6. Train the Trainer Implementation

Train the Trainer Seminar

of the project

"Innovative Business Transfer Models for SMEs in the BSR" (INBETS BSR)

IMPLEMENTATION REPORT

Prepared by
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INBETS team

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1.INTRODUCTION.

SMEs are mostly owner-managed, often for years. The companies risk to loose knowledge and jobs, once that owner retires. This is happening at increasing speed in the Baltic Sea Region (BSR), where more and more owners retire without having transferred the business to the next generation. The future growth and sustainability of innovative companies in the BSR is severely limited by failed business transfers. In all countries the number and qualification of potential successors must be improved. The aims of INBETS project is to examine, further develop and design innovative and transferable models and tools facilitating SME business transfers, make them widely available and implement them in companies.

2. AIMS AND OBJECTIVES.

One of the most efficient ways facilitate business transfers – to involve coachers and business consultants into the process. Thus the first Train the trainer seminar within the INBETS project took place in Vilnius at Hotel Artis, on 6-7th May. The seminar has been developed and implemented by PP12, with the intensive support from the PP1 and PP10, as a pilot one, to test the most valuable training content for business transfer consultants and coachers, develop the seminar's organisation schedule, provide hints and arguments that hook while consulting and coaching on business transfer.

5-6 INBETS project partners are expected to repeat such Train the trainer seminars in their respective countries (with not less than 10 participants each) as a pilot actions to highlight the importance of business transfer process, share the coaching and consulting experience, learn on good and especially bad practice, in order to encourage more and more entrepreneurs to plan in advance the business transfer. At the same time rise awareness among starting and experienced entrepreneurs, that take-over of business could also be one (and maybe even better) options to start or continue businessperson and entrepreneurs' career.

3. PARTICIPANTS

To the first Train the trainer seminar all participants came from Project Partner organizations. In total there were 24 participants. Each Lecturer and presentation was evaluated by the participants, in average feedbacks were received from almost 70% of participants (not taking into account the representative of PP12 – the organizer). Evaluation forms were summarized in separate report.

Participants' list is attached as Annex 1 to this report.

4. IMPLEMENTATION

The two-day Train the trainer seminar was organised on 6-7 May 2019 in Vilnius, at the conference room of ARTIS Centrum Hotel, Totoriu 23, LT-01120 Vilnius, Lithuania.

The whole training was divided into separate sessions, each one covering specific content parts. The presentations were delivered in English by invited speakers and project partners from International Business College (PP09 – Denmark) and Vytautas Magnus University (PP12 – Lithuania). Training agenda is attached to this report as Annex 2.

At the end of the training, the participants and the lecturers completed evaluation forms to provide their feedback to help to improve the training in the future. All participants received certificates of attendance (example of the certificate attached to this report as Annex 3).

Train the trainer seminar started with the welcome words by Mr. Max Hogefoster, representative of Project Lead Partner PP01 and Mr. Vytas Navickas, representative of Vytautas Magnus University PP12.
After the introduction of the seminar agenda and organizational issues, seminar started with the presentations of Mr. Nerius Jasinavicius, who's got work experience in different sectors: financial, production and sales. For more than 15 years Mr. Jasinavicius is consulting big corporates and innovative firms on Strategic management. Mr. Jasinavicius is certified TOC and Lean expert, as well as Management consultant, acts as a Board Member of big companies. Also is an author of the business books. Nerius holds Bachelor's and Master's degree from Vilnius University, as well as Master Degree from Edinburg University.
The main highlights from the presentations of Mr. Jasinavicius:

- Every entrepreneur has "unique" problems…, but all they are related to bigger sales, higher profits, people, and succession…
- Can company stay in the market if rotation of the employees is 200% p.a.? … In McDonalds restaurants' employees stay in average for 6 months only…
- Mission/vision is needed not only for big companies –for SMEs it's also very relevant. You should now, were you want to go/be in the future. "Someday goals"
- Value of the business = what the buyer of the company is going to pay. The same with the value/price of the product. (Skype sold to ebay for 3 b, then bought back for 1 b, and sold once again to Microsoft for 6 b);
- Why small companies often cannot be sold (or at least for the price the seller is expecting) – is transparency (sales, costs, = accounting…, personal expenses…); dependence on the owner – without the owner company cannot continue.
- Business value: How long takes to your competitors to steal your employees? To copy the tools you have? To copy the management system? Only thing that cannot be taken over– business culture.
- "Culture eats strategy for breakfast" P. Drucker. There is no right culture – each culture may be successful.
- Business owners usually are in 3 positions: owners, managers and technicians;
- Let's prepare your business for sale. Then you can decide to keep it, or sell, or transfer to children. Children should not have duty to take over the business – "money making" vs. "headache making".
- Children sometimes hate the company, as it was competitor to the attention of parents and their time dedication to them…
- Why makes measurements? To know if/how fast it is improving.
- Quite substantial number of respondents in the survey said: "Business was not their choice, business just happened to them…"
- In many companies (especially small), usually there is only one real salesperson – the owner.
- "Lack of profit kills company slowly, lack of cash kills company instantly"

