between country-specific political, economic and universal humanitarian interests. A blanket definition of admission quotas obviously does not yet compensate for this.

If some countries have high expenses for the integration of migrants, the burden must be borne jointly. Countries with a refugee admission quota of zero or close to zero, by measure of their population, will need to do compensatory payments to refugee-admitting countries for their incurred costs of admission and integration.

Financing of the proposed strategies – assessment, language training, professional qualification, coaching and integration programs – shall be financed from public funds.

Where possible, such funding should be performance-oriented, e.g. 50 percent of funding as flat rate, while the remainder would be success-based. Carrier institutions should get a financial reward only in case of shortest possible and sustainable integration success, whereas they shall not benefit from, e.g., the duration period of their support measures.

8 | Action Plan “Brain drain”⁶³

INTRODUCTION

While migration of workers is not a new phenomenon, it has undoubtedly become easier and more popular since the EU has made free movement of labour one of the four economic freedoms for EU citizens, as described in Article 45 of the Treaty of Lisbon. At the same time, demographic challenges within the EU, namely population ageing and decreasing fertility rate have caused an overall decline of labour force and a notable competition for skilled workforce. Specifically, the lack of small and medium-sized enterprises (SME) successors has been addressed within the INBETS project. Skilled workforce who has emigrated abroad, what is commonly referred to as brain drain, represent a highly valuable target group in order to close the SME successors gap. Studies show, that returning migrant workers bring back a combination of human, financial, and social capital accumulated abroad (Wahba, 2015):

- Work experiences, knowledge and skills: Migrants are often more educated and have more work experience than people who have never lived abroad. Furthermore, returning migrants bring back new ideas, innovative technical abilities and working culture norms.
- Contacts and network: Returning migrants build up international connections and contacts abroad that can be highly beneficial for the business.
- Finances: Studies show that returning migrants are wealthier than people in their home countries as they usually earn more abroad and tend to accumulate savings. Hence, they are more likely to be able to set up a business when returning to their home country.
- Language skills: Migrants return multilingual, which is highly beneficial for working in an international context.

⁶³ Prepared by Melanie Henke – Hanse-Parlament

- Flexibility and ability: The experience of migrating entails several personal competencies such as the ability to adapt to new situations and challenges, tolerance, risk and open-mindedness.
- Social norms: When people migrate to another country, they are confronted with different cultures, social norms, and political ideologies. When migrants return they bring back new visions about the quality of life, of political institutions and political accountability.

It is for these reasons, that the return of migrant workers to their home country result in a valuable transmission of knowledge, ideas, contacts and social norms, which may be highly beneficial to SMEs. Furthermore, studies show that return migrants are more likely to set up small and medium-size businesses than non-migrants. However, return migrants have to deal with many hurdles when setting up their businesses, above all the many administrative and institutional barriers.

The purpose of this report is to examine the scale and nature of brain drain in the Baltic Sea Region (BSR) in order to suggest how emigrants could be attracted to return to their home countries as SME successors. In a wider frame: How can brain drain be turned into brain regain in the BSR? Naturally, the strategies and recommendations for remigrants as entrepreneurs partly overlap with other targeted entrepreneurs written about in the previous action plans, namely women entrepreneurs as well as immigrants as entrepreneurs. However, there are special aspects which have to be taken into account when focusing on bringing back emigrated professionals. The aim of this report is to propose recommendations based on these particularities.

In order to analyse the brain drain situation of the BSR countries, the methodology of this report consists of a threefold approach:

- Desk research: Examining scientific publications on migration, policy reports and existing policy recommendations published in recent years.
- Focus group discussion: Discussion with professionals from various fields such as migration and country branding experts.

- Country case studies: Outlining the current migration situation, solutions and policies as well as best case studies of remigration in the BSR countries.

In the first part, a contextual review based on the desk research will provide an outline of the current patterns, challenges and chances of migration in the BSR countries. Then, insights from the focus group discussion will be given. Finally, each country will be highlighted as a case study in specific. Based on the threefold methodological insights, recommendations and conclusions will be drawn in the last chapter. These recommendations can serve as guiding measures for policies in local and regional authorities.

Contextual Review

Before outlining the complex topic of BSR brain drain in further detail, it is important to clarify the migration-related terms and concepts used in this report. For that purpose, the definitions provided in the study “Addressing brain drain: The local and regional dimension” written jointly by Simona Cavallini, Rossella Soldi, Lorenzo Di Matteo, Mihaela Alina Utma and Beatrice Errico can be consulted in the following figure. The term “remigrant” should be added, referring to a returned emigrant.

Definitions of migration-related terms and concepts⁶⁴

Brain drain: a region's loss of individuals with high skills and/or competencies (workers/students) due to permanent emigration.

Brain gain: a region's gain of individuals with high skills and/or competencies (workers/students) due to permanent immigration.

Brain regain: a region's reacquisition of the same high skills and/or competencies (workers/students) previously lost due to emigration which was supposed to be permanent.

Brain circulation: the continuous and simultaneous gain-loss of high skills and/or competencies (workers/students) in a region. Such high skills and/or competencies may relate to the same or different sectors/domains.

Brain waste: the loss of high skills and/or competencies (workers/students) due to emigration to regions where, for different reasons, such skills and/or competencies cannot be properly exploited (e.g. highly skilled workers remain unemployed or are employed in jobs not requiring their competencies)(Garcia Pires, 2015).

Sending regions: regions that are losing high skills and/or competencies (in one or more sectors/domains) as a result of permanent emigration over a specific time period.

Receiving regions: regions that are gaining high skills and/or competencies (in one or more sectors/domains) as a result of permanent immigration over a specific time period.

Permanent emigration/immigration: stable emigration/immigration which, nevertheless, is still reversible.

EU28 movers: EU citizens who reside in an EU country other than their country of citizenship (EC-DG EMPL, 2018).

Intra-EU mobility: the migration flows of EU28 movers within the EU borders.

The aspects discussed in publications about migration and brain drain patterns can be grouped into five key subjects:

- Statistical numbers of migration
- Migration flow patterns
- Reasons for migration
- Occupation of migrated workers
- Negative effects of brain drain

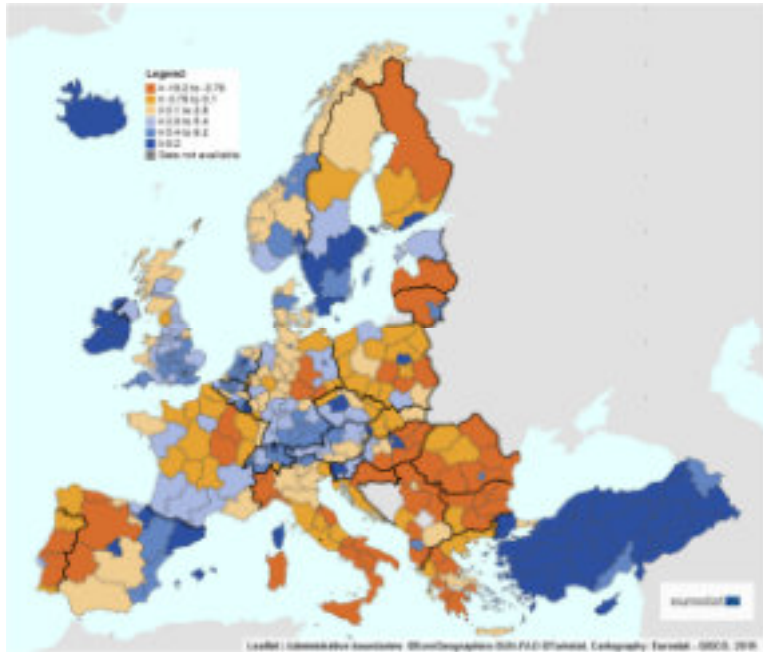
⁶⁴ “Addressing brain drain: The local and regional dimension” by Simona Cavallini, Rossella Soldi, Lorenzo Di Matteo, Mihaela Alina Utma and Beatrice Errico (2018)

- Existing strategies to meet challenges coming with brain drain

Statistical numbers of migration

Based on the numbers given in the European Commission's annual Report on Intra-EU Labour Mobility, published in January 2020, 12.9 million people of working age (20-64 years) migrated within the EU in 2019. Compared to previous years, this number is slightly growing. The figure below shows the rate of the net migration, comprising both immigration and emigration. The figure shows that migration numbers vary within the countries significantly. In some countries the combination of a negative net migration rate and low fertility rate is leading to an overall population decline (Lithuania, Latvia and Estonia, though less radically than Lithuania and Latvia).

Rate of net migration⁶⁵



Migration flow patterns

In broad terms, migration flows follow east-west, south-north and rural-urban schemes. Concerning the BSR, skilled workforce between 15 and 64 years is likely to move to northern BSR countries such as Sweden, Denmark, Finland and Germany (Cavallini, S. et al., 2018). According to the ESPON report 2017 sending BSR countries are mainly Lithuania, Latvia, Estonia and partly Poland. Furthermore, emigration outside of the EU and BSR countries include mainly the US, UK and Ireland.

⁶⁵ : Eurostat data “Regions and Cities illustrated”. The indicator is defined as the ratio of net migration during the year of the average population in that year and is expressed per 1000 persons (EU Open Data Portal)

Reasons for brain drain

The reasons for brain drain are often a combination of so-called pull and push factors. Undoubtedly, the biggest factor is of economical nature. Many skilled workers leave for higher wages, faster economic growth and high per capita wealth to foreign countries as well as for better educational and professional opportunities. Moreover, easiness to access to the labour market and overall higher employment rates are other pull factors. Administrative barriers or economic depression (e.g. death of enterprises) are common push factors.

However, also socio-cultural factors and the quality of life play a big role for emigrants, according to the Eurobarometer. Cultural factors such as a gender-biased mentality and income inequality are push factors. Furthermore, adequate health care and social security as well as physical and technological infrastructures are listed as main factors. But also, the overall political environment has become more and more prominent in the list of reasons.

Linguistic and cultural similarity play a decisive role when choosing where to go to.

Pull factors are for instance the affordability and availability of housing, cost of living, quality of the education system and the availability of infrastructure, leisure activities (e.g. culture), social life and a healthcare system.

- Perception of the region from the outside (i.e. reputation and image).
- The existence of a marketing or branding strategy that highlights the information of interest to the talent targeted.
- Labour conditions intended as career opportunities and support for business development (e.g. start-up incubators and office facilities).
- Availability and accessibility of information on the above factors. This is particularly important for facilitating cross border labour mobility between neighbouring regions.

- Availability of ‘welcoming services’ aimed at facilitating the relocation of talent attracted to the region. A one-stop shop is usually the option preferred by international migrants.

Occupation of migrated workers

According to the 2019 Annual Report on Intra-EU Labour Mobility, the main sectors of employment for emigrated workers are:

- Wholesale and retail trade, transportation and storage, accommodation and food service activities sectors (31%)
- Public administration, defence, education, human health and social work activities (18%)
- Professional, scientific, technical administrative and support service activities (17%)

Negative effects of brain drain

Among the negative implications of brain drain is above all the resulting shortage of labour force and a reduction of the stock of human capital, which in turn leads to a limited capacity for innovation and technology development, reduction of wages, tax income and consumption. Hence, the result is an overall decreasing economic growth, higher costs of goods and reduced productivity. These effects can be push factors for emigration leading to a vicious circle. For that reason, it is of paramount importance to implement successful return migration and brain drain prevention strategies.

Existing strategies to meet challenges coming with brain drain

Sending countries struggle regaining talent and making students and workers stay in their home country in the first place. Local, regional and European policy makers and authorities have been addressing the challenges and socio-economic shifts coming along with labour force migration with different strategies. Accordingly, various BSR countries already have existing programs and developed infrastructures in place in

order to promote the return of emigrants. These strategies will be highlighted in greater detail in the case study survey.

FOCUS GROUP INSIGHTS

The focus group discussion took place June 3-4, 2019 in Hamburg with experts from various fields such as migration and country branding. One of the hypothesis raised was: If emigrants would have access to viable information about available business transfer opportunities in their home countries, they would be more likely to come back. Furthermore, during the focus group discussion, common challenges regarding brain drain in the BSR were identified and two main groups of migrants were classified. Finally, precise suggestions for implementation within public authorities (both national and regional) of the countries aiming to bring back emigrated talent were assembled.

