Success Road
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Business transfer/succession in Lithuania:

the upcoming challenge

2020

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LITHUANIAN INNOVATION CENTRE is a non-profit organization of public innovation support and consulting services, capable of consolidating the interests of business, science, politics, and society to increase the international competitiveness of the Lithuanian economy. Since 1996 LIC provides expert consultative assistance to institutions implementing innovation and technology development policy. LIC conducts research in priority areas of Lithuanian science, technology, and innovation policy, provides information, reports, insights, and recommendations in order to encourage evidence and experience based decision making.

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Introduction

Lithuania's and Europe's economic growth and jobs depend on the ability to support the growth and sustainability of private enterprises. Entrepreneurship creates new companies, opens up new markets, and nurture new skills. The most important source of employment in both Lithuania and EU is Small and medium-sized enterprises (SMEs).

In 2018 SMEs accounted for 99.6 % of all enterprises in Lithuania, of which the majority were micro-enterprises. SMEs also employed 71.6 % of all employees in the private sector and created 65.5 % of business added value.[1]

In the context of the EU, SMEs account for more than 99.8 % of all European businesses (about 25 million), two-thirds of private sector jobs, (about 100 million), and contribute to more than half of the total added value created by businesses in the EU.[2] As a result, improving the competitiveness of SMEs remains high on the agenda of the European Commission. European Commission considers SMEs as key to ensuring economic growth, innovation, job creation, and social integration in the EU. That is why creating a small-business friendly environment for existing SMEs and potential entrepreneurs and contributing to making Europe a more attractive place for doing business is one of the EU's main objectives.

SMEs in the EU are mostly supported by various initiatives to facilitate business internationalization and access to new markets; improve financing environment and provide information on funding; promote competitiveness and innovation; support start-ups and scale-ups; provide key support networks and information.[3]

Also, various global trends are emerging and they highly influence the development of SMEs. As digital technologies are emerging, EU digital strategy aims to make this transformation work for people and businesses as well as adding to its target of a climate-neutral Europe by 2050. Circular economy and sustainability also became the top priority in EU – in order to reach coherence between industry, environment, climate and energy policy, EU is working towards sustainable growth, innovation and job creation. EU has the ambition to

[1] Statistics Lithuania
[2] Interreg Europe, "The SME policy of the European Union." 2016. <https://www.interregeurope.eu/fileadmin/user_upload/plp_uploads/policy_briefs/TO3_policy_brief_2__SME_policy_final_V23_01_2017_Siriuss_LS_clean.pdf>
[3] European Commission, "Entrepreneurship and Small and medium-sized enterprises (SMEs) <https://ec.europa.eu/growth/smes_en>

make its own economy circular. Last but not least, industrial changes are also important and EU is taking action to maintain the European industry's global competitiveness reach climate-neutrality by 2050, and make Europe fit for the digital age (twin transformation).[4]

SMEs are the backbone of both Lithuania and the EU economy. There is a variety of policy initiatives regarding the business establishment, development, and adaptation to emerging trends. However, policymakers and business owners themselves usually do not pay so much attention to the other important element of the business cycle – business transfer/succession.

In the European context SMEs account for over 99 % of all European enterprises – the vast majority of which are family-run enterprises. According to various calculations, family businesses make up between 65 to 80 % of all companies in Europe and around 38 % in Lithuania.[5] According to OECD, in EU around 450 000 SMEs change ownership annually, affecting more than 2 million employees, but up to one-third of these transfers may not be successful, thus endangering around 150 000 enterprises and 600 000 jobs.[6] Regarding business succession, this process is even more problematic.

While only 30 % of family businesses survive the transition to the second generation and only 10 % after the transition to the third generation.

It also should be noted, that transfer/succession does not concern only family businesses as non-family succession is also a very important element in this topic.

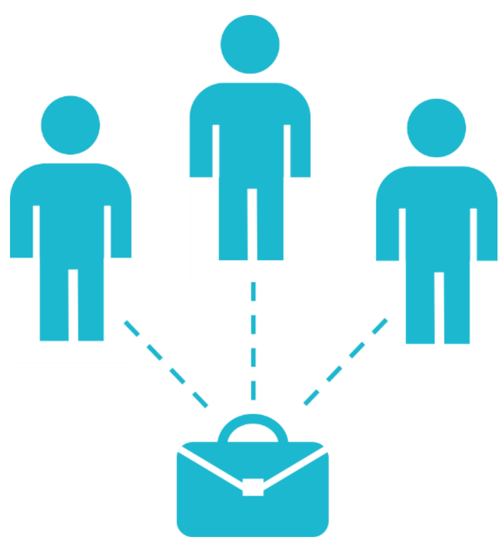
[4] European Commission, "Industry." <https://ec.europa.eu/growth/industry_en>
[5] European Family Businesses, "Families in business for the long term." 2018. < http://www.europeanfamilybusinesses.eu/uploads/EFB_Brochure.pdf>
[6] OECD, "Business transfer as an engine for SME growth." 2018

1. What is family business

Family business can be considered a separate form of enterprise with its unique features. A study in 2008 found, that there were 90 different definitions of family business across 33 European countries, which mainly require major family influence on ownership and management/strategic control. Other characteristics used to differentiate family businesses from non-family ones were the active involvement of family members in the enterprise's everyday activities, the enterprise's contribution to the family's income generation, and intergenerational considerations.[7]

Governments, academics, family business organizations and family businesses themselves have a different understanding of what family business is. In order to have a general concept, the European Commission provided a set of features that characterize family business:

- the majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs;
- the majority of decision-making rights are indirect or direct;
- at least one representative of the family or kin is formally involved in the governance of the firm;
- listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 % of the decision-making rights mandated by their share capital.[8]



[7] Mojca Duh, "Family Businesses: The Extensiveness of Succession Problems and Possible Solutions." 2012
[8] European Commission, "Family business." <https://ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/family-business_en>

The status of a "family business" in Lithuania is not defined legally. The closest legal description of a family business is set in the Civil Code under articles that regulate the legal regime of matrimonial property. The Civil Code defines family business as an individual enterprise that has been established during the marriage. Further explanation follows: "*although the company is registered in the name of one of the spouses, according to Article 3.88 (1) (4) of the CC, "property acquired by the spouses after the marriage is their joint property", therefore it is a family business".*

The Lithuanian Supreme Court (decision of 4th June 2007) stated that if an enterprise was established during the marriage period, it is by its nature a family business (i.e., the joint property of the spouses is used for the business establishment and development, as well as the physical and intellectual work of the spouses, and business revenues are used for the needs of the family) unless regulated otherwise (e.g., in a marriage contract). This, in turn, also results in the joint obligations of both spouses for the company and the mutual right to participate in management and control.