The subject on innovation management was presented by Mr. Kastytis Gecas. The presentation focused on the issue "how to sustain innovation while transferring the business?" Mr. Kastytis Gečas has long standing work experience in innovation support (institutionalisation, provision of services and financing), innovative business development, building technology transfer/innovation partnerships and promoting innovation capacity, supporting innovations in business while providing specialised consultancy-type innovation support services, worked directly with businesses, innovation support organisations and business associative structures, provided senior expertise in Technical Assistance projects, in the area of R&D, innovation, and business development.

Main points, covered by the presentation:

1. Actions to preserve innovation activities during transfer
2. How and who initiates change(s)?
3. Do we accept the risks of change?
4. Can we put knowledge as assets on a balance sheet?
5. Can we be innovative in our (national, regional, local) environment?
6. “Innovators do not satisfy market needs, they create them”
7. Success in market - fruits of temporary monopoly (because of innovation)

Ms. Kirsten Jensen, Mr. Flemming Bornemann and Ms. Tina Brixen presented IBC International Business College (PP09), the e-leaning platform and the learning subjects. Later the group work was organised, dividing participants into groups and asking to come up with the list of main factors and information that should be retrieved from the business seller, when taking over a company. The outcome from the work of the group work is listed below (listed alphabetically, not prioritized)

- Assets
- Company Business Plan / Strategy
- Company Culture and History
- Connections – Local Politics
- Costs of Production
- Due Diligence
- Employees – Age – Education – Gender
- Environmental Standards (14001)
- Information about Key Clients
- Know How
- Legal Documents
- Market Potential and Market Share of the Company
- Organisational Structure and Functions
- Patents + Intellectual Property
- Personal Data about Owners
- Profit
- Projects – Future – Past
- Public Knowledges
- Quality Standards (9001)
- Special Deals/Agreements/Rates with Suppliers/Employees/Customers
- The Fail Plan of Succession

Vytautas Magnus University’s (PP12) representative Mr. Audrius Zabotka presented main modules of entrepreneurship training curricula, developed by the PP12 so far, the structure and sequence of the possible training and coaching program. The discussion took place on the issues, and participants came up with the suggestions:

a. *What criteria characterize the successful business transfer?*

- Company is still in the market (after >6-36 month after the transfer…);

- No employees left;
- No contracts cancelled;
- No loss of customers/suppliers;
- Increase of market share;
- Internationalization of the business;

b. *Can the business take-over happen successfully without external* consultancies?

- Commonly agreed, that external consultancies, successful and especially unsuccessful examples may trigger and ensure success of the business transfer;

c. How to increase "demand" for business transfer?

- Access to funds (money) to acquire the business;
- Soft support and subsidies to new owners;
- Development of the entrepreneurial mind-set (in kinder gardens, schools, colleges/universities);
- Integrated business take-over possibilities in "job platforms";
- Public support, as in case of start-ups;
- Promotion of the possibility through business transfer "influencers" on social media;
- Trainings/education how to deal with existing business;
- Not every successor should be educated at academic level – "learning by doing" principle may be applied.

The second day of the seminar started with the summary of day 1, during which the topics of successful business strategies, businesses competitiveness and development, innovation management, were covered, and, also, how all these subjects are important in business transfer. During day 2 focus was on business transfer models and financing structures, the main factor of successful business - people.
First presentation was made by Ms. Laura Duksaite-Iškauskiene, who is a partner at Master Class LT. Company provides proactive executive search and headhunting services, helps private sector organisations find the top executive talents and specialists throughout Lithuania and internationally. Ms. Duksaite-Iškauskiene has longstanding experience in HR and recruitment activities, holds Master's degrees in Psychology from the Vilnius and Konstanz (DE) Universities. Presentation stressed the future picture, what workers are coming to labour market, their preferences, behaviour, career plans, and their view to business in general.