The outcomes were the following:

Baltic Sea Region common challenges:

- Some of the countries from the region have faced high emigration throughout the last 20 years.
- Main purpose of the emigration is a higher developed economy in other countries.
- Sending countries are willing to bring back emigrated workers because of several reasons:
 - Decreasing population in the country
 - Lack of labour force
 - To specifically attract open-minded talents, to facilitate process and technology innovations
 - With the goal to facilitate establishments of start-ups, to increase foreign trade and exports

Two main target groups for remigrants as SME successors resulted from the discussion with numerous reasons making them attractive.

| High-skill migrants | Low-skill migrants |
|---|--|
| <ul style="list-style-type: none"> ○ International approach ○ Gained skills ○ Relevant experiences ○ Support for export / import for home country companies ○ International network ○ Knowledge about international innovation measures ○ Readiness to develop new companies in home country | <ul style="list-style-type: none"> ○ Lack of low workforce ○ Payers of taxes and contributors to social security system ○ Increase the number of young people in the society as they can have an effect on the overall birth rate |
| Common reasons | |
| <ul style="list-style-type: none"> ○ Demographic situation in home country ○ Advanced working culture, more progressive than in home country | |

Furthermore, precise suggestions resulted from the focus group discussions regarding how to encourage remigration to the home countries:

- For both target groups.

Program for family:

- Due to the fact that emigrants often have partners from another country, there should be a support programme for the partner, who comes to live in the migrants home country.
- If the emigrant also returns to the home country comes with children, there should be an action plan for the kids' remigration/immigration (psychologists, language training, culture and tradition adaption, supportive school programs etc.).
- Governmental services and bureaucratic procedures should be adapted for English speaking persons.
- Remigration cost support.

- Easy and fast provision of residency permit as well as basic social services (health insurance, kindergarden/schools).
- Work/business start-up coaching and financial support for start-up and business takeovers.
- Public – private partnerships for implementation of the remigration programs.
- **High-skill target group.**
 - **Program for business:**
 - Support grants for business development in the home country. This should be in parallel to other support programs for non-remigrant business creations and start-ups.
 - Promotion of specific regions in the home countries that are growing and hold opportunities for potential remigrants.
 - Salary psychology, meaning, that the salary amount has to be compared with the overall income = living cost balance.
 - Creative business environments might increase the interest to develop business in home country.
 - Improvement of international and digital business environment in the home country. Digitalisation makes it possible to work from anywhere for anyone in the world nowadays.
 - Create a business network for remigration:
 - Data base with opportunities to buy existing companies
 - Business events about business transfer opportunities in the home country
 - Business consultation service

- Exchange platform about the contemporary country image since emigrants often have outdated impressions about their home countries
- Business events in embassies
- News channels in English about the business environment in the home country

COUNTRY CASE STUDIES

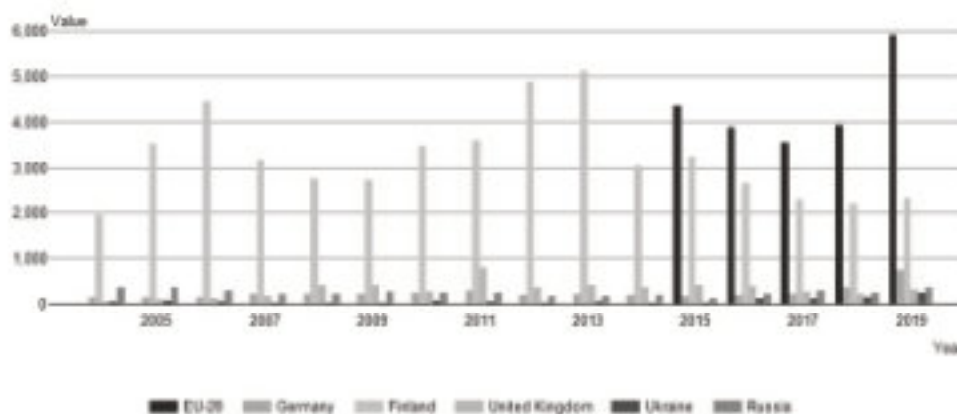
ESTONIA

Current situation

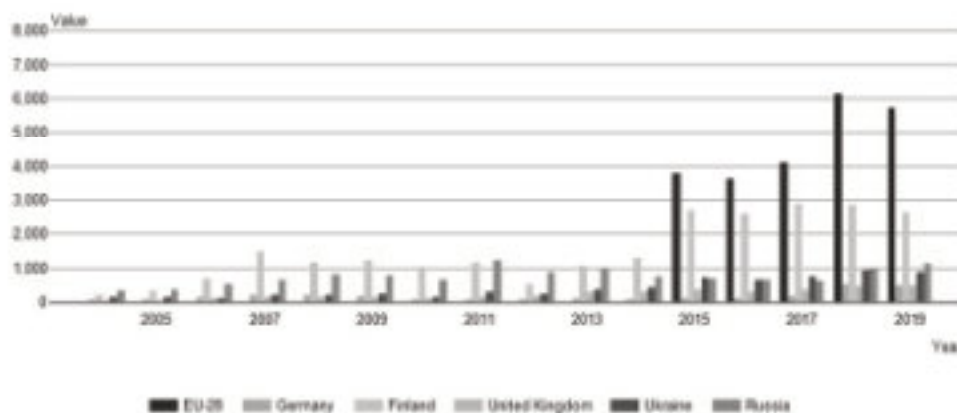
In 2019, 115,105 Estonians had registered their residential address abroad in the Estonian national population registry.⁶⁶ Almost half of them reside in Finland – the main contemporary migration destination. While most EU countries are a destination to more recent emigrants from Estonia, the UK, the USA, Canada, Sweden, Australia and Russia have been hosting Estonians from both the most recent as well as the historic emigration waves. Similar to Lithuania and Latvia, Estonia is dealing with decreasing population and labour force numbers caused by the combination of an ageing society, low birth rates and high rates of emigration. However, Estonia has taken considerable measures to mitigate emigration and to encourage immigration and return migration which have led to a slightly positive net migration rate in the recent years. Certainly, this also has to do with the recovery of the economy after the global financial crisis in the late 2000s. In fact, in 2018 around 6,000 more people have immigrated to Estonia than emigrated (Unt, 2018). An overall number of emigrating people is hard to estimate since many people going abroad do not necessarily give notice about them leaving.

⁶⁶ Source: Statistics Estonia. The actual residence data can differ to an extent, as not all emigrants register their residence abroad.

RVR94: EXTERNAL MIGRATION by Country and Year: Males and females, Age groups total, Emigrants.



RVR94: EXTERNAL MIGRATION by Country and Year: Males and females, Age groups total, Immigrants



Remarkably is the fact that highly educated people are less likely to leave Estonia in comparison to those with a lower level of education, mostly of vocational and upper secondary nature.

As mentioned before, Finland is the main migration destination for Estonians due to the geographical and linguistic closeness. Moreover, many Estonians are commuting between the two countries since an affordable two-hour ferry ride is available.

There is an active Estonian diaspora with approximately 15 % of Estonians living abroad (150 000-200 000). According to the analysis of the emigration of skilled labour in Estonia from 2018, 89 % Estonians who emigrated are willing to return. However, finding work with the comparable standards of living abroad represents a major obstacle. In fact, the main motivational factors for working abroad are related to higher salary, the opportunity to develop language skills, acquire work experience as well as better work conditions.

Solutions and policies in the country

Generally speaking, the problem of high rate of emigration is recognised and addressed in Estonia. While several programs are in place in order to turn brain drain into brain gain, Estonia is still lacking a coherent strategy and policy.

The Compatriots Program, for instance, targeted at Estonians living abroad runs since 2004. It is jointly managed by Ministries of Education and Culture. The main focus of this program is to provide the Estonian diaspora with language instruction and culture preservation support in order to sustain a sense of belonging to Estonia.

Moreover, returning Estonians can apply for a marginal state support of EUR 2 000 from the Integration and Migration Foundation's Our People program.

The programme "Talents back home" from 2010 to 2012 was initiated by the private sector and was funded by the European Social Fund with 120 000 EUR in 2010. By 2012, 27 people have returned related to this project, indicating a marginal role for returning migration. Although the project proved low in numbers, it gave policy makers valuable inputs on how to target the returning talent issues in the future. It was one of the main findings of the programme that inhibitions to return was the fact that foreigner spouses and wives had real challenges to find a job in Estonia. In 2015 Ministry of Economic Affairs and Communication released the first ever action plan on talent

attraction for Estonia and the year before Work in Estonia programme was initiated. The aim of the project was to attract foreigner talent to Estonia providing viable work opportunities over here. Alongside with emerging start-ups who were in deep need for tech talent, this programme took off with lots of enthusiasm and under the great leadership of the project manager has enlarged its scope and impact yearly. Now, the project tackles the challenge with wives and spouses and runs the special programme for spouses. This has proved handy for attracting back local talent with a partner from another culture and background.

Another initiative which has born from Work in Estonia success is International House Estonia, a one-stop agency helping immigrants settling in Estonia. The Career Hunt programme is another initiative by Work in Estonia team which offers an all-expense paid trip to Estonia particularly for IT specialists considering moving to Estonia.

There's one more initiative by State which can help the foreigners to get enthusiastic about Estonia and has made Estonia to stand out internationally due to Estonia being the first country to offer it. It's called e-Residency. E-Residency is a government-issued digital identity and status that provides access to Estonia's transparent digital business environment. E-Residency (<https://e-resident.gov.ee/>) allows digital entrepreneurs to manage business from anywhere, entirely online. So, it may be of a little help to returning talent, but because the partner of this person may ran the business seamlessly via Estonia, the couples are more inclined to return to Estonia (see the story of Chocolala later on).

In the frame of the European Capital of Culture award, Tallinn has developed a project focusing on creative industries in 2011. The creation of a Creative Hub was one of the activities within this successful project. Creative Industries have been heavily funded and supported with sectorial development centres since 2007 and has been in the focus up until now. This has definitely made the cultural fields to bloom and is another strong supporting factor for returning talent.

Besides these specific programmes, Estonia has focused on rebranding itself as a leading country in digitalization and innovation. In that respect, Estonia was the first country to offer digital identification cards and e-Residency which facilitates entrepreneurs to set up, manage and invest in businesses in Estonia from anywhere in the world.

Up until recently the political leadership has been proactive and liberal which has been one of the critical factors for returning talents from minorities. Diversity Charter Estonia is active network of companies who share best case practices on implementing diversity initiatives inside organizations. Employer branding rankings and research which is conducted on a yearly basis can only assure that diversity related issues are more and more in the focus for Generation Z employees and will be one of the topics to tackle while making brain drain into brain gain.

Surprisingly, the COVID19 global pandemic has worked wonders for returning talent in Estonia. Because Estonia managed to handle the first wave of pandemic rather well and the self-isolation rules were not prominent for a long-haul, several highly qualified talents decided to return to homeland. Be it the Estonian working for Brazilian start-up, professional singer otherwise residing in the Netherlands or designer based in London. Suddenly, when everyone could work from home office, all the benefits of a small country with lots of fresh air and opportunities for social distancing were highlighted.

Concrete example of remigration⁶⁷

There's an Estonian lady called Kristi who dreamed about becoming a lawyer. So, she studied in Estonia and abroad and got a job abroad. She was great at what she did and got several promotions and was working not only in the UK, but also Middle-East. While working long hours for the company she met her future husband. Once they got married, Kristi realized that continuing working as a lawyer won't be a healthy option. Together with her husband they decided to return to Estonia and build up their own company. The company was far from the career path Kristi had prior the marriage and

⁶⁷ Chocolala Lmtd - <https://chocolala.ee/>

children. She decided to try out making hand-made chocolate. And her husband, former banker, was there to help her. See their story on video from [here](#).

By now, the company called Chokolala has won several international chocolate world awards, is currently employing 17 employees and sells hand-made chocolate products to Estonians and foreigners alike. They excel in product development and have made excellent taste available for many.