The closest legal form of a family business is the "small partnership" which was adopted for companies in 2012. This form of a business can be employed as a facilitating tool for micro-enterprises and family businesses among them, and the number of established "small partnerships" (*mažoji bendrija*) has been growing. According to statistics, at the beginning of 2013, there were 1,232 small partnerships in the country and in the same period of 2020, this number increased to 20,475 (~16 times).[9]

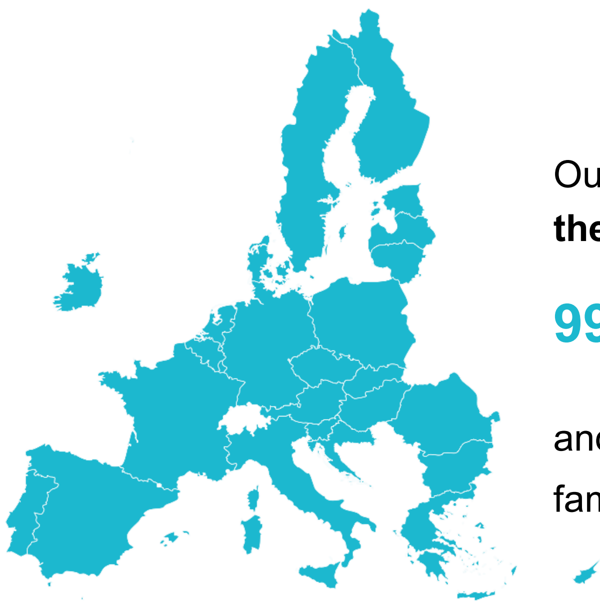
In the context of Lithuania, existing literature has little to say about family businesses, and the data available about it is scarce as well, as the Lithuanian Department of Statistics or other official institutions do not continuously track any records. As a result, the current proportion of family businesses among "Small partnerships" cannot be determined.[10]

In addition, regarding the statistics about registered economic entities at the beginning of the year, the Department of Statistics collects information about "Household units" (ūkio

[9] Statistics Lithuania
[10] Olga Štangej, Vida Škudienė, "FAMILY BUSINESS TRANSGENERATIONAL CONTINUITY IN TRANSITION ECONOMIES: TOWARDS A CONCEPTIUAL MODEL." 2013.

subjekto teisinė forma – *šeimyna*). In 2003, there were 34 household units and until 2020 this number almost doubled to 63.[11]

Family business also can be seen in the context of SMEs. According to statistics, out of all private enterprises in the EU, 99 % are SMEs and between 65 to 80 % are family businesses. It means, that around two-thirds of SMEs in the EU are family businesses and as a result, these two terms in some cases are used interchangeably.



Out of all private enterprises in **the European Union**

99% are SMEs

and between **65 to 80%** are family businesses

in **Lithuania** family business forms **38%** of all SMEs

As it was mentioned earlier, in the case of Lithuania, it is difficult to calculate the exact number of family business SMEs due to the lack of reliable information. However, term SME in Lithuanian public discourse is also often used to describe both SME and family business.

It is estimated that the share of family businesses in Lithuania in 2007 was 38 %. In case of this calculation, enterprise is family business if it meets the criteria of family business developed by the decision of the Lithuanian Supreme Court taken on the 4th of June 2007.[12] It is

[11] Statistics Lithuania
[12] Irene Mandl, "Overview of Family Business Relevant Issues – Final Report." 2008.

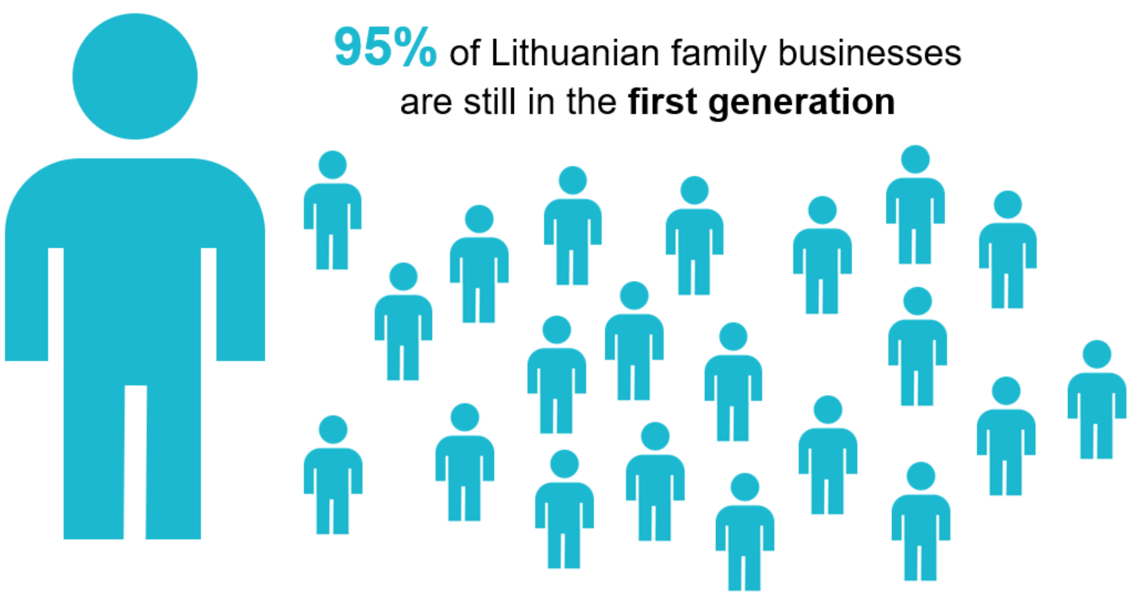
important to note, that this data is mostly presumable and more than ten years old. The criteria of family business are the following:

1. enterprise established during the marriage period, i.e., with the joint property of the spouses (if not regulated otherwise);
2. business revenues are used for the needs of the family;
3. physical and intellectual work of the spouses, also with regard to management and control.

According to the same estimations, family business represents 92.3 % of SMEs.[13] These family businesses meet slightly different criteria:

1. limited liability or open stock companies established and owned (high concentration of shares) by one or more member(s) of the same family;
2. managed by one or more member(s) of the same family.

Existing literature on family businesses also presumes that this type of enterprises in Lithuania has comparatively young traditions – the majority of businesses are still in the first generation (95%).[14]



[13] Ibid
[14] Silvija Bakšytė, "ŠEIMOS VERSLO VALDYMO GERINIMO KRYPTYS." 2009. <https://vb.vdu.lt/object/elaba:1930210/1930210.pdf>

When entrepreneurs require advice on business matters, family and friends are considered as a primary and most important source of information (for 70.6% of entrepreneurs in 2009). In addition to this, a quite common practice for individual business license holders is to include a family member in the license. Available statistical data from the year 2006 (Statistics Department of Lithuania, 2007) can be appended to this insight for SMEs. Out of all SMEs 61.7% were governed by a single founder of the company or current owner, 36.8% were governed by the founder or owner together with other persons and only 1.6% of all SMEs were governed by an employed professional.

32.5% of entrepreneurs rely on family and friends' advice as a source of consultations during the company establishment stage.