The main highlights from the presentations of Ms. Duksaite-Iškauskiene (focusing more on Lithuania's situation, which is also may be relevant for the eastern BSR and Eastern European Countries):

- Current entrepreneurs, that are (should be) planning the business transfers, in early 90's went through the different "management" education programmes;
- In 2008-2009 came and a lot of jobs in construction were lost;
- Then there were thoughts to study IT;
- There are still people who started and still have only one career;
- They are loyal to organisation;
- 30-35% who are loyal to profession;
- Younger generation is not loyal to organisation, neither to profession;
- In 20-25 years majority of the professions will no longer exist;
- Younger generation has much better excess to money, information and people;
- They will be more independent compared to their parents or grandparents;

- "I will work with you, but not for you";
- "Will work with business owners, but not for business owners";
- Many people will change jobs each year;
- They will change the first job in 15 month and the second - in 12 month;
- Expectations of the future are very high, as young parents had/have high expectation on their kids;
- Universities and schools area saying that this place is for leaders – so we are growing all kids as leaders. They are not staying in the organisations, were they cannot achieve this position ("leader") in 6 month;
- They will have face to face contact with the parents;
- They will stay longer with parents. They will stay at home, they will work at home;
- Thy will have (are having) a lot of contacts, but no social contacts;
- Many clients, with no personal contacts;
- Education will be shorter and shorter;
- They will have to study 3 times during the live/career;
- No ideas what jobs will be in 20 years. No ideas, except "sales".
- Generations are changing not in 25, but in 10 years;
- For young people 4 years period is too long;
- We have enough people at the age of 40-45 willing to take over the business (as the CEO), but not all of them are ready to do this;
- Yung people compose 25% of the employees. And this share will not increase, as they are also getting older.

The reflection from the audience was:
- Are today's parents spoiling the children?
- How to recruit people based on the values, if they are not aware of values?
- Competition for employees make pressure for organisations to be better and better;
- Most important things are the possibility to adapt into the labour market, capabilities to lean and study;
- Owner of the company should not be the manager of the company at the same time;
- 2% of the people can study, only 7% can get some education.
- To provide pros and cons of start-up and business transfer as an alternative.

During day 1 participants constantly were discussing the question "how to increase the "demand" for business transfers?" On day 2 participants were involved into discussion what shall / could / would motivate younger generation to take over the existing business and take on the responsibility? The presentation on "how to grow the potential business successors?" was made by Mr. Balys Narbutas, who is the lecture, consultant and trainer on organizations' and personal communication, creative writing, public relations and crisis management, employees' motivation and psychology of organizations'. In the field of public communication Mr. Balys works since 2002, has work experience as a journalist at "Verslo žinios" (Lithuanian business magazine), news reporter at Lithuanian Parliament. Since 2007 communication consultant at agency „Fabula Hill+Knowlton Strategies", since 2013 Public Relations Consultant at Investors' Forum in Lithuania.
The main issues that were stressed by Mr. Balys are:
- Crisis is good, when you can rethink what you done… but I hate crisis and do everything to prevent/plan the crisis.

- Who will be your replacement?
- Companies usually do not think in advance. And All people act the same as companies, but we are not here forever.
- In US 30% of family companies are transited to second generation; 12% - to the third; 3% to the forth.
- Leaders focus the brains of the employees towards particular direction – to avoid “rumination”;

The second day was concluded by the intervention of Mr.Karolis Pocius, who spent more than 20 years of his career as M&A professional, successfully implemented large number of trade sale, acquisitions and merger assignments in the Baltic Sea region, Central and Eastern Europe. Dealmaker with experience in wide range of industries. Mr.Pocius presented what are the models of ownership transfer of the business? What are the interests of main stakeholders in business transfer process? How the transfer/acquisition of business can be funded? What are the main points to think over and agree in business transfer deal? How the overall process does looks like? Is it lengthy process or half a day job?

The presentation by Mr. Pocius was concluded with the work on Case example (Annex IV), when participants, divided into 4 groups had to represent 4 different parties of particular business sale deal, develop the negotiation strategy and make the pitch. The most successful group was awarded with the prise.

Annex 2

AGENDA
of the Train the Trainer Seminar

When?	What?	Who & How?
1st Day, 06 May 2019, Monday		
08:00 - 08:45	Welcome and Introduction. Presentation of the participants. Overview of the programme of the 1st day	Moderator: /Vytas Navickas/Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University
08:45 – 10:15	PART A **Module A1: "Determining corporate competitiveness"**	Presenter: Nerius Jasinavičius Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
10:15 – 10:30	Coffee break	
10:30 - 12:00	PART A **Module A2: "Developing corporate government strategies"**	Presenter: Nerius Jasinavičius Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
12:00 - 13:00	Lunch	
13:00 - 14:30	PART A **Module A3: "Innovation Management"**	Presenter: Kastytis Gečas Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University