Kristi has admitted that she never considered to continue living in the Middle East and wanted her children to grow up in Estonia. She also admits that she has benefited from many support measures dedicated to companies. There's none special for returning talent, but the measures are available for all. Several times she has had to apply several times. First or second time the application has been rejected, but third time has been approved. This has helped them to diversify the products, invest in product machinery and boost the sales.

Kristi concludes that being successful in one field is a great basis for success in another field. Why? Because most of the traits needed to succeed in business, are the same. Grit, continuous effort and coming up with new ideas, getting a great team and leading it with vision.

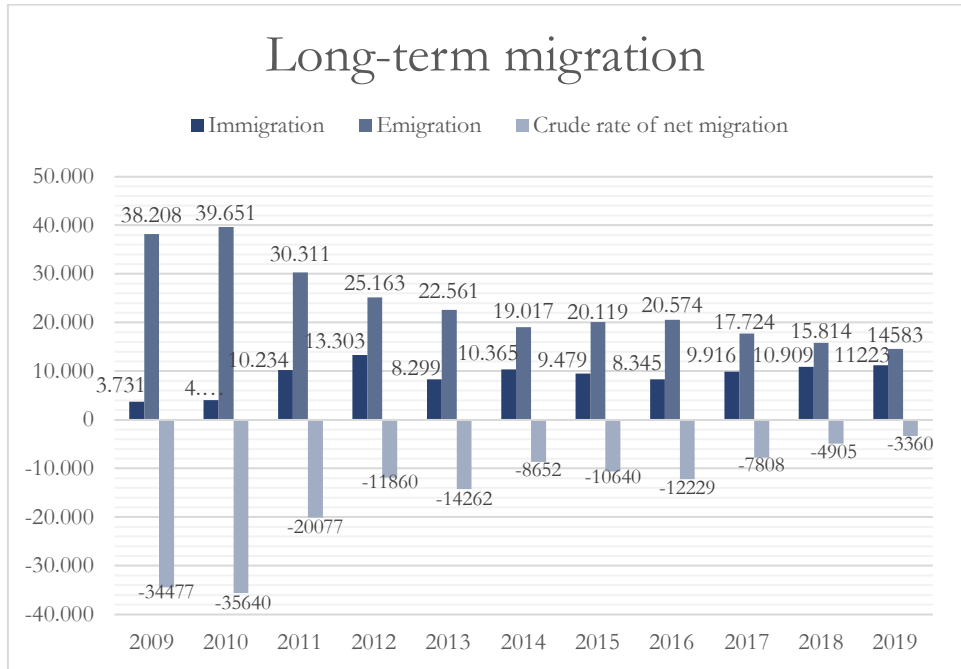
LATVIA

Current situation

Latvia is one of the countries with the highest net emigration rate in Europe. The country has witnessed a significant crisis-driven emigration between 2009 and 2013 of around 9.1 percent outflows of the overall population. In fact, Latvia was heavily affected by the Great Recession which made many people leave the country hoping for a better future abroad. As shown in the figure below, in the past years, the negative net migration number has slightly slowed down but is still nowhere near to anticipate labour shortages. While the overall immigration rates in Latvia are lower than in the

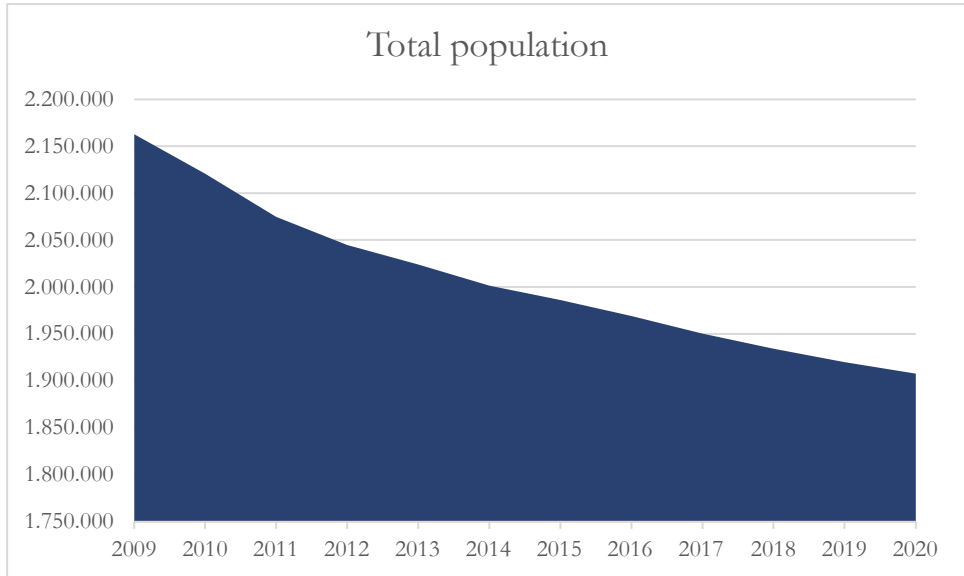
neighbouring Baltic countries, approximately half of all immigrants are actually returning Latvians. Most other immigrants are coming from former Soviet countries.

Among the main factors for emigration are economic reasons, above all, the desire to earn a competitive salary and the improvement of the quality of life.



68

Due to the long-term migration but also caused by the fact that the number of deaths in Latvia exceed the number of births, the population of Latvia is constantly decreasing. This can be seen in the Figure below.



⁶⁹

Solutions and policies in the country

The new diaspora law installed on January 1, 2019, in continuation of the first Latvian Diaspora Support Programme from 2004, proves that Latvian authorities are caring about their emigrated citizens. The programme involves supporting diaspora organizations by specifically fostering Latvian language and culture abroad. Moreover, the new diaspora law aims to encourage return migration and to facilitate business developments. Diaspora engagement is further facilitated by dual citizenship for Latvian descendants which can be granted, unlike Lithuania and Estonia.

In 2018, the Ministry of Environmental Protection and Regional Development installed a pilot project on return migration. Five regional coordinators assist families with employment opportunities, housing, childcare and financial support funds to start

⁶⁹Eurostat

a business. In 2018 alone, 185 families have returned with the help of this programme and 217 families have expressed the intent to return in the future.

Despite all the efforts, researcher Ieva Birka claims that “Latvia still lacks an easily accessible information platform that promotes the country’s opportunities, the prospects of return, or the benefits for third-country nationals who migrate there” (Birka, 2019).

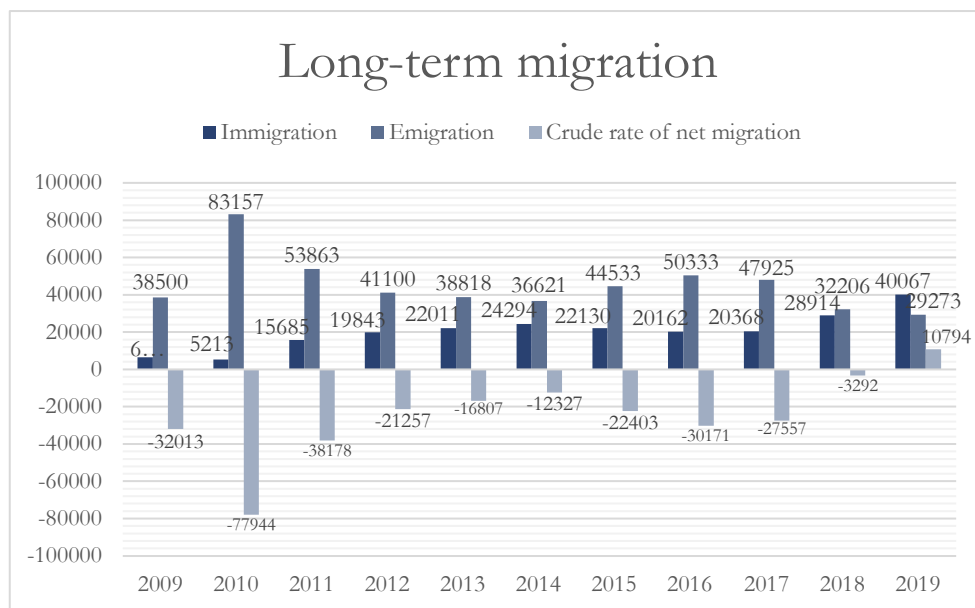
LITHUANIA

Current Situation

In Lithuania emigration is a huge problem since more people leave than come to the country. There were several recent waves of emigration in the past.⁷⁰ The first wave of emigration started just after the restoration of Lithuanian independence, when the State borders opened. The second wave was related to Lithuania joining the EU in 2004. In 2008, the third and the most recent emigration wave was caused by two events, firstly Lithuania joining the Schengen Area and secondly, the global economic crisis, which contributed to unemployment and financial instability. In the past two decades, the number of Lithuanian residents has dropped by over 700 thousand because of a high emigration rate. For many years, most immigrants were returning Lithuanian citizens (eighty percent on average). In 2017, this trend had changed: the proportion of returning Lithuanians fell to fifty percent, while the share of EU citizens remained the same, but the share of non-EU citizens increased to forty-seven percent (mostly Ukrainian and Belarussian immigrants).⁷¹ Interestingly, in 2019 the crude rate number of net migration was positive again for the first time since many years.

⁷⁰ <https://osp.stat.gov.lt/informaciniai-pranesimai?eventId=199693>

⁷¹ <https://osp.stat.gov.lt/statistiniu-rodikliu-analize?hash=7ae84706-e252-40de-85d8-35baecbbb038#/>



72

The majority of emigrants are young and educated and have no family. However, the amount of families going abroad is increasing. Parents going abroad are mostly taking their children with them. Such emigration trends significantly reduce the likelihood of return migration in the future.

The main reason for emigration is of economic nature, namely the high unemployment rate in Lithuania and higher wages in foreign countries. Most people emigrate because of lost work and because they cannot find a new job quickly. Moreover, wages in foreign countries can be five or six times higher than in Lithuania, although this difference is compensated to two or three times when measured with the purchasing power. Emigration is also encouraged by a well-developed network of Lithuanian communities in the foreign countries. An increasing part of emigrants name social reasons as motives for leaving the country (for example personal and/or professional development possibilities, more tolerant society in chosen country, wish for a societal change).

⁷² Official Statistics Portal Lithuania

This is especially the case among young people, who have already been born in independent Lithuania and have different worldviews and attitudes. Gaps in educational system can be considered as a reason of emigration as well. The fact that a considerable percentage of emigrants are University graduates, leads to the assumption that the value of diplomas is not adequate and the market for graduates is too small.

Even though in and of itself emigration is not a negative phenomenon, the immense emigration and unproportionally low immigration rates present an array of challenges in Lithuania: the demographic structure is changing – the population is rapidly ageing, the country is starting to lack workforce and brain drain is occurring – there is a decrease in unemployment rate of high-skill and low-skill labour, increase in gross wages of unskilled people and decrease in gross wages of skilled workers.⁷³ Furthermore, greater inequalities in regional economic development emerge since great numbers of people from certain regions are leaving their towns.

Migration experts predict that the number of returnees will increase as the economic conditions in Lithuania improve. Although, the economy of the country has been growing steadily in recent years, the number of returnees to Lithuania has been decreasing annually.

Hence, it is paramount to provide people with easily accessible information regarding opportunities for retraining, employment and consolidation upon return. Support for young families is also needed and provided in regions, as in the last two years most of the returnees are in their thirties. Many foreign investors are coming to Lithuania looking for both qualified and non-qualified workforce so the state must make it possible for returnees to be retrained so that businesses do not have to look for workforce from abroad.

It is important to mention that remigrants face complex challenges, such as having to build a new network, re-integrating into society, and figuring out administrative tasks. Naturally, experiences abroad influence the expectations about salary, lifestyle

⁷³ <https://www.lb.lt/uploads/documents/docs/publications/karpavicius.pdf>

and attitudes to corruption. As a result, many returnees leave their home countries again. Moreover, it was found that remigrant entrepreneurs can face prejudices from employers. The employers' perception was that the returnees' expectations and experiences did not match up. Employers also find it difficult to account for the diverse experiences of the returnee.⁷⁴

Solutions and policies in the country

Emigration is a well-recognized problem in Lithuania. Return migration and immigration from third countries is leading to a mitigation of the net migration rate. This has certainly to do with the fact that the average salary level has increased in the past years to more than 1200 Eur/month gross or more than 800 Eur/month net.