Tendency towards governing and managing the business on one's own or with a team rather than professionalization at the top management level is observed. Together with a tendency for reliance on family members and friends, an assumption can be made that these persons have an impact concerning decision making and management in companies. Control over the business then directly remains in the hands of the founder/owner and trusted parties.[15] Because of these statistics, family businesses are usually compared to SMEs, but it is based on the assumptions.

[15] Štangej, Škudienė

2. Business succession/transfer

Business succession/transfer is an integral part of every enterprise. Starting with the establishment of the company, latter comes the stages of development and adaptation and in the end, the transition to the new leadership. In order to continue business after the current generation of leaders retire, die, or leaves the company for other reasons, it is important to determine who will take over the control of the business and how this process will be managed. Therefore, to understand this process, it is also important to define what business transfer and succession are. These two processes are interrelated; however, the succession of a business is a subset of a broader business transfer.

Transfer of business can occur in situations such

sale or merger of the business with another company

consolidation of the business with one or more owners

voluntary business transfer, death or incapacity to run a company

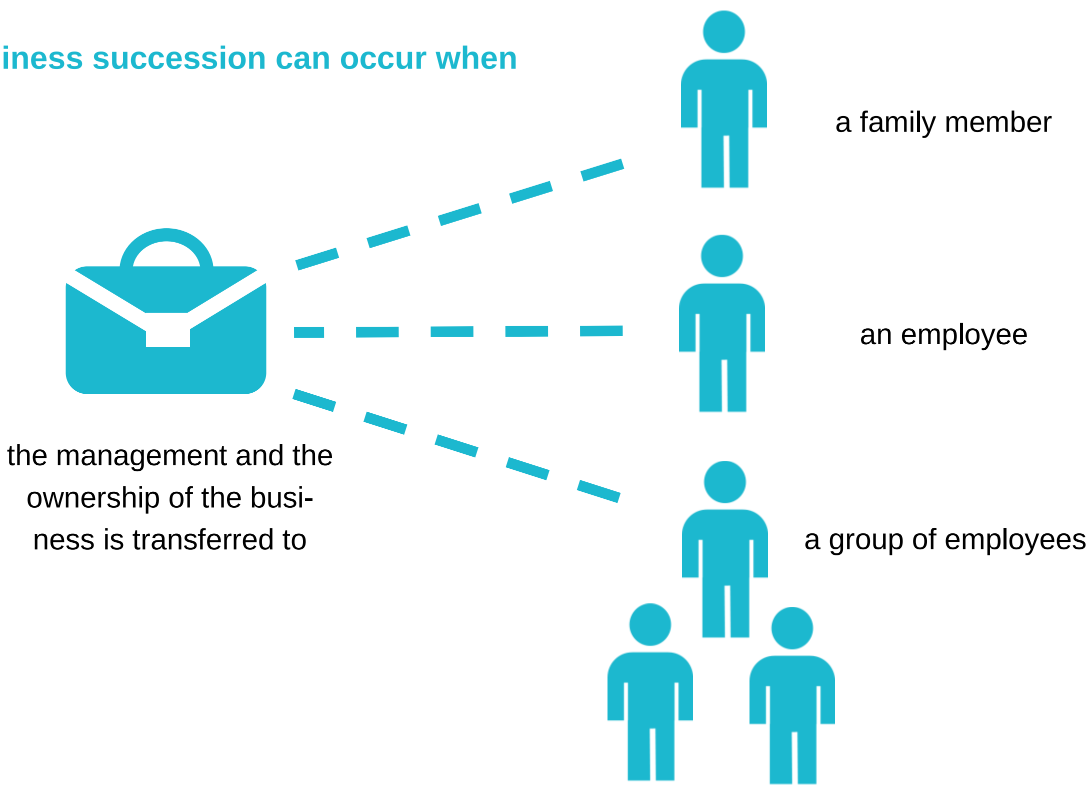
The voluntary business transfer, death or incapacity to run a company addresses "business succession". In case business is transferred to a family member, business succession can be described as a process of transitioning the management and the ownership of the business to the next generation of family members. However, succession can also involve a transfer of the business to an employee or a group of employees.

According to the Expert Group on the Transfer of SMEs[16], a business transfer is considered as a transfer of management and ownership of an enterprise to another person or enterprise

[16] European Commission, "Final Report on the Expert Group on the Transfer of Small and Medium-Sized Entreprises." 2002. <http://ec.europa.eu/DocsRoom/documents/2158/attachments/1/translations/en/renditions/pdf.>

that assures the continuous existence and commercial activity of the enterprise. This can take place within the family, through management buy-outs (sales to non-family management/employees) and sales to outside persons or existing companies, including take-overs and mergers. However, there is no official definition of business transfer in the law of the EU. In the case of Lithuania, existing legislation also does not cover the definition of business transfer, so the concept was investigated by the Lithuanian judicial panel. Based on law practice, it was stated that“ The term “transfer” used by the legislator is general and in civil law it means the transfer of the right of ownership to another person, as well as one of the ways to exercise the owner's right of disposal both for remuneration and free of charge. The right of transfer can be exercised through various types of transactions: purchase-sale agreements, gifts, exchanges, etc.”[17] On the opposite, business succession is clearly defined in the European Union law. In the Regulation No 650/2012 of the European Parliament and of the Council of 4 July 2012 it is stated that the succession means “succession to the estate of a deceased person and it covers all forms of transfer of assets, rights and obligations because of death, whether by way of a voluntary transfer under a disposition of property upon death or a transfer through intestate succession”.

Business succession can occur when



[17] “Teisės gidas“, < http://www.teisesgidas.lt/modules/paieska/lat.php?id=25689>

3. Why it is important to facilitate business succession/transfer

As there is no business succession experience in Lithuania, and available information is scarce as well, provided information regarding this topic will be based on the experience of other EU countries and assumptions that can be drawn from this information.

First of all, business succession should be analysed through the perspective of the economy. In general, business failures have a significant impact on national economies, influencing the trends of major economic indicators (gross added value, sales, exports, production, employment). Furthermore, every company, to a greater or lesser degree and in a different way influences various groups such as suppliers or consumers. Global trends demonstrate that in most countries around the world family business form around 60 – 90% of non-governmental GDP and 50 – 80% of all private-sector jobs. In European countries, they cover between 65 and 80% of all companies and 40 – 50% of all jobs.

Family business form

60 to 90% of non-governmental GDP and **50 to 80%** of all private-sector jobs **around the world**

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As it was mentioned earlier, according to OECD, in EU around 450 000 SMEs change ownership annually, affecting more than 2 million employees, but up to one-third of these transfers may not be successful, thus endangering around 150 000 enterprises and 600 000 jobs.[18] Regarding business succession, rates are even lower - 30 % of businesses survive the transition to the second generation and only 10 % to the third. Additionally, as European society is aging, it is estimated that in 2030, intergenerational transfers of wealth in Europe will make around 3 trillion euros and as statistics indicate, a big part of this money can be lost.