		Discussion and Interactive group work
14:30 - 14:45	Coffee break	
14:45 - 15:45	PART A **Module A4: "Basic Computer skills, bookkeeping using commercial software"**	Presenter: Kirsten Jensen, IBC Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
15:45 - 18:00	PART A **Module A5: "Preparing, completing, evaluating start-up, takeover activities"**	Presenter: Audrius Zabotka Moderator:Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
18:00 - 19:00	Free time	
19:00 – 22:00	Joint dinner and international exchange of experiences	Restaurant (to be clarified)
2nd Day, 07 May 2019, Tuesday		
08:00 - 09:30	**Overview of the programme of the 2nd day** PART A **Module A6: "Human Resources Management & Vocational Education Knowledge"**	Presenter: Laura Duksaitė-Iškauskienė Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
09:30 - 10:30	PART B **Module B1: "Pedagogical questions Procedure and examination of training to become an entrepreneur"** Sub-Module I: Pedagogy	Presenter: Balys Narbutas Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University

		Discussion and Interactive group work
10:30 - 10:45	Coffee break	
10:45 - 11:45	PART B **Module B1: "Pedagogical questions Procedure and examination of training to become an entrepreneur"** Sub-Module II: Procedure and examination of training	Presenter: Balys Narbutas Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
11:45 - 12:15	PART B **Module B2: "Design and instruments of the consulting process for company transfers"** Sub-Module I: Consulting and coaching process	Presenter: Karolis Pocius Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
12:15 - 13:15	Lunch	
13:15 - 14:45	PART B **Module B2: "Design and instruments of the consulting process for company transfers"** Sub-Module II: Procedure and examination of training	Presenter: Karolis Pocius Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė Vytautas Magnus University **Discussion and Interactive group work**
14:45 - 15:45	**Completion:** Graduation Summary Certificates of attendance Feedback collection	Moderator: Audrius Zabotka/Gintarė Pauliuščenkaitė/Vytas Navickas Vytautas Magnus University
15:45 - 16:00	Farewell Coffee - exchange of experience	All

Annex 3

CERTIFICATE
of the Train the Trainer Seminar


CERTIFICATE OF PARTICIPATION
No. INBETS-LT-VMU-001

Kamila Keinke

Attended

Train the Trainer Seminar

of the project "Innovative Business Transfer Models for SMEs in BSR (INBETS BSR)" No. #R051
under the Interreg Baltic Sea Region Programme 2014-2020

held on 6-7 May, 2019
Vilnius, Lithuania

Prof. dr. V. Navickas

Annex 4

CASE EXAMPLE
of the Train the Trainer Seminar

Milkman & Co

Mr. Milkman Senior (MS) is in his late 70-ies considering transfer of the ownership in his 40 years ago created business, Milkman & Co (ticker- MKMC) where he is a Chairman of the Board, having transferred executive powers to his son from the first marriage, Mr. Milkman Junior (MJ). They both control part of the shares though a JV "Milkman Family Fund", but essential ownership control over the Company is in MS's hands. After leaving the daily management, MS has explored his other interests, including acquisition of resort estates and activities as a patron of the local church community. All these endeavors along with growing 3 children from the second family consumes significant financial resources which he can not ignore. For example, new church project will consume at least 5 million, and his resort estate projects another 10 million EUR during next couple of years.
The choice is not easy, as there are serious considerations for and against any decision that he would take. Although the business is in steady and slightly growing state, it has outgrown domestic markets and is struggling to build a sustainable export activity. Although large on the local scale, it is no match for the European or world-wide corporations, which outsell MKMC by the factor of 10-50 times. For example, their long term partner and recent 10% shareholder Fonterra Cooperatie has a sales revenue of AUS 20 billion, with an EIT if 0.9 billion for the last year. At the same time, MKMC benchmark ratios are lagging behind the industry averages, as much large competitors explore economy of scale effects unachievable for relatively small operation. As a result, some of the influential institutional shareholders are pushing to look for a strategic sale opportunities which may bring significant operational synergies and pay a significant premium over today's unimpressive valuation.
His advisors from regional investment bank agree that the Company is somewhat undervalued in the market and strongly encourage him to launch a full scale trade sale of Company's controlling stock of shares. They argue, that any of the willing parties should have a chance to offer their terms for the Company, which will assure that neither of the potential investors will be unduly marginalized and the sale will bring best price offer for the selling parties. Although quite ration proposal, Mr. Milkman is hesitating to take it as it will definitely involve his company, family and current business partners in a several month roller-coaster with an unknown outcome and results.