Several programmes are in place to promote return migration. Since 2011 the Ministry of Foreign Affairs' Department of Lithuanians Living Abroad is coordinating the global Lithuanian diaspora programme. Furthermore, the Lithuanian Parliament has adopted a demographic, migration and integration policy programme in 2018, which assures one-stop-shop counselling for returnees. The government manages a website, called "I Choose Lithuania", dedicated to promoting (re-)immigration. The platform presents several good examples of people returning to Lithuania, finding jobs or starting their own businesses. These remigrants claim that their experience of emigration opened their horizons, allowed them to gain different know-hows, to get acquainted with different cultures, which helped them a lot when they returned to Lithuania.⁷⁵

Another programme is the nongovernmental organization Global Lithuanian Leaders which aims to encourage young professionals to return and work in Lithuania and to share their knowledge and expertise. The network comprises 1,700 Lithuanian professionals based in 49 countries.

⁷⁴ http://www.baltic-course.com/eng/direct_speech/?doc=149675&output=d

⁷⁵ <https://www.renkuosilietuva.lt/en/success-stories/>

Other programmes encouraging young people in general to work and invest in Lithuania are “Invest Lithuania” (Investuok Lietuvoje) and “Create Lithuania” (Kurk Lietuvą).

The complex nature of migration and brain drain specifically makes it impossible to measure the results of such initiatives immediately. Under any circumstances, migration is influenced by many factors – socio-political, economic, personal etc. The results of migration policies can only be evaluated in a long-term perspective.

While there are several initiatives to promote return migration in place, the efforts of the state to retrieve their people remain fragmented. There are no specific financial instruments to support remigrants exclusively. However, there is a wide range of different instruments to support unemployed persons (subsidies <15 000 EUR to a start business, provided by the Employment Agency) or business start-ups (guarantees, soft loans, interest subsidies, seed capital investments, subsidies for innovative business), which remigrants can also apply for. In fact, remigrants establish their own small family businesses quite often as the taxation system in Lithuania is rather beneficial for business start-ups.

However, it is not common for remigrants to buy existing businesses as they can often not afford that. There is one example where a company from the UK established a mats’ production branch in Lithuania together with a Lithuanian who returned from the UK to his home country. The company received a bank loan with INVEGA’s guarantee and interest subsidies.

Concrete examples of remigration

Another concrete example of remigration is Mr. Karolis Atkočiūnas who returned to his home country and established a business driven by personal interest rather than economic factors. Instead of continuing the life he had built up in Norway, he chose to start an exclusive e-bike business called ZBIKE in Lithuania. The electrical bikes can reach up to 100 km/h speed and comprise innovations such as liquid cooled electric engine and tailor-made carbon frames which are produced by the family owned

company UAB Elektrociklas. To finance his company, Karolis received a microcredit that was eligible for wage subsidies under specific measures.⁷⁶

A different remigration story can be told by Ms. Rasa Mikoliūnė and her husband who decided to return to Lithuania after 4 years of living abroad. She recalls that her first salary back in Lithuania was spent at once for groceries. Rasa had started with a low-paid cashier's job after remigration. In the UK, she had worked a hard-manual job with a much higher salary. For a woman returning from emigration, the main difficulty was not only finding a well-paid job and integrating into the labour market, but also finding a place for a child in the kindergarten. The family experienced major difficulties as remigrants in Lithuania and even started to talk about returning to the UK. However, the love for the native country prevailed and Rasa pursued her dream of establishing a dog hairdressing business in Lithuania. To raise enough money to start the business, Rasa had to go back to the UK for two months. She claims that the difficult experience of emigration had taught her to fight for her dreams. Although the reintegration into the labour market was extremely difficult for her, Rasa says she feels happy to have returned to Lithuania and having her business here.⁷⁷

POLAND

Current situation

According to the results of the Polish Statistical Office's estimate⁷⁸, at the end of 2017, about 2,540,000 inhabitants of Poland have emigrated abroad, with the majority going to other EU countries. Most Polish people emigrated to Great Britain (793,000), Germany (703,000), the Netherlands (120,000) and Ireland (112,000). The number of

⁷⁶ <http://invega.lt/lt/versla-verta-pradeti-tik-meiles-pasirinktai-veiklai/>

⁷⁷ <https://www.ve.lt/naujienos/visuomene/zmones/grizusieji-gerai-gyventi-galima-ir-lietuvoje-1675434/>

⁷⁸ <https://stat.gov.pl/en/topics/national-accounts/annual-national-accounts/gross-domestic-product-in-2018-preliminary-estimate,1,8.html>

emigrants increased between 2007-2017 by 45,1 % (from 1750000 to 2,540,000), leading to a negative rate of net migration. It is hard to estimate the amount of return migration, but it is likely that about 40,000 Poles return to their home country every year.

According to a research study from 2017 conducted by Work Service Poland⁷⁹, the most important reasons for emigration are the following:

1. Higher earnings than in Poland - 77.8 percent
2. Higher standard of living - 58.9 percent
3. Possibility to travel and explore the world - 44.0 percent
4. Better social conditions - 37.3 percent
5. Better prospects for professional development - 35.7 percent
6. Lack of proper work in Poland -31.4 percent
7. A more favourable tax system - 15.6%
8. A more friendly public administration - 11.7 percent
9. Safer geopolitical location - 11.4 percent
10. Family (close relatives living or planning to live abroad) - 8.0%

Hence, the factors for emigration are mainly economic, but a high percentage of Polish people who consider emigration due to the possibility of traveling around the world proves an overall change of the labour market. Young Poles are not afraid to compete with employees around the world, and they also recognize that thanks to their profession they can fulfil their dreams.

Emigration is widely discussed in Poland since it brings positive and simultaneously negative impacts for the Polish economy and society. Positive effects for Poland

⁷⁹ <https://www.workservice.com/About-us>

comprise the reduction of unemployment rates (especially in 2000-2010), the reduction of the poverty rate, the transfer of funds (many Polish emigrants invest in Poland), the development of the service sector, e.g. transport companies and tourist agencies organizing international transport, the increasing demand for local construction companies (the transfer of earnings is mainly intended for the construction of houses, renovations). But the high emigration rate also entails negative effects: Above all, a problematic lack of workforce, a mismatch in labour demand and supply, the outflow of well-educated people and the loss of human capital (brain drain). Furthermore, emigration causes the separation of families, breakup in families and changes in the age and sex structure of the population, since emigrants are mostly young people.

When migrants return, the skills, experiences and networks they bring back constitute net human capital gains (brain gain). Remigrants often return with work and study experience in a different environment, foreign language skills, knowledge on innovation, advanced technology skills, foreign contacts, entrepreneurial aspirations and financial resources that can be invested in business ventures. The hope is that remigration will stop the depopulation rate in Poland.

Solutions and policies in the country

In recent years, the topic of re-emigration has increasingly gained attention in migration policy and public debate. In the context of labour shortage and the unfavourable demographic situation, one of the actions formulated in the document "Poland migration policy" is to create a system of incentives bring back Poles to work and settle in their home country. Yet, salary differences and social benefits, despite some progress in Poland, are still huge push factors for emigration.

On January 31, 2018, the Polish Radio held a debate about return migration.⁸⁰ Several incentives for re-emigration were discussed (the decision to return due to economic factors, e.g. job loss in Ireland, Great Britain and the problem of finding a new job; in some cases longing; sometimes a sense of professional stagnation and seeking new

⁸⁰ <https://www.polskieradio.pl/10/218/Artykul/2001363>

challenges, problems with reintegration after return: for adults, but also the children's problems were emphasized - language and cultural problems, differences in curricula, teaching methods; returning to Poland easier if children are small, for teenagers the move can cause big problems, including depression, drugs), the differences in work standards (not always favourable), safety of work (in Poland the largest percentage of people employed are on fixed contracts), standard of living. Employers usually do not use the potential of remigrants who can offer additional skills and share good ideas. On the other hand, emigrants often work below their qualifications or not in their profession. Returning from emigration is easier if you have something to return to (home, family) or the work you do is not related to where you live (e.g. programmer). Newsweek also wrote about the problems of return migration.⁸¹

According to the information by the „Poland migration policy”, support for Polish emigrants abroad is implemented through information activities, teaching Polish to children of migrant workers, funding scholarships, implementing support programs on the labour market, granting subsidies for setting up a business and supporting reintegration in local environments.

The Ministry of National Education runs programmes with focus on the Polish diaspora and Poles abroad in accordance with the directions of state policy and in cooperation with the Ministry of Foreign Affairs. In the 2017/18 school year, a total of 18,300 students attended schools and 573 teachers were employed. The Ministry of National Education also directs teachers to work in European schools and supports teaching Polish and in Polish among Poles and Poles living abroad as well as children of migrant workers. The National Agency for Academic Exchange is implementing the "Polonia" scholarship program, the purpose of which is to enable Polish diaspora youth to study in Poland. Scholarship holders study for free and receive a monthly scholarship to cover the costs of living in Poland. About 2,500 people, mainly from post-Soviet countries, but also from South America, use this form of support.

⁸¹ <https://www.newsweek.pl/polska/spoleczenstwo/trudne-powroty-do-domu-jak-wygladajacye-polakow-po-emigracji/hhqcpr>

It is also planned to introduce the following measures to support immigrants and re-emigrants:

1. Development of new forms of support for Polishness that respond to contemporary challenges in the world.
2. Preparation of the consular service for the return of new emigration from European Union countries and coordination of its activities with social services in the country responsible for assistance for newcomers in gaining independence and identity with Polish society.
3. Providing consular assistance in cases of activities of local authorities directed towards Polish emigrants violating applicable law or discriminating against Polish citizens.
4. Adapting the personnel and organization of the consular service to the priorities of migration policy.
5. Promoting among return migrants' new instruments in the field of family and social policy.
6. Providing Polonia and Poles living abroad and children of Polish migrant workers with learning opportunities Polish, history, geography, Polish culture and other subjects taught in Polish, and continuing education after returning to Poland.⁸²

One of the reasons for emigration is the social condition in the home country. Last year social benefits for families were introduced in Poland:

- Benefit 500 - in accordance with the Act, it could be received for a child under 18 years of age. Additional support in the amount of PLN 500 is also granted to children staying in orphanages or childcare facilities.

⁸² Cf. Zespól ds. Migracji (2019)

- Benefit 300 - a one-time (once a year) benefit intended for learning children up to the age of 20 - provided that education was started before the age of 18 and is continued, for example, in technical secondary school. For disabled children, the program covers students up to the age of 24.

However, attention should be paid to adaptation problems after returning. Many people returning from emigration experience a return culture shock. It can apply to both adults (e.g. differences in work culture) and children (including problems finding the right words, differences in approaches in pre-school or early school education). The reason for this phenomenon are not only the changes taking place in the country, but also the personality changes taking place in the emigrants themselves.

The "Returns" program is being implemented in Poland, offering rather information with elements of consulting. There is no institution that would offer in-depth counseling or help in dealing with psychological and social problems.

For people who want to start their own business after coming back from emigration, the option of obtaining a low-interest loan has been introduced.⁸³ In addition, every citizen has the right to apply and obtain funding for the company under European funds.⁸⁴

For re-emigrants the website Powroty with basic information was prepared: <https://powroty.gov.pl>

Additionally, the following website provides a guide for people returning from abroad: https://powroty.gov.pl/documents/32315/2341031/Informator_dla_Polakow_powracajacych_z_zagranicy.pdf

There are also blogs run by people who have returned from emigration, struggled with various problems and want to share their experiences with other re-emigrants.