In the case of Lithuania, it is more difficult to predict potential losses as there are no official statistics regarding business transfer/succession and family businesses. However, if we take that 38 % of private enterprises in Lithuania are family businesses and only a third of them will survive business succession, in the long run ~22,000 enterprises are in danger to disappear. In addition, according to calculations made in 2007, family businesses created about 15 % of all business added value in the country, and family businesses that represent 92.3 % of SMEs created 63.1 % of all added value in this category.

Business structure in Lithuania by the number of employees

Size of enterprise	Number of enterprises	% of all enterprises
0 – 9	72 980	82.8
10 – 19	7 682	8.7
20 – 49	4 729	5.4
50 – 249	2 327	2.6
250 and more	381	0.4
Total	88 099	100
SMEs	87 718	99.6
Family business	**~33 500**	**~38**

In addition, the importance of business transfer/succession can be seen in the perspective of social responsibility. Long-term planning is a very important element, which characterize

[18] OECD

family businesses. Company's long-term value means more to family business leaders than short-term financial returns. This prioritization is reflected in their day-to-day decisions, including among first-generation business leaders. Rather than placing their sole focus on new endeavors that could build the business in the short term, even these younger family businesses tend to make decisions that focus on increasing long-term value. Values often go deeper than simply benefiting the family. Many of today's most successful family-owned businesses are extending the power of their values to benefiting others – the community in which they operate, as well as the projects and philanthropies that fit their personal mission.

Family businesses are more concerned about corporate social responsibility (CSR), compared to nonfamily firms. While family firms are no more likely to engage in positive social initiatives than are traditional firms, they do avoid actions that would cause them to be labelled as socially irresponsible and hence avoid negative publicity that would undermine their reputations.

According to several authors, family enterprises tend to adopt more proactive environmental strategies than non-family ones. The main reasons are because family enterprises want to avoid the risk of being considered irresponsible by citizens. Therefore, family enterprises are in favor of protecting the environment due to their social and corporate responsibility.

Family business social responsibility can be also seen in regards to the local economies, rural areas, and employment. There is often a shortage of work and training positions in these places, as larger corporations tend to create jobs in the major urban areas and their surroundings. Traditional family businesses on the other hand usually remain loyal to their home location and stay there even if they grow rapidly. Because of it, these businesses are job creators in their local communities, and in this way, they are very important to sustain the viability of the place where they are located. In addition, it is important to highlight that family enterprises retain their employees longer than non-family enterprises, even in times of crisis. It is so because of the good working environment and the culture of commitment common in these companies, since they are more concerned about their staff, invest in their training and in this way, they retain their skills too.

Poor implementation of the business transfer process also can harm future business prospects, by unsettling business partners, customers, and suppliers. For instance, pending transfer planning may induce customers to refrain from business deals, due to uncertainty over the firm capacity to guarantee supply in the long-term. Also, financial institutions may be more cautious about the people who failed to sustain their business.

Failed business transfer can have a negative impact on the individual entrepreneur and his/her family members or their relationship, for example through the forfeiture of family assets or some kind of disagreements. This can lead not only to the problems related to material challenges, but also to the psychological and social problems.

Last but not least, a successful business transfer could also spur innovation in these companies. First, business transfer to the professional manager from the company, whether it would be kinship or not, can bring innovation mindset, as professional managers with adequate knowledge and experience are generally able to provide new ideas and creative visions to help a business grow and thrive. Age also could be a very important factor. Upcoming new generations have some important traits which are very important for the development of innovation. Young people tend to be more collaborative and less protective when it comes to new ideas. They usually are more creative and strive to learn and do things in new ways, while on the other hand, older generations tend to be more reserved and cautious, they try to rely on traditional means to do things. Young people are also more ready for the upcoming technological changes and in general, are more technologically literate. These people are more pro-innovative and after the succession, there is a big possibility they will try to implement some of the new digital technologies when it is possible. Also, innovation can come in different forms. As there are various types of innovations, new generations can push the introduction of new products or services; new methods of marketing; they are also more socially responsible and may push social or environmental innovations. These are very important to the growth of the company as we now live in the age of rapid technological change with cutting-edge innovations.

Successful business transfer of economically sound family business is crucial to retain employment, ensure continuity in production processes and business relations, and preserve the value of tangible and intangible assets. Business transfer can provide an opportunity to rethink the strategic vision and business model of the enterprise, and to introduce innovations and new management practices.

4. Status of business succession/transfer in Lithuania

Lithuania as other countries in Central and Eastern Europe have not yet developed a business succession/transfer environment mainly due to historical reasons. Similar to other Central and Eastern European countries, private enterprises started to establish in the 90s and the first generation of business leaders are becoming older and gradually withdraws. As a result of it, the topic of business succession is becoming increasingly important, however, it is still far from being a priority.

There are some statistics about family business readiness to transfer a business, however, no absolute conclusions should be drawn from that. A survey of 20 family business was performed in 2009. Results of it indicate that 90% of family business owners are confident that their business will be continued and managed by family members. However, only 20% of respondents are planning business transfers and preparing their successor for family business management. Meanwhile, 76% do not plan or devote time to business continuity planning.[19] The disproportion between assumptions and actual actions notifies about the imperfect environment for business transfer in the country.

Only 1 of 10 business owners has fully started the succession planning process – he/she thinks about the transfer of business management to a successor, the preparation of successor, the transfer of business ownership, the legal structure that would ensure a sustainable transfer of the business to several generations of successor. Meanwhile, only 3 out of 10 entrepreneurs have started thinking about succession planning, but have not taken it structurally and have taken only a few steps.

Common reasons for not being ready for succession are lack of time, deliberate procrastination, and the complexity of the topic. For best results, all immediate family members should be involved, which can also bring to the surface certain old family disagreements.

[19] Baškytė

4.1. What are the main obstacles related to business succession/transfer?

It is important to note that the following identified problems related to business transfer/succession are largely based on a common experience from other European countries. As it was mentioned previously, there is a lack of analysis and statistical data regarding family businesses and transfer/succession of business in Lithuania. As a result, some of the issues mentioned below are more important in the Lithuanian context than others. Also, one of the main challenges in analyzing business succession is the complexity of the topic. Business succession encompasses top-level management, legal and financial considerations, social/psychological factors, leadership development, and exit strategies. In addition to that, entrepreneurs usually have no personal experiences in business succession as it is a "once in a lifetime" experience.

4.1.1. Preparation for business succession

Considerable evidence exists to substantiate the belief that the presence of conscious organizational planning and preparation for succession is among the most important factors in ensuring effective executive succession. Many businesses fail in the transfer phase not because they are not viable, but because the transfer has not been sufficiently prepared. Experience of various EU countries indicates that business succession planning is not fully exploited and business owners-managers are reluctant to prepare this plan. There are four main types of problems delaying this process.