Mr. Milkman Senior is therefore facing several options:

1. Sell his shares to his son from his first marriage, **Mr. Milkman Junior (MJ)**. MJ, now in his late 50, proved to be a capable manager being a CEO of the Company for a decade now. He enjoys respect from his team of managers and employees and would be a secure option for the Company to continue in its current pace. He however does not posses significant individual wealth and could bring to the table about 10 million of his own cash, raised by mortgaging his private real estate holdings. His banker suggested, that they could safely increase the debt of the Company at least x2.5 from the current level with the Company being able to service it, however higher debt would result into additional financial risk.

2. Negotiate further gradual sale to **Fonterra,** which in the beginning was quite enthusiastic about the cooperation and further involvement. By now, however, their focus is somewhat redirected as they faced significant regulatory challenges in the local dairy market, burdened by excessive regulation and contact interventions by the Government trying to regulate each and every aspect of milk sourcing and pricing for the raw material. If interested, they would be paying a discounted 5-6x EBITDA valuation and obviously has no financing constrains for relatively small transaction.
3. Accept unofficial bid offer from the large institutional investor **Investco,** which has recently assembled new PE fund to invest into several export- oriented businesses. MS suspected, that such offer would only mean a temporary ownership, which will most probably mean further consolidation and merger transactions while trying to build a national champion out of 3-4 equally positioned companies. Question is, whether such plan would be approved by the antitrust authorities, and if not, what fate would the Company assume in the next round of the ownership change. Although their financial muscle is up to 50 mEUR per transaction, they usually use Company's balance sheet to put on additional debt. On the other hand, MS considers their current offer at market valuation a low – balled one.
4. There are several other potential suitors, involving major competitor **Stars and Legends**, which was a long term rival and one of the least desirable acquirers of the business from the emotional point of view. At the same time Mr. Milkman acknowledged, that a combination could bring both businesses to a next level, allowing more efficient operation and more export power. Their over the dinner back of the envelop calculation showed about 5 mEUR of annual synergies to be brought by the merger. S&L has a financial spear of 10 million EUR and ability to borrow additional 20 million. At the same time, S&L would achieve immediate listing by a combination with listed MKMC and see an additional equity issue of 20 million EUR to finance the transaction as a serious option.

It is the most efficient dairy producer in the region and a dairy leader in the country in terms of the quantity of processed milk and cheese production. The company's sales are wide spread covering the export to both East and West markets, as well as wide range of fresh dairy products designed for the local market and neighborhood markets.
Over 2/3 of the Company's production is exported. Cheese is the main export product. The Company is one of the largest and most famous cheese producers in the Central and Eastern Europe. It produces more than 30 thousand tons of fermented cheese per year. There are over 1500 employees in the group.

Shareholder information	**Ownership interest (%)**
Mr. Milkman Senior	46,54%
Mr. Milkman Family (50/50 Senior and Junior)	24.84%
Fonterra Coöperatie	10%
INVESTCO	5.44%
Shareholders smaller than 5%	13.18%

Milkman & Co
About the Company – Financials

Per share analytics	**2018**	**2017**	**2016**	**2015**	**2014**
Share price (EUR)	1.77	1.42	1.38	1.59	1.40
Capitalisation (mEUR)	63.48	50.93	49.49	57.03	50.21
EPS: Earnings per Share (EUR)	0.290	0.110	-0.012	0.264	0.235
P/E: Price/Earning	6.07	13.08	-	6.01	5.94
P/BV: Price to Book	0.52	0.44	0.50	0.57	0.55
Net profitability (%)	4.6	2.0	-0.1	3.8	3.7
ROA: Return on Assets (%)	7.3	2.8	-0.3	6.6	6.3
ROE: Return on Equity (%)	8.9	3.8	-0.4	10.0	9.7
Income statement					
Sales Revenue (mEUR)	226.19	196.50	249.25	249.46	230.65
Growth (%)	15.1	-21.2	-0.1	8.2	15.8
Net Pofit (mEUR)	10.45	3.89	-0.384	9.49	8.46
EBITDA	19.17	11.92	6.50	18.50	17.50

Income statement					
Sales Revenue (mEUR)	226.19	196.50	249.25	249.46	230.65
Growth (%)	15.1	-21.2	-0.1	8.2	15.8
Net Pofit (mEUR)	10.45	3.89	-0.384	9.49	8.46
EBITDA	19.17	11.92	6.50	18.50	17.50
Balance sheet (m EUR)					
Fixed Asstes	60.62	56.32	44.97	54.83	48.20
Current Assets	81.78	98.28	90.49	94.87	83.39
Equity	122.06	115.63	98.34	99.74	90.87
Liabilities	20.34	38.97	37.12	49.95	40.72
Source: www.traders.lt					
Employees	1 577	1 643	1 665	1 720	1 688