⁸³ <https://mambiznes.pl/finansowanie/85-tys-zl-na-wlasny-biznes-dla-powracajacych-do-polski-z-emigracji-85799>

⁸⁴ <https://www.funduszeuropejskie.gov.pl/strony/fundusze-dla-firm/>

Concrete example of remigration

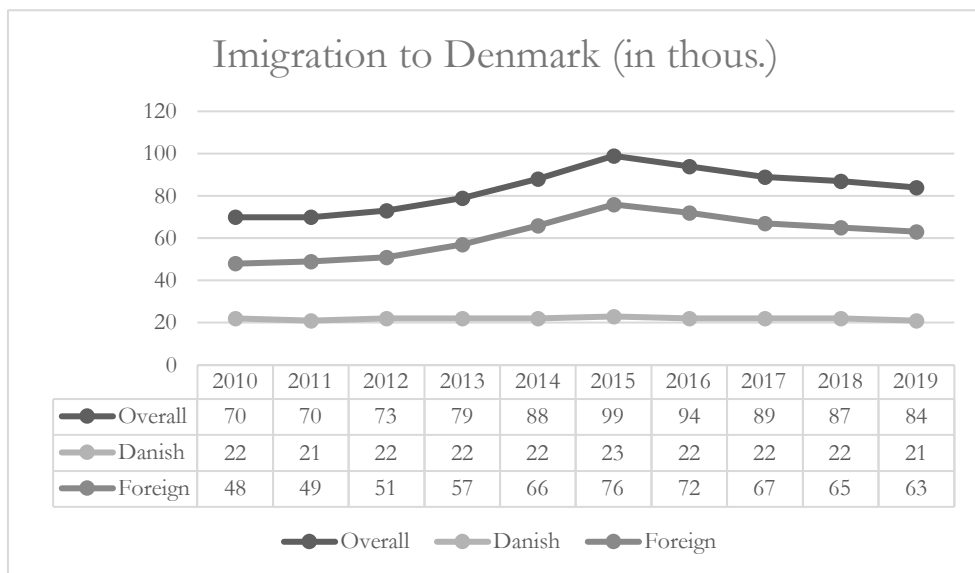
Katarzyna Arczewska went to Norway for a scientific contract for almost 5 years. At that time, it was a good solution. The decision to return was taken under the influence of several factors: the contract ended and there were little chances of finding a job (due to the lack of Norwegian citizenship), fatigue due to state guardianship (or rather the nuisance associated with the incompetence of officials performing the functions of a welfare state, in addition - longing for loved ones. The successful return was primarily because they had nowhere to return (the apartment was rented). After returning - her husband quickly found a job, but only for a short time, then he tried to start his own business and currently works casually. Ms. Arczewska found a job after a long time, by order. She has now found herself in new conditions, although the state of the personnel management is disappointing.

DENMARK

Current Situation

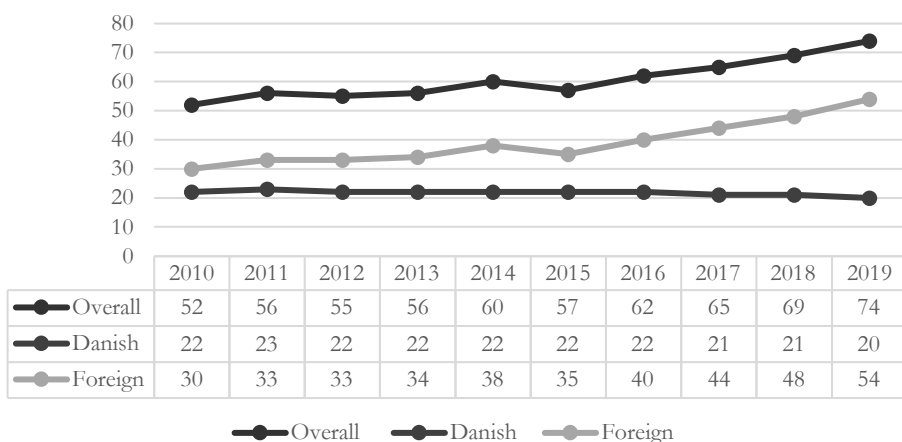
From 2010 to 2015, Denmark has seen a steady increase in the number of foreigners moving into the country. The remigration rates of Danes, however, remained constant. Since 2015, however, the immigration rate of foreigners has been falling steadily. At the same time, the number of emigrating foreigners has been rising significantly since 2016, while the number of emigrating Danes has been roughly equal to the number of immigrant Danes, remaining at around 20,000 for the last 10 years. Thus, it can be observed that the migration balance has steadily decreased since its peak of about 40,000 in 2015 to only 10,000 in 2019.

In Denmark, there are specific programmes in place to secure brain gain and to prevent brain drain. The ‘We will give you a key to our culture’ initiative, for instance, offers the ‘Copenhagen Seasonal Pass’ to international talents, which is a low-priced pass for joining regional sports clubs and cultural activities. Moreover, the Job Search Academy was installed to ensure that students, also from abroad, graduating in Denmark find work and stay in Denmark. Considering the decreasing net migration rate and the relatively low potential of Danish remigrants it is likely that Denmark fosters these programs for attracting qualified migrants.



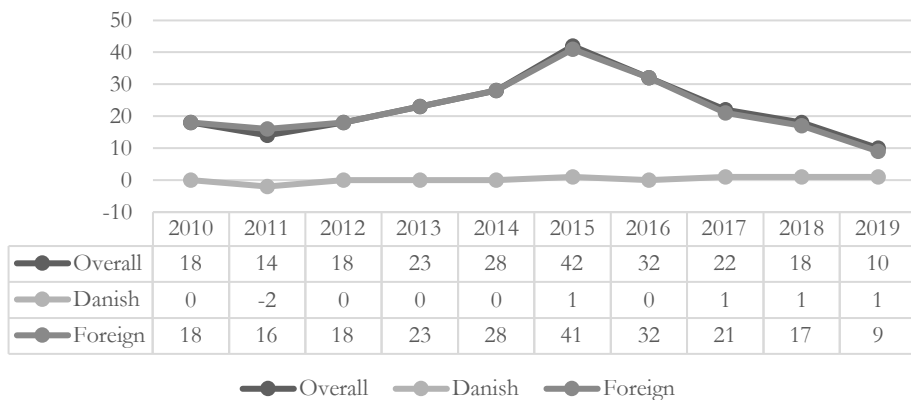
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Emmigration from Denmark (in thous.)



86

Net Migration (in thous.)



87

⁸⁶ Statistics Denmark (2020)

⁸⁷ Statistics Denmark (2020)

GERMANY

Current situation⁸⁸

Within the last decade, an average of 180,000 persons with German citizenship have moved abroad from Germany each year. During the same period, an average of 130,000 people moved back to Germany annually, resulting in an emigration deficit of 50,000 persons with German citizenship per year. A large proportion of the emigrants return to Germany after only a few years abroad. This leads to a continuously growing number of people living in Germany with experience abroad. According to the Microcensus, over two million Germans who were born in Germany have already lived abroad for a year or more.

In the following key findings from analysing an emigration and remigration panel will be presented. To further examine the socio-cultural background and the emigration and migration intentions the “Deutsches Institut für Wirtschaftsforschung” (DWI), which is the German institute for economic research started a large German emigration and remigration panel study (GERPS). The methodology of the GERPS is quite interesting, as it offers a representative foundation for research regarding the consequences of living abroad and it turns the classical approach to migration research on its head, as it does not examine immigrants from a large number of countries of origin in one destination country, but concentrates on the people of one country of origin in a large number of destination countries. Therefore, it is extremely relevant for further implications regarding policy recommendations for fostering remigration.

Internationally mobile persons are significantly younger compared to the internationally non-mobile population. 63 percent of the Germans moving abroad are between 25 to 39-year-old, which is significantly higher than the comparable figure of 27 percent for the general population in Germany. They prefer countries of the European Union (45 percent) and Switzerland as immediate neighbour (13 percent). International mobility is a recurring event in the CVs of most of those surveyed. For 63 percent of

⁸⁸ Ette et al (2019), Siems (2017) and Destatis (2020)

the emigrants, the current stay abroad was preceded by at least one further stay, and 69 percent plan to live abroad only temporarily - usually only for a few years.

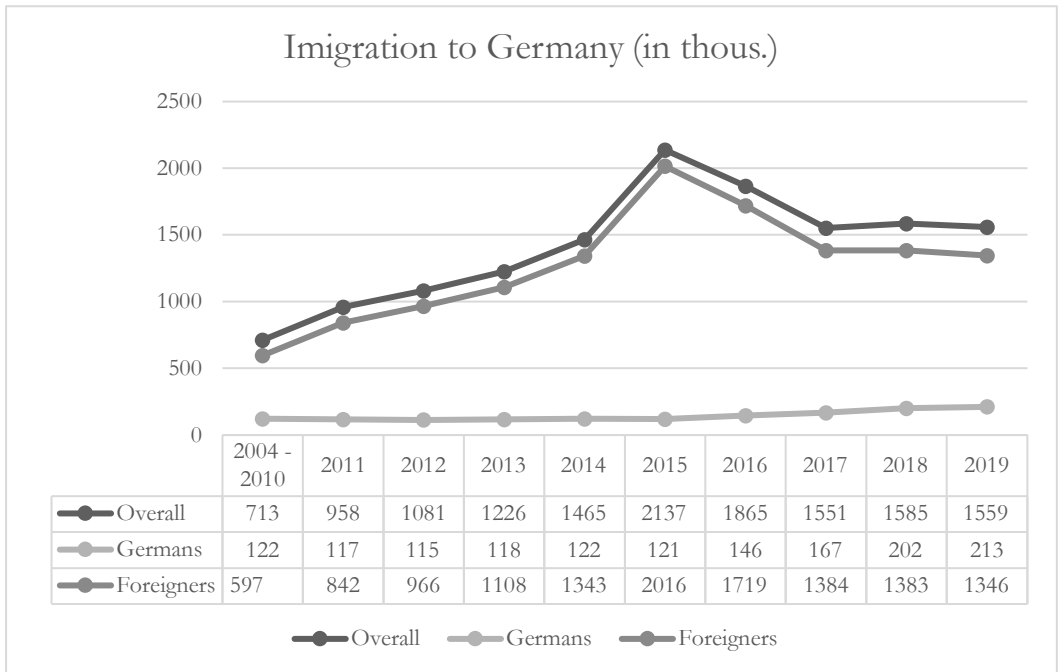
People who decide to move abroad have above average qualifications. A total of 76 percent of the German emigrants have a university degree (13 percent have a doctorate, 46 percent a master's degree and 16 percent a bachelor's degree), while in the overall population only 25% have a university degree. Emigrants benefit financially from their decision of moving abroad, the personal monthly net income of full-time employees after about twelve months abroad rises significantly by an average of 1,186 euros. Not mobile people in Germany could raise their income only by 87€ and people mobile in Germany rose their income by 141€.

The finding of rising net earnings applies equally to different population groups, so that international mobility can be attributed a positive influence on individual career development and social mobility. A respondent with a university master's degree had almost a twice as high net income before moving abroad as a comparable person without an academic degree. Moving abroad leads to a comparable increase in net earnings for both academics and non-academics and therefore closes the income gap. There is also no difference in the income increase amount between men and women.

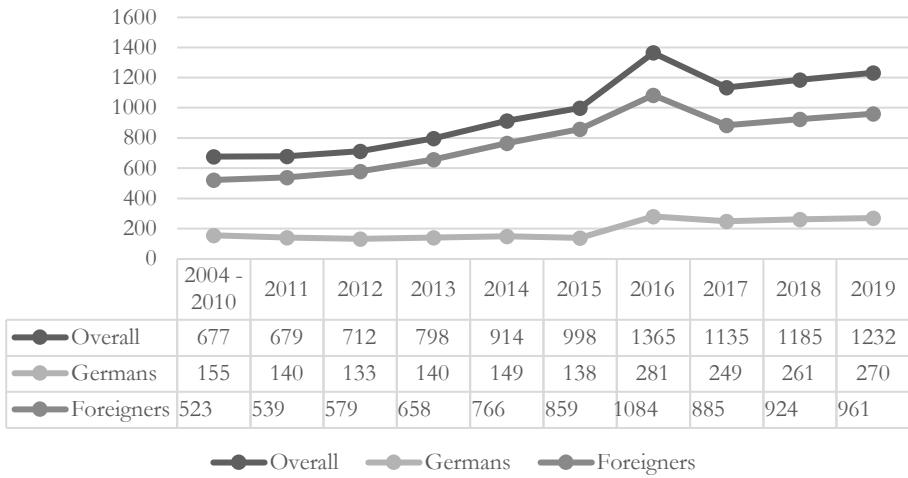
When analyzing the migration statistics for Germany, it is noticeable that the migration balance has always been positive in this millennium, with the exception of 2008 and 2009. Since 2010, the migration balance has been steadily increasing until 2015, when a maximum was reached, which coincides with the large influx of refugees. Since 2016, the migration balance has been steadily decreasing, reaching its lowest level in 8 years in 2019.