Psychology and emotions. Many owner-managers, who have created and built up their own businesses over a number of years, are very reluctant to let go and to prepare the transfer of their business. The transfer of know-how and skills takes place very late, if at all. There are many invisible, "soft" or emotional problems that play a major role in successions, especially where family enterprises are concerned: owner-manager being too busy running and controlling the enterprise, owner-managers fears of losing a central role in the family, owner-managers different excuses which are more or less connected to feelings of rivalry and jealousy toward potential successors, and owner-manager very often associates retirement with his or her own mortality;

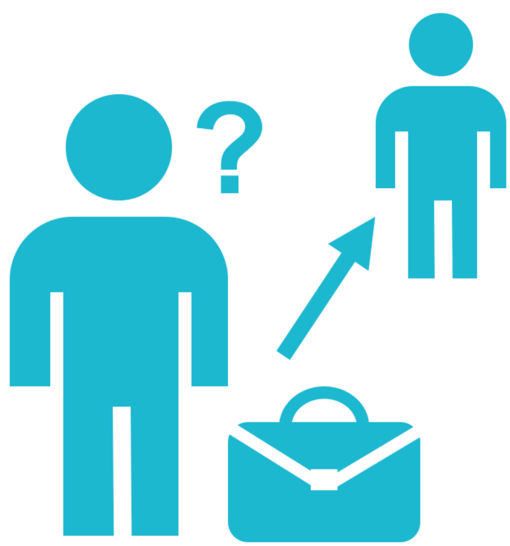
The complexity of the process. Business succession is a very long (from 5 to 10 years) and a complex process. Because this process mostly happens once in a lifetime, owners-managers have no or just a limited amount of experience and knowledge of how to handle this situation. In addition, owners-managers very often do not know who to contact for the help or where to find information.

Legislation. Business succession could also be a problematic process due to the national legislation, in particular company law, taxation, and administrative formalities. Examples of problems of this kind include high inheritance and gift taxes, business transfer taxation and paperwork related to third parties, or problems preventing the change of the legal form of a business when preparations are being made for transfers.

Transfer of knowledge. The fourth set of problems is based on understanding that entrepreneurship consists of many complex activities in which a lot of tacit knowledge is present that cannot be easily transferred from one generation to another. There are many deeply ingrained routines and experiential knowledge that makes the company successful and can be acquired only by learning by doing in which younger family members work together with elders adopting their experiential knowledge and skills. Family culture is an important constituent of tacit knowledge.[20]

4.1.2. Issues related to successor

A business successor is another important factor for successful business transfer. Challenges and problems involved in transfers or takeovers do not end with the formal business transfer, but also extend into the period after the transfer. Due to the political and historical situation in most European countries, many of today's company owners were born in the so-called baby boomer decades of the 1950s and 1960s. Nowadays they are or soon will be, in the retirement age. Based on this fact, Europe will have a huge demand for successors of family businesses within the next years. As the job of a company owner has become more demanding and challenging, it requires a variety of competencies



[20] Duh

and skills which are grown over the years and through practice. A smooth leadership transfer will never take place unless there is an interested and well-prepared successor. Developing individuals into effective successors depends on their education, attitude preparation, involvement in the family business, gaining work experience outside the family business, and other things. The family businesses have different approaches to the process of leadership transfer and to the preparation of business successors, depending on whether they focus on family values or on business interests. In cases where the family harmony is a priority, the transfer of leadership is based solely on the principle of seniority or family ties, not on the competences and achievements, whereas in case the interest of the business is raised as a priority, the company and its management have aspirations for recruiting the best candidates for the manager positions – no matter whether they are members of the family or not. Important criteria for choosing a successor are leadership qualities, the skills for making decisions in situations of uncertainty and insufficient information provision, assuming responsibility and calculating risk, making decisions under stress, the ability to set priorities, communication and negotiation skills, etc.

Overall, the importance of business successors is clear, however, some family businesses might find it difficult to find the right person, because of several reasons.

Lack of competences. Younger generations have a variety of skills and traits which are more common among them. They are more active regarding innovation, development of new products, search of new partners or markets, they know more foreign languages and have a modern understanding of how business should be run. However, they might lack a lot of practical knowledge, which can be acquired only through practice: how to manage risks; how to act in stressful, unforeseen circumstances; how to negotiate and communicate with partners or employees;

Successor doesn't want to take over the business. The creation of something new, instead of taking over is seen as a more attractive option. According to the survey in 2004, 53% of respondents would prefer to create their own company and only 29% said, that they would like to take over existing business.[21] We can make an assumption, that due to the spread of start-ups culture, especially among younger people, now this number could be even higher. Also, some of the family businesses might operate in the fields, which have low growth potential or are declining. With this in mind, young people might not want to risk and instead choose other spheres. Cultural aspects also can influence potential successors: certain types of businesses lose a positive image in society; some of them are established in smaller cities or towns which are declining;

[21] Europos Komisija, "Paprastesnė verslo perdavimo tvarka." 2013

Too many internal successors. It is slightly less common, but a problem nonetheless. Sometimes there can be more than one equally suitable potential successor. They can have a different set of competencies and personal features which makes decision even more difficult. The decision for the owner-manager can be very emotional, while on the other hand, there also can be some hostility between potential candidates understanding this situation. All in all, it makes succession difficult and in the long run it can negatively influence the business;

Disagreements between family members. There are multiple family members involved in the business and more than one believes they are a good candidate. Alternatively, other family (or non-family) members may not be aware of the succession plan or are not happy with the choice. This will create either a power struggle or a power vacuum, both detrimental to the business. In both cases, the smoother the transition, the less stress it puts on the company and its employees;

The decision to sell the business to a third party. The decision to sell the company to a third party can be considered a multidimensional. Family business experts are of the opinion that the main characteristic of family business differentiating them from the non-family business is that they are run and managed without the intention to sell it. Business transfer to the next generation of the family members is a priority, however, in some cases, there is no competent or appropriate person who could take it over. Even though family businesses have specific values related to family and continuity, dilemma between these two options can arise and it is very difficult for owner-manager to make a decision.[22]

4.1.3. Preparation of the firm to be transferred

Business succession is a process that involves not only business owner-manager, potential successor, but also the whole business structure (various level managers, non-managerial employees. These people will have a continued impact during the planning of succession after this plan will be prepared, implemented, and completed. The goals, expectations, and concerns of these groups should be considered especially if business continuation is important to the owner. Involvement in the process will help to maintain the relationships necessary to continue a successful business. Management succession will tend to be of greater concern to managers. However, any sincere ideas, concerns, and suggestions should not be ignored in the ownership succession process. Sometimes, management and ownership succession have to be worked out simultaneously. For example, when the next generation of the family is not fully prepared for the job and will need to be trained by top management,

[22] Duh

those managers will become even more important. At this time, it is important to keep them loyal to the company and encourage them to train the family successor. Besides the transfer of management, ownership transition is also an important element, however, it is usually a very unstable time. During this period, employees are tempted to join more stable companies. This is especially true if they do not have hopes that they will be rewarded for sticking with the company or if they know, that together with the new owner-manager, new changes to the business structure, values, or wages are incoming. If employees are involved in the processes of business succession as much as possible, the temptation to leave will be reduced and business structure most likely will be saved.[23]

In case the company has shareholders who are not family members, input, advice, and concerns of these people also need to be considered. In the time of business succession, it is especially important to ensure that these people are aware of how the changes may impact them.