The year 2016 marks a special point, as the emigration of Germans from Germany has more than doubled within one year. In the following years, the number of emigrating Germans remained at a similarly high level. Since 2016, the number of Germans withdrawing has also increased significantly, so that the negative migration balance of Germans has been somewhat reduced in recent years.

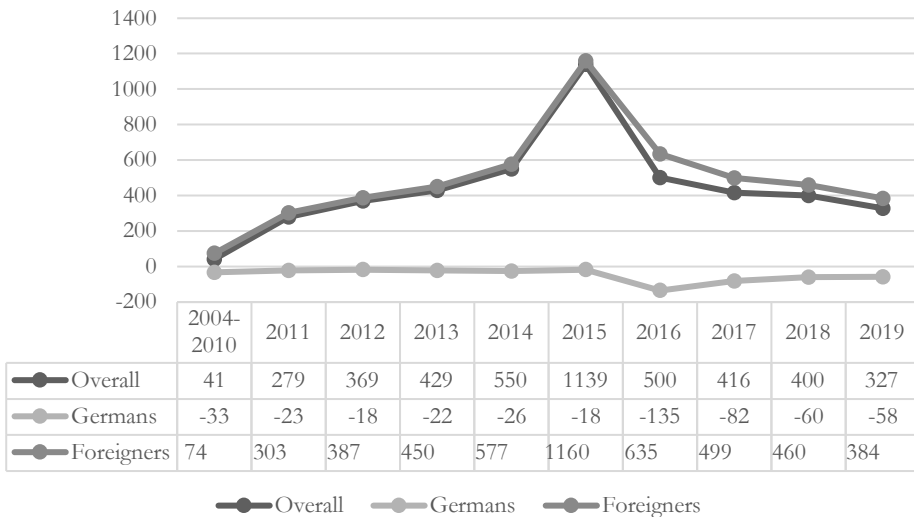
The trends that have been observed lead to the conclusion that migration movements have become significantly more undynamic in recent years, while at the same time the number of people emigrating is growing almost steadily. Since most of those who leave are significantly better educated than the average citizen and provide higher economic services, these developments should be monitored closely.



Emigration from Germany (in thous.)



Net Migration (in thous.)



Solutions and policies in the country⁸⁹

The German government and the German economy are going to great lengths to get emigrants back to Germany. They operate a welcome portal for international professionals "Make it in Germany" and recently announced to expand their information and consulting services for Germans abroad. The Economic Council of the conservative party "CDU" has drawn up a strategy paper on this subject, which states, for example: "Advertisements referring to the good employment prospects in Germany could be placed specifically in media frequently used by Germans and ethnic Germans abroad". Migration experts see good opportunities for attracting returnees, especially in Austria and Switzerland, since the German community in both countries is relatively large and many Germans have only immigrated there in the past ten years.

One concrete initiative that pushes remigration is the German Academic International Network (GAIN). It is GAIN is a joint initiative of the German Academic Exchange Service, the German Research Foundation and the Alexander von Humboldt Foundation, which is co-financed by the Federal Ministry of Education and Research. This network is active in the US and initiates promotion events, for example in Boston, where universities and companies from Germany try to recruit German scientists, who emigrated to the US. The focus on scientists is not surprising, since net Germany loses several hundred scientists to foreign research institutions every year.

There is also the German Scholars Organization (GSO), an association founded by companies and scientists, which also engages in networking. The GSO was founded in 2003 and targets specifically scientists abroad who previously lived in Germany. They offer for example Workshops, online courses and advice for young scientists seeking up-to-date information on career opportunities in Germany.

Another key focus group of professionals being targeted by German remigration programs are doctors. Their university studies are extremely expensive and cost the public German education system around 200.000€ in training costs per graduate. The

⁸⁹ Cf. Breyton (2020), EFI (2017) and Roher (2019)

German Minister of Health Jens Spahn states that he wants to stem the migration of German doctors and nurses to Switzerland and other countries with the help of new EU regulations. He states: "We will have Polish doctors working with us, who in turn are absent in Poland." That cannot be right. "That is why we should think about whether we need to regulate the poaching of specialists from certain professional groups within the EU anew. And that without fundamentally questioning the freedom of movement in Europe." Switzerland is the most common destination for German doctors. 6.000 doctors or 17,7% of all doctors in Switzerland are German.

SWEDEN

Current situation

By the end of 2018 the Swedish population was over 10.2 million (49.7% females and 50.3% males). In 2018, 132 602 (62 154 females; 70 448 males) people immigrated to Sweden. About 10% (12 805 and 6 157 females, 6 648 males) of these people were Swedes returning back to their home country.

During the last 10 years about 50 000 Swedes have emigrated annually. Notably, the number of Swedes emigrating is expected to be higher due to Swedes not reporting to the tax agency that they have moved. According to Statistics Sweden, which is responsible for official statistics, Sweden hit the peak of emigration since the 19th century during 2015. Over 55 000 citizens left the country. Remarkably, the emigration has decreased the last 3 years, about 45 000 Swedes are leaving Sweden yearly. In 2018, 46 981 (21 828 females; 25 153 males) persons emigrated Sweden. The majority of Swedish citizens that emigrated were born in Sweden (35%; 7997 females, 8658 males), followed by citizens that were born in Finland (4.4 %), Poland (3.9%), India (3.7%)

and Denmark (3.2%). The most common country to emigrate to in 2018 was Denmark followed by Norway, UK, Northern Ireland, Finland, US, and Germany.⁹⁰

Nowadays Swedes tend to emigrate and remigrate several times throughout their lives, mostly due to studies and working opportunities, traveling, family or love. Recently a nomadic lifestyle has become attractive for Swedes. Experience summer all year round, cheaper cost of living and lower taxes are other reasons to leave Sweden, especially for pensioners. Spain, Portugal, Malta and Thailand are popular new homes. Furthermore, a new common reason for Swedes to move is dissatisfying politics and government which creates a displeasing and insecure life in Sweden.⁹¹

Emigration was an important issue during the 70's and 80's when a lot of entrepreneurs and family businesses left Sweden due to dissatisfaction with the development of the society. The loss of businesses and innovators resulted in reduced taxes and neoliberalism reforms. Today's political situation in Sweden might increase the emigration the coming years. Consequently, this topic will be more urgent to address again. As of today, the focus is mainly on immigration.⁹²

Emigration and remigration are currently not priorities on the political agenda in Sweden. The focus is on challenges and opportunities of immigration, especially on how Sweden should handle the large increase of immigrants from the Middle East and Africa since 2015. However, the non-profit organization *Svenskar i världen* (Swedes in the world), who helps Swedes that are emigrating and remigrating, is doing their best to address this topic. Among other they suggest that Sweden should have a policy and

⁹⁰ Cf. <https://www.scb.se/hitta-statistik/sverige-i-siffror/manniskorna-i-sverige/utvandring-fran-sverige/> and <https://www.scb.se/hitta-statistik/sverige-i-siffror/manniskorna-i-sverige/invandring-till-sverige/>

⁹¹ Cf. https://www.sviv.se/wp-content/uploads/2015/06/Kartlaggningen_2015_uppdaterad151007.pdf and <https://www.svt.se/nyheter/utrikes/rekordmanga-svenskar-flyttar-utomlands> and <https://www.ingridochmaria.se/2019/02/07/kronika-allt-fler-svenskar-planerar-landsflykt/>

⁹² Cf. <https://tino.us/2018/12/risken-for-talangutvandring-foretagarflykt-fran-sverige/> and <https://www.ingridochmaria.se/2019/02/07/kronika-allt-fler-svenskar-planerar-landsflykt/>

program for how to utilize the gained competence, experience and networks of the remigrants. Today a minority of companies in Sweden are viewing the experience and networks abroad as an asset and rather hiring candidates that have lived in Sweden who have local and national networks.⁹³

Solutions and policies in the country

Emigration in Sweden is defined as living abroad for one year or longer. As a Swedish citizen you should notify the Swedish tax agency when you emigrate. The Swedish tax agency will remove you from the national register. The citizenship and social security number remains. You may also need to continue to pay Swedish taxes. Notably, a lot of Swedes forget to notify the tax agency or do not notify on purpose because they want to keep the benefits you have (e.g., subsidized health care, free education, child-benefit, unemployment fund, vote in municipal and county council elections, and less confusion with taxes) when you are registered. Swedes can also notify the ministry for foreign affairs in Sweden when they emigrate, who contact Swedes in case of a crisis in their new residency. The notification is valid for one year at the time. When Swedish citizens remigrate, they should notify the tax agency that they have moved back and the tax agency will register them in the national register and they can now utilize the resident benefits again.

The notification to the Swedish tax agency when a citizen emigrates or remigrates helps Sweden to keep track of their population. The challenge is to make sure that all Swedes are notifying the tax agency, hence the lack of complete statistics. It is also arguable that Swedes who do not notify the tax agency when emigrating are taking advantage of the system for their own benefits which is affecting the Swedish economy.

⁹³ Cf. <https://www.sviv.se/wp-content/uploads/2017/09/ArtikelPersonal.pdf>

Currently there are no practical activities in the country. However, there is one non-profit organization *Svenskar i världen* (Swedes in the world) which helps Swedes that are emigrating and remigrating. The organization has several partners among others the Confederation of Swedish Enterprise. Swedes that are emigrating can become members and get access to useful information, contacts and networks. They also arrange different activities and events for the members across the world and for Swedes that have moved back to their home country.

Swea International is a similar initiative as *Svenskar i Världen*, but only for Swedish women. In addition, the embassy of Sweden across the world are helping Swedes with different issues.

Concrete example of remigration

2010 Jeanette Henningsson and her family moved to the US because her husband got an IT job in New York. Three years later when Jeanette visited Sweden her previous employer contacted her and asked her to come back and work for them again immediately as a Senior Facility Manager in Stockholm. This was an offer Jeanette could not refuse; she could set her own working conditions and on top of that the company also offered her a moving back to Sweden package. It was easy for Jeanette to feel included in the Swedish society again, because her employer helped her with practical issues and her friends still lived in Stockholm. However, it felt strange for her to be treated as an immigrant and be registered in the national registration again. Since her husband still worked in the US, they also had some complications with taxes. The long distance and different time zones were as well hard to adjust to until her family finally moved back to Sweden. Jeanette's best tip to have an easier remigration is to be proactive, for example she remained in the housing queue in Stockholm during the time they lived in US.⁹⁴

Cecilia Malmström is currently moving back to Sweden after 20 years in Brussels working for the European Parliament. She is satisfied with her political career and feels

⁹⁴ Cf. <https://www.sviv.se/blog/2017/06/det-behover-inte-vara-svart-att-flytta-hem/>

like it is time for something new. She and her family are remigrating to her hometown, Gothenburg. It feels gloomy to leave her friends, work and life in Brussels, but she is also excited to spend more time with her friends and family in Gothenburg. Cecilia believes it is valuable to live abroad and to get to know a different culture, history and points of view. According to her: one's perceptive changes and one gets humbler about who you are and what you have. During her time in Brussels, Cecilia experienced that being a Swede has benefited her in a lot of situations since Sweden has a good reputation abroad. She strongly recommends that others should take the opportunity to live abroad for some time. She does not know what she will do next in Sweden and is open to emigrate again if the right opportunity arises.⁹⁵

FINLAND

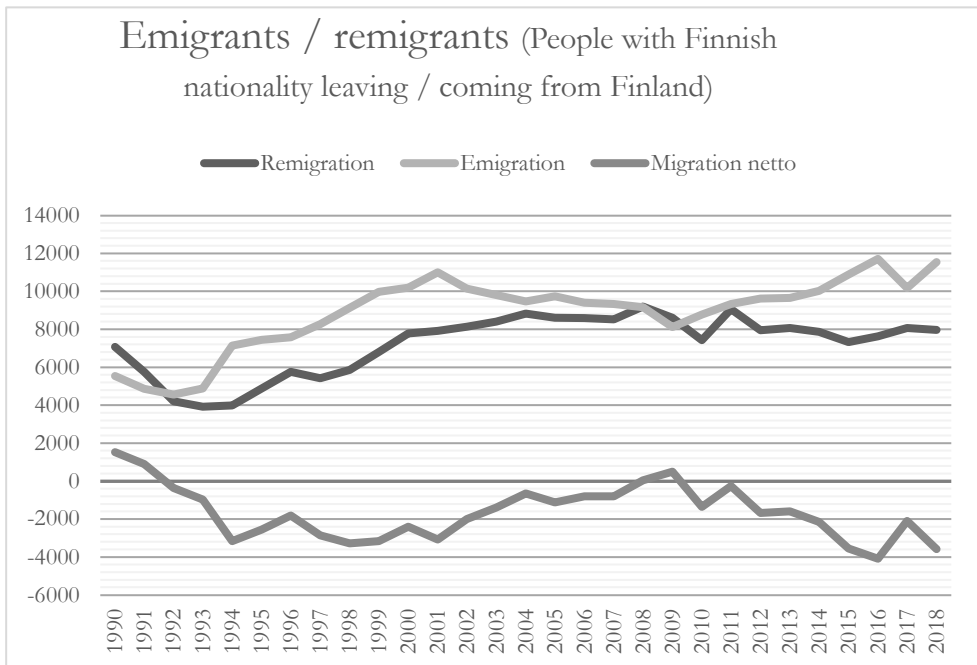
Current situation

During the centuries Finnish citizens have continuously moved abroad searching for a better life. The main directions of emigration have varied depending on the era. The common emigration targets have been for example Sweden (16th and 17th century and in 1950s and 1960s), Russia (17th, 18th and 19th century and 1920s and 1930s) and the USA and Canada (in the beginning of 20th century and in 1950s). It must be noted that emigration to Sweden in the 16th and 17th century (Mostly to Dalecarlia) and to Russia in the 17th and 18th century (Ingria) cannot be considered as real migration but as movement inside the Great Sweden. The emigration to Ingria in the 19th century was a movement inside Russia. The contemporary discussion concerning the remigration has during the past decades dealt mostly with Ingrian remigrants. The window for return for descendants of those emigrated to Ingria during the Swedish and Russian reign was closed in 2016. The reasons for emigration during the past centuries were the search for better life, escape from hunger and death, and of course, there were also those

⁹⁵ Cf. <https://www.sviv.se/blog/2019/08/pa-vag-hem-men-lamnar-dorren-mot-utlandet-pa-glant/>

seeking adventures, escaping the long arm of law or avoiding the maintenance liability. The reasons for contemporary emigration are more diversified. In addition to jobs and better life, people are seeking experiences, practicing languages, getting known other cultures or desire to create new contacts, without forgetting those founding family with a foreigner.

The Finnish Immigration Service defines remigration as follows: Remigration means a move to Finland by persons who have Finnish roots or a close connection to Finland in some other way. Remigration conditions are classified as former Finnish citizen, descendants of native Finnish citizen and those evacuated from Ingria or served in the Finnish army from 1939 – 1945. Unfortunately, the Statistics Finland does not collect reasons for emigration / remigration, thus the information presented above is based on qualitative research of former emigrants. The figure below is based on material



presented by Statistic Finland. Since those leaving from Finland are not divided to those returning to their origin countries and those who are emigrants according to definition,

the emigration is counted from Finnish citizens leaving the country, and remigration is counted as Finnish citizens arriving to the country after having lived at least for a while in some other country.

In general, Finland needs migrants to address the labour shortage in different sectors, to improve the weakening of the dependency ratio caused by ageing of the population, and to attract more international talent and entrepreneurs to Finland.

Declining population growth and ageing of the population are primarily a challenge for the Finnish economy. After the year 2035, the population would go into a steep decline and by the 2050s the population of Finland would already be below the current number. This declining trend in population growth means great challenges. The number of those who are of working age has already fallen since 2010. Companies will face big challenges when searching for members of the workforce to fill open jobs and assignments. A shortage of jobs will eventually turn into a shortage in the workforce if the decline in the Finnish population will continue over the next decades. When it comes to Finland's workforce, it gets even more necessary to attract workers from abroad. Especially trained specialists and high-skilled workers are needed to strengthen the domestic labour markets. The current level of work-based immigration is not enough to complete the need of employees in Finnish companies.

The contemporary challenges are:

- **The high tax rates in Finland:** The relatively high social security is financed by taxes, and although remigrants often say that it is just the welfare society, which attracts them, they are not willing to pay taxes to finance it.
- **Changing work life:** The old jobs requiring less education and lower skills are decreasing. The new tasks require more and more specialized competence and in many cases saving the competence and qualifications needed requires continuous learning and training. Those who are not surviving will become marginalized and found a good base for extreme leftist, rightist and racist movements. This, on its part, feeds aggressions against people that are considered foreigners.

- **Entrepreneurship in Finland** is regulated by laws and controlled by authorities. Although the freedom of occupation is acknowledged in Finland, there are many formalities to be taken care of before one can start a business. Certain businesses require specific permissions. Some, like selling wine and strong alcohol, are monopolized. Those coming from more liberal country have difficulties to understand the Finnish system, and those coming from more restricted culture often seem to believe that everything is free.

Solutions and policies in the country

Finnish migration policy is based on government objectives, EU legislation and international agreements. Migration policy promotes immigration that Finland needs in order to offset its ageing population. Labour migration for example is supported by a functioning and efficient permit system that takes account of the needs of employers and companies.

The main act regulating immigration in Finland is The Aliens Act (301/2004)⁹⁶. Other acts related to immigration are Act on the Conditions of Entry and Residence of Third-Country Nationals in the Framework of an Intra-Corporate Transfer (908/2017)⁹⁷ and Act on the Conditions of Entry and Stay of Third-Country Nationals for the purpose of employment as seasonal workers (currently only in Finnish *Laki kolmansien maiden kansalaisten maahantulon ja oleskelun edellytyksistä kausityöntekijöinä työskentelyä varten* (907/2017)⁹⁸

The Migration Policy Programme “Work in Finland — Government Migration Policy Programme to Strengthen Labour Migration“ is based on the Government Resolution on the Future of Migration 2020 Strategy, adopted in 2013. The purpose of the policy is to support migration that strengthens employment and public finances, improves the dependency ratio and enhances internationalisation of the economy. The

⁹⁶ <https://www.finlex.fi/fi/laki/kaannokset/2004/en20040301.pdf>

⁹⁷ <https://www.finlex.fi/en/laki/kaannokset/2017/20170908>

⁹⁸ <https://www.finlex.fi/fi/laki/ajantasa/2017/20170907>

Programme lays down Finland's migration policy guidelines that promote particularly labour migration, integration to support this, and good relations between people from different groups. The Programme was prepared in conjunction with the action plan titled "Talent Boost – International talents boosting growth".⁹⁹

The Finnish Startup Permit, launched in April 2018, makes it possible for international growth entrepreneurs to build a start-up company in Finland and to become part of Finland's vibrant start-up ecosystem. The permit is meant for innovative start-up founders coming from countries outside the European Union. Before start-up entrepreneur sends a Startup Permit application to the Finnish Immigration Service, he/she must get a favourable assessment from Business Finland. Business Finland evaluates whether your business model, team and resources show potential for rapid international growth. After the assessment entrepreneur will receive an Eligibility Statement to be attached to the Startup Permit application. The permit can initially be issued for max. two years, after which it can be renewed.¹⁰⁰

A special programme with integration actions for Inglian remigrants was implemented in 1990 – 2016. The programme ended because there was no more need for that kind of special service, i.e., all possible remigrants were returned to Finland.

The results of initiatives

The Ministry of the Interior's Migration Department compiles annually The Migration Review, which brings together issues related to migration from the perspective of policy formulation and legislation. However, the type of remigration explained in the beginning of this questionnaire is not separately considered in the reviews.

⁹⁹ <http://julkaisut.valtioneuvosto.fi/handle/10024/160518> and <https://tem.fi/en/talent-boost-en>

¹⁰⁰ <https://www.businessfinland.fi/en/do-business-with-finland/work-in-finland/startup-permit/>

The results of the Ingrian remigrant programme were good. The Finnish Immigration Service (Migri) estimated that 30 – 35 00 Ingrian Finnish returned to Finland through the programme.¹⁰¹

Practical activities in the country¹⁰²

The latest government, legislative amendments were introduced to make it easier for entrepreneurs and experts to move to Finland, and thereby to promote economic growth and employment. Measures have also been taken to facilitate immigration of students and researchers. Current legislation sets rules for controlling and coordinating employment-based immigration.

The Finnish Immigration Service (Migri – www.migri.fi) is a decision-making organisation in matters related to immigration, asylum, refugee status and citizenship and maintains the reception system. The agency implements the Finnish immigration policy and promotes controlled immigration, good administration and human and basic rights. The tasks of the Finnish Immigration Service: matters related to foreign nationals' entry into Finland, residence in the country, refugee status and citizenship register of foreign nationals, produces information for authorities and international organisations.

InfoFinland (www.infofinland.fi) platform and services gives basic information about Finland, moving to Finland and living in Finland. The information is available in 12 languages.

Concrete example of remigration

One example of a company established by a Finnish remigrant, who returned back to Finland from Germany together with his German wife and children, and established a new business branch in 3D printing company producing prototyping, spare parts and small series casting. He received help from the Tampere region's new business center

¹⁰¹ <https://blogs.helsinki.fi/inpres-project/>

¹⁰² Additional information: www.intermin.fi/en/areas-of-expertise/migration

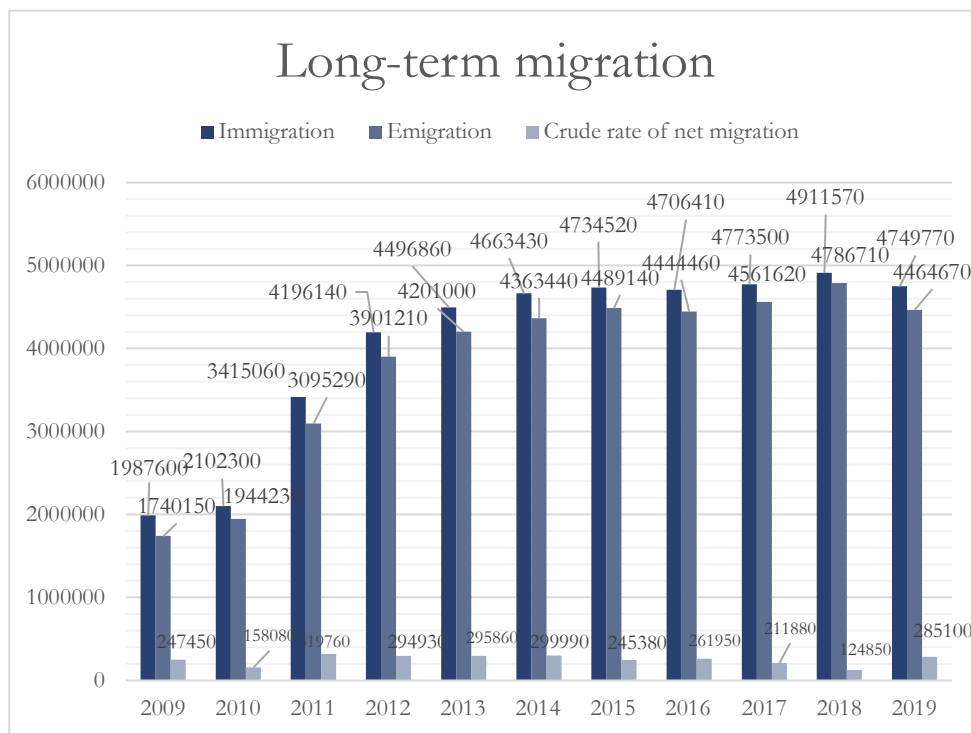
for calculations and tips on obtaining financing. Through the new business center, Ville also received information about vacant retail space.

For the full story visit: <https://www.uusyrityskeskus.fi/yrittajatarinat/paluumuuttaja-toi-uuden-tuotantoalan-suomeen/>

RUSSIA

Current situation

Since 2011 there has been an increasing number of emigrants from Russia. In 2018, more than 478 thousand people left Russia. A high number of emigrants are leaving to the countries of the former Soviet Union. One of the reasons for the formation of this trend was a steady increase in the dollar and the weakening of the ruble in the period



under review. However, there is still a higher number of immigrants, leading to an overall positive crude rate of net migration.