Communication could be done in a variety of forms but should be approached carefully, as the possibility of shareholders disputes can become a serious problem. Stakeholders usually want to maximize the value of his/her stocks. However, they also should keep in mind that conflict of interests can build mistrust and spoil good succession planning. Competent legal counsel can help manage these communications and relationships. The issue of fiduciary responsibility is a serious one as the majority shareholder prepares to cash out. Of course, the main shareholders want to maximize the value of their stocks. However, the main shareholders should keep in mind that conflict of interest can build mistrust and spoil an otherwise collegial environment and a good succession plan. Family members, managers, and owners may have goals and concerns that conflict. The conflict can be more complex when these groups overlap. A family member who is also an employee and owner may struggle to sort out his or her own feelings and expectations. Open communication and a commitment to the process of planning is the key to maintain these relationships throughout the process. If all participants know the direction and timeline of the process, they can participate in what they perceive as a level playing field.[24]

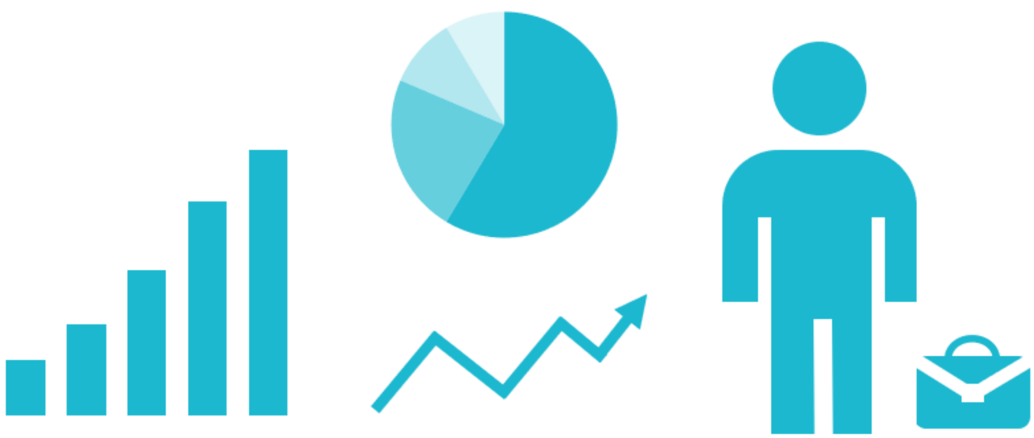
[23] Ibid
[24] Ibid

5. Data regarding family business and succession

Throughout the whole document, the major issue regarding the analysis of business transfer/succession is a lack of formal and highly reliable information. This problem is relevant not only in the context of Lithuania but also to a lesser degree in other EU countries as well.

The current situation in Lithuania can be explained by these factors:

- practically, there is almost no attention paid to family businesses in public, political discussions or media coverage;
- there is no legal definition or officially recognized form of a family enterprise;
- as a result of the above-stated issues and deficiency of public enlightenment on the topic, family businesses in the country often do not consider themselves to be family enterprises.



6. Priority actions and policy recommendations

Understanding the importance of family business and transfer/succession for the sustainability of economic growth, job preservation and innovation development, government should take actions to improve the conditions for business transfer. Potential actions should target five following topics.

Evidence based policy. Countries should monitor business transfer process across the country, sectors, firm typologies and entrepreneurs' characteristics; assess the main causes of transfer failures and main impediments; identify the levers for successful transmission in different contexts, including the growth performance of transferred firms and the impact on jobs, innovation.

Awareness raising. It is important to make the business owners aware of the problems rated to transfer/succession and thus encourage them to prepare for such an event at an early stage.

Increasing the potential number of transferees. The question is how to find and choose the right person who would be willing to take over the business, and who would have required set of skill and competences to run it. Because of that, it is important to introduce business transfer/succession to people, who could potentially overtake the ownership-management role.

Mentoring activities. It is important to enable entrepreneurs to prepare effectively for the transfer/succession by offering adequate mentoring activities. Potential successors should also be targeted in order to improve their entrepreneurship skills.

Financial incentives. Business transfer/succession could be facilitated by providing financial support for SMEs: financial measures, tax reliefs.

The following 9 policy recommendations are based on the insights on current family business and business transfer/succession situation in Lithuania and foreign good practices in order to achieve the potential of business retainment in the country.

6.1. Family business and succession as a policy priority

As it was mentioned earlier, family business and business transfer/succession in Lithuania is not fully understood. First, there is no public discourse about this topic and policy makers also tend to prioritize other policy areas. Also, there is a very limited amount of data and information regarding these themes and most conclusions are based on the international experience and experience of neighboring countries. Understanding the importance of business succession and impact it can have on the economy, government together with business associations, support agencies, experts and other relevant stakeholders should think how these topics could become more important and what actions should be done to improve the current situation.

"Family Entrepreneurship Working Group" – Finland

The Family Entrepreneurship Working Group (Perheyritys-työryhmä) was commissioned by the Ministry of Trade and Industry (currently: Ministry of Employment and of the Economy) on 11 November 2004 together with the Entrepreneurship Policy Programme. The project was completed and the final report was presented on 31 May 2005. The Working Group was designed to consist of experts in family business issues from different layers of the society: policy makers, academia, practitioners, family businesses and their representative organizations.

The Ministry of Trade and Industry in Finland initiated this measure as the number of transfers increased and related challenges have been identified. The objectives of the Working Group were as follows:

- to draft a proposal for a definition of family enterprise: what kind of a firm should be considered a family enterprise
- to investigate the number and size of family enterprises in Finland, to analyse their industrial structure and their significance for the Finnish economy and for regional development, as well as to evaluate the position of Finnish family enterprises in international comparisons
- came up with proposals on legislative amendments.

The working group proposed the following actions and measures:

- to offer adequate resources to Statistics Finland for developing statistics on family entrepreneurship and to enable monitoring of family firms;

- to develop the financial services of Finnvera Plc and Finnish Industry Investment to include services promoting family business transfers and growth;
- to abolish inheritance and gift taxes on company assets from all shareholders in unlisted family enterprises, and in listed firms from those shareholders who are owners meeting the definition of a majority (25 % of the votes) in family entrepreneurship;
- to reinforce the status of family entrepreneurship in education;
- to conduct a survey on the needs and resources for establishing a family entrepreneurship centre;
- to develop an extensive training programme on family business transfer;
- to introduce a service voucher or equivalent to evaluate and to activate family business transfers in firms and to enable firms to purchase consultation services;
- to continue to organise national family entrepreneurship events and to organize an international family enterprise conference in association with the EU.

6.2. Spread of physical or online information materials about business transfer/succession

Many failures could be avoided if the transfer was properly prepared and specifically consulted in advance. Governments can support or organize activities that would inform owners-managers about the importance of business succession. However, provided information must not only introduce users with business succession, but also intrigue and force them to ask further questions. One of the possibilities is to distribute various information materials/toolkits ether online or physically, which would provide entrepreneurs with information on the business transfer. This is highly important because business owners-managers do not fully understand the importance of business succession and its processes. Information should be accessible to the variety of businesses, no matter how old the owner-manager is, however, it would be useful to send it or pass it personally to an owner-manager who is approaching business succession (50+ years old). This could be done by a variety of organizations, including business support agencies or business associations.

The information provided may vary, but it should include all fundamental aspects related to business succession and feature national or regional context, culture, legal and tax systems:

- present what is the family business and what are the difficulties regarding business succession;

- present what is the business succession plan; why it is important; what problems can be solved using this instrument?
- how to emotionally prepare for this process;
- what are the best methods to prepare for the succession;
- how to deal with various actors involved in this process (family members, employees, stakeholders);
- which steps have to be taken for a business transfer;
- which requirements have to be fulfilled for a business transfer;
- legal and fiscal aspects of business transfer/succession;
- present good practices of successful business transfer;
- inform where to look for more help.

Awareness-raising initiative "Overdrachtspakket" ("Transfer package") in Netherlands

According to calculations in Netherlands, at least 10% of business closures were caused because of improper preparation of business transfer. In addition, population in Netherlands was aging rapidly and it also made this issue more important. As a result, in 2004, the Ministry of Economic Affairs in Netherlands presented the toolkit for business transfer, called "*Overdrachtspakket*" ("Transfer package"). Package was downloadable for free from the website of the Chamber of Commerce and it was free of charge. Transfer package was developed by the Ministry of Economic Affairs, MKB Netherlands (SME association), VNO-ENW (employer organization) and the Chamber of Commerce (public organization).

The transfer package was an information document that addressed questions like:

- *Which steps does one have to take for a business transfer?*
- *Which requirements have to be fulfilled for a business transfer?*
- *With which legal and fiscal aspects does one have to deal with then transferring a business?*
- *Which advisors can help?*

The information document also included some useful internet addresses. With reference to advisors for example, the information document provided a list of possible advisors and also pointed at other services of the Chamber of Commerce, i.e., consultations with a specialists. The package has been set up in such a way that it is supposed to be read it in approximately 10 minutes. However, an evaluation of the transfer package showed that the time that is spent to read the transfer package was usually more than 10 minutes. Only 28 % of the entrepreneurs read it in less than 10 minutes and about 52 % read it in 10 - 30 minutes.

The Chamber of Commerce also sent these packages to entrepreneurs of 55 years and older, if they requested for it. In this case the entrepreneurs had to pay a small fee to cover the administrative costs. Toolkit for the first time was introduced in 2004, however, in 2008 it was updated. Decision was made to send a letter by the Ministry of Economic Affairs to entrepreneurs of 55 years and older to ask their attention for timely family business transfer. In this letter they were informed about the information package. During various events, attention was also to given to this transfer package. For example, during the theme day "Family business" the secretary-general paid attention in her speech to the transfer package. At the theme day"Business Transfer", hard copy versions of the toolkit were available at the registration desk.

6.3. Transfer/succession scoreboard

Initiative of the successor scoreboard should be highly considered. This tool should serve as a first quick-scan to intrigue potential business transferors or successors and at the same, it should allow them to evaluate themselves how much are they prepared for this process. As in the case of information materials, the questionnaire should also force target groups to ask further questions. Because of it, it is important to offer contacts of specialized experts, suggest contacting them, provide information about existing programmes, seminars, workshops and so on.

Convenient use of the scoreboard should be a priority, therefore, the creation of a separate internet page or inclusion of the scoreboard into already existing business support webpage should be considered. Free of charge use also should be highly recommended. Because business succession involves a variety of stakeholders, scoreboard and questions should target these groups:

- the incumbent leader;
- the successor;
- other family members involved in the company;
- other employees or stakeholders.

Based on extensive researches, there are a lot of factors, determining the success of business transfer (from factors related to the incumbent leader to relations between family members, competences and future plans). For all these factors, extensive and detailed information should be presented with references to further readings and contacts of specialists.

Also, as it is a scoreboard, questioner related to these themes should also be prepared. Filling in the questionnaire should allow the entrepreneur (incumbent leader, potential successor or even shareholder) to know where the company and those involved in the succession stand. In an evaluation of the answers which should be automatically available after completion of the questionnaire, the respondent should get extensive and detailed information on those factors that pose potential problems with regard to succession as well as those factors that are currently already sufficiently dealt with.

"Succession scorecard" initiative in Belgium and Netherlands

The succession scoreboard was launched in 2007 in Belgium and in 2008 it was introduced in the Netherlands. It was a website internet tool made of three levels. First, the home page, with an overview of the ten success factors. Second, a first explanation of the various success factors and thirdly a self-test, which allows the respondent to check how he or she scores on the success factors. The self-test can be filled in by the incumbent leader, the (candidate) successor, the family shareholder or other stakeholders of the firm.

In order to better prepare for the succession, 10 factors influencing business succession were identified. Related to these factors, 50 questions were made and were accessible through the web. By answering the questions true or false, the respondents received an instant feedback. The feedback was not an exact grade, but instead the individual respondent received an overview of the ten success factors divided in positive or negative outcomes. In general, the more factors are present, the greater is the chance that the succession will be successfully completed. These were the 10 factors that influence business succession:

1. the incumbent leader finds a new role;
2. a competent and well-motivated successor becomes the new leader;
3. the relationship between the incumbent leader and the successor is good;
4. good relations exist within the family;
5. there is governance of the company and of the family;
6. the successor forms a team with non-family members;
7. all alternatives are thoroughly studied;
8. the family business is professionally run;
9. the succession leads to a proper arrangement of the ownership succession;
10. the succession is carefully planned.

6.4. Mentoring activities for current business leaders

Mentoring activities for the founders, owner-managers, directors of family businesses and their service providers, as well as advisors such as solicitors, bankers, accountants/tax and business consultants regarding business growth and development across generations, should also be considered. Mentoring activities should focus on different dynamics that affect family business growth and development. As a result, a variety of forms that enhance learning and allow networking could be used: seminars, lectures, study visits, workshops.

Using these methods, various case studies can be analysed, guest speakers representing family businesses, academics, experts on various topics can present their own experience and knowledge. Some themes, which could be discussed include:

- how to plan for growth: balancing family values and business goals;
- how to bridge conflicting governance schemes in the family business;
- how to craft a succession plan for family business continuity;
- how to finance family developments and business transitions.