- Social research highlights the main causes of emigration¹⁰³
- Economic instability (41%)
- Low standard of living (42%)
- The inability to secure the future of children (28%)
- Lack of legal protection (17%)
- Poor-quality medicine (14%)

From the country mainly specialists of medium and high qualifications aged 20-34 left. Emigrants choose countries with a stable economic situation, a high standard of living and wide opportunities for implementation in the professional sphere.

At the same time, the depreciation of the ruble restrained the number of people entering the country from abroad in the analyzed period. This led to the excess of the number of emigrants from the country over the number of migrants and forced the government to take measures to correct the imbalance.

The regulation of population migration in Russia is carried out through legal, informational, financial, economic, organizational and other instruments. To solve the problem, the Russian government adopted the concept of demographic policy of the Russian Federation for the period until 2025. The concept provides for a number of measures aimed at increasing the flow of migrants and the number of re-emigrants. As a goal it indicates an increase in migration growth by 2025 at the level of more than 300 thousand people annually.

¹⁰³

https://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.10/2018/mtg1/RUS_Chudinovskikh_ENG.pdf

As for measures to return citizens to the country, the State Program was adopted to facilitate the resettlement of compatriots living abroad to the Russian Federation (June 6, 2006 No. 637, hereinafter referred to as the State Program for the Relocation of Compatriots). The program has implemented in 59 constituent entities of the Russian Federation. To date, there is no single quantitative data on the participants in this program due to the fact that state authorities use various indicators to evaluate. The program allows taking into account not only quantitative, but also qualitative parameters of interstate migration (demographic, social, etc.). Among the participants in the program, people with a vocational education prevail. The state program of resettlement of compatriots is aimed at combining the potential of compatriots living abroad with the needs of the development of Russian regions. This program has enabled specialists, including those with high entrepreneurial potential.

According to a Higher School of Economics's Institute of Demography study, approximately 2.7 million Russian natives currently live abroad. 1.5 million of them still keep the Russian citizenship and are not included in statistical data¹⁰⁴. This leads to the difference between the Russian Federal State Statistics Service (Rosstat) and Eurostat data:

The number of Russians who left Russia and received a residence permit in the EU in 2017¹⁰⁵

| Country | Eurostat data | Rosstat data |
|---------------|---------------|--------------|
| Germany | 10 155 | 4 372 |
| Great Britain | 8 212 | 300 |
| Czech | 6 852 | 249 |
| Spain | 5 582 | 427 |

¹⁰⁴ Cf. Демин (2018)

¹⁰⁵ Cf. Проект (2019)

| | | |
|----------------|--------|-------|
| France | 5 104 | 327 |
| Poland | 4 568 | 188 |
| Italy | 2 924 | 418 |
| Finland | 2 374 | 593 |
| Other | 17 303 | 7 456 |

Foreign statistical data and the results of interviews with emigrants show that Russia encounters increase in qualified (intellectual) emigration in last decade. According to RANEPA Academy and the Gaidar Institute study, 40% of emigrants from Russia have higher education¹⁰⁶.

The main reasons for the emigration are difficulties in the labor market, lower salaries, reduction of opportunities for career development, the possibility of obtaining a higher education that meets international standards and experience of work or life abroad¹⁰⁷.

The Federal State Statistics Service do not have actual data about remigration, however Russian authorities are creating measures to return "brainpower" back in Russia in recent years. As a rule, such groups of emigrants still keep Russian citizenship, have friends and relatives in the country. But they do not intend to move back to Russia, maintaining close contacts with their places of work in the West. 3 main groups of factors prevent their return:

- Socio-economic factors: the instability of the economic situation.
- Academic factors: low level technical and material support of scientific research as well as social protection of scientists.
- Political factors.

¹⁰⁶ Cf. EGorhe (2018)

¹⁰⁷ Cf. EGorhe (2018)

Today the "brain drain" is a hot issue in Russia. In previous years special preferences were introduced for highly qualified foreign specialists who are going to work in Russia and Federal Law No. 115-FZ "On the legal position of foreign citizens in the Russian Federation" was amended. But most changes in the Federal Law focused mainly on strengthening over migrant legislation. However, in 2018 the "New Concept of State Migration Policy" was signed by the President. The new concept includes additional preferences for voluntary resettlement for Russians who live abroad, simplified procedures for acquiring Russian citizenship of foreigners who are native Russian speakers, investors, entrepreneurs or graduates of Russian educational organizations.

There are also several public organizations and communities in Russia that help emigrants return to the country.

With regard to business remigration support, from 2015 on Russian authorities have adopted an import substitution policy. This means that companies which operate in for the country strategically important industries and have production in Russia will receive state support. The adoption of the relevant government decree allows to attract not only Russian companies back but also foreign firms, such as Kverneland, Claas, Same Deutz-Fahr, etc.

Conclusion and recommendations

The analysis has shown that BSR countries differ immensely regarding migration dimensions and types of migration as well as policies in place in order to promote return migration. While in Germany, Denmark, Finland and Sweden brain drain is not a big issue, Lithuania, Latvia and Poland urgently need to deal with the fact that a considerable number of skilled workers is constantly leaving the country. In fact, the Baltic countries have witnessed several massive emigration waves during certain periods – the Nazi and Soviet occupation, the collapse of the Soviet Union in 1990, the entry into the EU in 2004 and the 2009 global financial crisis. The United Nations estimates that the Baltic country population number will keep shrinking so that by 2050 Latvia's

population could decrease by 22 percent, Lithuania's population by 17 percent and Estonia's population by 13 percent. Certainly, strategies to bring back emigrants as SME successors could be one way to anticipate the negative effects of brain drain. While no specific programs for remigrants as SME successors exist, different programs encouraging return migration, diaspora engagement and the prevention of brain drain are in place. While salaries in the new EU countries have been rising steadily, the income disparity and the job opportunities abroad remain to be the main driving forces for emigration. However, also cultural, socio-political and personal reasons make people leave their countries of origin.

In all circumstances, the huge potential of remigrants as SME successors should be acknowledged and invested in. Returning workers bring back highly valuable qualities and assets such as financial capital, international work experience, contacts, the grit needed as well as new ideas and norms on professional but also on social and cultural level. These qualities can benefit the home countries immensely and hence, the following recommendations in order to attract emigrated workers to return to their home countries as SME successors should be taken into account.

Concrete recommendations based on the previous analysis:

→ The starting point for taking measures and forming strategies should be the awareness for brain gain.

→ Deep quantitative and qualitative investigation and research, for instance in form of a SWOT analysis, surveys and interviews with emigrants and already remigrated people, of the particular region/city/country should be the foundation for every policy strategy. It is paramount to map out the multifaceted difficulties and to get in dialogue with the people leaving and willing to leave in order to understand the reasons and needs as well as the challenges when returning to their home country.

→ Labour market analyses and forecasts should be conducted and publicly made available.

→ In order to prevent brain drain in the first place, students and vocational trainees should be approached in order to hear about their needs and expectations. Career events and job fairs should specifically provide information on business transfers.

→ A comprehensive online platform/search engine/ consulting network specifically for business transfers should be installed. Local information technology students could be involved in the development of this platform (“bottom-up” approach).

→ The programs and resources on return migration should be coordinated, organized and promoted coherently. Physical and virtual platforms should be easy to find and to access. It could be helpful if one entity would be responsible for coordinating and clustering the different programs (“all under one roof” approach). These programs should be advertised through different media outputs: television, radio, social media, newspapers, diaspora magazines, events in embassies, etc.

→ (Virtual) events abroad and in the sending countries should take place where emigrants and remigrants can share experiences with each other (see e.g. the Lithuanian *Pasaulio lietuvių jaunimo susitikimas*). For that purpose, cooperating with the sizeable diasporas is evident (since approximately 20 percent of Latvians, 17 percent of Lithuanians and 15 percent of Estonians live outside their country of birth).

→ Regional, bi-lateral and transnational migration strategies should not be in competition but seek systematically cooperative solutions, without neglecting the individual needs in the countries and regions. This includes sharing best practices and experiences. The cooperation between academical and educational institutions and the business sector should be encouraged. Moreover, both municipal agents and the private sector should be approached for the implementation of programs focussing on remigrants as SME successors.

→ Bureaucratical barriers should be removed. This includes ensuring the full recognition of diplomas and qualifications acquired abroad.

→ Similar as with the other target groups: Remigrants should have the possibility to receive trainings, studies or mentoring in preparation of becoming a SME successor

comprising introduction to entrepreneurship, business model and plan generation, financing, commercial law, employment, accounting, marketing, sales, ICT, networking and social entrepreneurship. Support should be provided during the different SME transfer phases. This support should include a reliable contact person, whom the remigrant can contact anytime. A mentoring programme could be established in which remigrants are paired with experienced entrepreneurs from the region.

→ Monetary support in form of loans and subsidies need to be provided. Furthermore, the remigrant should be consulted on entrepreneurial competences, should be provided with a realistic picture of the SMEs capabilities and competencies that need to be acquired.

→ Support should be provided for the whole family of the emigrant. This might comprise assisting with finding child care, international schools, language classes, etc. The support should not only comprise administrative help but also take into account the cultural differences and integration challenges the family faces. Creating “welcome services” and events could help the returnees reintegrate, get acquainted with the city and its leisure activities.

→ Potential SME successors should possibly have the opportunity to have a paid business visit to the company before the final decision-making process.

→ Team building workshops could be held in order to establish a positive work environment, since remigrants sometimes are regarded as traitors having left their home country.

→ In order to prevent brain drain, young locals should be involved as much as possible in the activities of the municipality and regional decision-making processes (shift from a vertical and hierarchical approach to a bottom-up and horizontal approach).

→ The overall reputation and living experience in cities should be improved by investing in public spaces and cultural industries. The establishment of networking spaces in form of talent hubs, co-working spaces and incubators, for instance, should be

encouraged. Affordable working and housing spaces for young professionals with an opportunity to network with other locals can be a fruitful initiative.

→ While the strategies should be implemented in a long-term nature, they should be flexible enough to be able to respond to current developments in the world. Given uncertain surroundings such as Brexit, the corona pandemic and political instability in various countries could be factors for emigrants to return to their home countries.

→ Feedback on how to improve return migration strategies should be obtained on a regular basis.

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9 | Closing Remarks

Ensuring business transfers is essential for positive economic development in the EU countries. Over 450,000 companies with more than 2 million employees are ready to be handed over to a new generation of entrepreneurs each year in the EU. But as fewer and fewer people want to become self-employed, handing over businesses is becoming more and more of a challenge for retiring entrepreneurs. In recent years, this has resulted in 150,000 businesses across the EU, with an estimated workforce of more than 600,000, having to be liquidated due to a lack of successors. The problem is that these liquidations result in the loss of tangible assets, such as operating resources, as well as intangible assets, which include customer contacts and know-how. In this way, capital is destroyed that could be put to much better economic use.

Entrepreneurs who are looking for a successor for their business are faced with the very complex process of handing over the business. Surveys have indeed shown that the biggest challenge for existing entrepreneurs is finding a successor. The demand for new entrepreneurs cannot be met at the moment, which has negative consequences for employment and economic power of all European countries.

The INBETS project, through the four strategic plans presented earlier, aims to contribute to the remedying of this problem, which requires swift action by the relevant decision-makers at both national and international levels. Thus, this book aims to promote the development of new target groups as potential business successors. The four

target groups presented, women, employees, immigrants and remigrants, have a great potential to be a possible part of the solution to the problem of successor shortage in SMEs. The above analyses show in part the underrepresentation of these groups as entrepreneurs, but at the same time the potential and opportunities that can arise from greater inclusion of these groups. Thus, the individual action plans also highlight measures that can be taken by policymakers and business associations to achieve activation.

Small and medium-sized enterprises are the backbone of all European economies. Strengthening and supporting them secures long-term employment and thus also prosperity and quality of life. A lack of business successors threatens the strength of the SME sector. The action plans contained in this book offer inspiration as well as concrete recommendations for action for new ways of attracting successors in SMEs.

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