Business transfer support activities of the Chamber of Craft and Small Business of Slovenia - Slovenia

Some observations of the Chamber of Craft and Small Business of Slovenia showed that in many cases family businesses express interest in training activities on business transfers only when they are confronted with serious problems. Therefore, the main motive as well as objective of the measure (training, information, advice, consulting) of the Chamber is to raise members' awareness about the issues of succession process and to make the transfer of the business as simple as possible and to enable enterprises to remain in the market after the change of generations in charge of the business. Training activities in the form of workshops and seminars were carried out at the regional chambers. The tasks of the regional chambers were to inform about and to invite their members to the seminars and workshops and to organise the implementation of training activities.

Since the process of a business transfer is a complex one and connected with different problems (emotional, psychological, fiscal, legal etc.) it is important that family businesses receive advisory as well as training support on how to prepare the business transfer. Seminars and workshops were organised as one-day events in duration of three to four hours. The training was provided by the employees of the Chamber, especially by the experts of the Chamber's Advisory centre. The number of participants per seminar/workshop was not limited. Participants who are members of the Chamber usually do not had to pay for these seminars/workshops since they are covered with the membership fee; only in some cases a small additional payment was required. Participants who were not members of the Chamber had to pay for workshops/seminars.

The objective of the training and advisory services provided was to raise members' awareness of the process and problems of business transfers with a special focus on fiscal and legal regulations and to provide knowledge on how to solve succession problems. Knowledge and practical advices provided help family businesses to successfully transfer a business to the next generation and provide a basis for the existence and growth in the future. Topics of training activities were fiscal and legal regulations of business transfers; other topics such as management or family business relationships during the transfer were not covered. Training activities as well as advisory services are offered to all members since a special definition which differentiates family businesses among members does not exist.

6.5. Mentoring activities for the future business leaders

As there is a big issue related to successor competences, apart from other groups, it is important to mentor these people. Programmes should help to better understand the environment and "logic" of the family business and provide tools for efficient ownership of the family business and for overcoming barriers related to working in a family firm.

Mentoring activities might include these areas:

- business strategy;
- marketing and commerce;
- accounting;
- fiscal and legal aspects;
- management of human resources;
- technical know-how;
- business financing;
- logistics;
- ICT;
- innovation.

Mentoring can be organized by providing lectures or seminars of experts from various fields, doing group or case assignments, visiting different family businesses. In addition, it is also important to ensure peer learning, exchange of experiences and networking among the participants.

Ownership and working in the board - a training programme for the successors by The Finnish Family Firms Association – Finland

“Ownership and working in the board – a training programme for the successors” (“Omistajuus ja hallitustyöskentely – valmennusohjelma jatkajille”) includes four one-day training sessions in Finland and one four-day training session organised in Barcelona, Spain, at the end of the programme. The programme has been initiated and implemented by the Finnish Family Firms Association (Perheyritysten liitto ry.). The training programme was organised between 2007 and 2008 for the successors in Finnish family firms.

The goal was to help the successors better understand the environment for family firms, the family firm “logic”, and to give them tools for an efficient ownership of family businesses and for overcoming barriers related to working in a family firm. The training included expert lectures, group and case assignments, and also visits to different family firms. The international module organised in Spain enabled the participants to exchange experiences with some Spanish family firms and their successors.

The success factors of the programme were the actual, real-life cases, the family firm owners who discussed openly about their ownership issues among other topics. In addition, peer learning, exchange of experiences and networking among the participants were essential success factors. As such, the basic knowledge on family business issues among the successors in the programme is usually rather high. Thus, the challenges of the programme were linked to identifying enough knowledgeable and skilful experts that would be able to perform in an inspiring manner and for example engage the active team discussions and group work.

The experts were identified and selected by the programme manager through their networks. In total there were 5 session:

- the challenges of owning a family firm;
- board governance in a family firm;
- the role of the FFFA in promoting the interests of family firms;

- presentation and communication skills;
- family and Family Business (Barcelona).

The visit to Barcelona was taken to explore the (potential) cultural differences: is it different to run a family business in Finland compared to a Mediterranean country. The training included expert lectures, group and case work and also visits to some family firms. The international module organised in Spain enabled the participants to exchange experiences with the successors of Spanish family firms. In addition, the participants joined for mutual dinners, and hence, they were able to reflect on their learning, exchange experiences and develop more intensive networks among themselves.

6.6. Financing of preparation for business succession

Financial support is especially important for small companies. Medium-sized companies usually have a bigger pool of managers and employees who are aware of business law, taxes, they have better access to various support services, financially they are more stable. On the other side, small companies usually lack human capital and finances, thus they probably have less technical knowledge that could be used.

Because of it, some of them may found the preparation of a succession plan too expensive and resource-intensive, when there are more important activities in a business development chain, which have to be prioritized. In order to help these small businesses, financial support also should be considered. For example, businesses that would like to prepare a business succession plan could take advantage of available support. Eligible costs covered by initiative could include a number of consultancy/advising activities:

- preparation and evaluation of the succession planning documents;
- legal support;
- support regarding taxes;
- employment and education of relatives taking over the ownership-management;
- process for determining successors.

In order to use financial support, some criteria should be laid down related to these aspects:

- it should be SME – preferably small companies;
- it should be a family business – as there are a variety of definitions, principles of family business provided by EU should be chosen.

Public aids for Elaborating Family Protocols in Family Businesses – Valencia/Spain

Public Aids for Elaborating Family Protocols in Family Businesses were initiated and implemented by the Regional Government of the Valencia, specifically the Department of Economy and Employment of the Regional Government of Valencia. The funding was conceded only to businesses settled in this region. This public aid was based on a regional endowment; the source of funding was the Regional Government of the Valencia, so there was no contribution from European funds.

Eligibility criteria were these:

- enterprise has to be a SME (according to the EU definition);
- family business (family businesses are regarded as those enterprises where a physical person has at least 50 % of the society's capital and is involved in its management or, finally, family groups with a participation of at least 20 % of the society's capital where one member of the family group is involved in the management of the company).

Specifically, the eligible costs covered by this initiative included consultancy/advising activities in a number of fields, such as diagnosis of the situation and company mission, organisation of the executive board, process for determining heirs, economic regime regarding sharing out dividends, financial policies, employment and education of relatives and evaluation and control of family protocols. With regard to consultants and advisors, the initiative establishes that the professional assessing group must be composed at least by a graduate in law, a graduate in economics and a graduate in psychology, that is, the three of them must be present.

In 2006, the Regional Government offered EUR 300,000. Later on, for the 2007 financial year, EUR 400,000 were allocated, constituting an increase of 33 %. Despite this higher figure, only EUR 154,000 of the initially established amount were finally distributed among the beneficiaries of the year 2007.

6.7. Ensuring appropriate financing conditions

According to the European Commission, in general, the companies transferred are larger than the newly established companies. Therefore, taking over an existing business requires more capital than setting up a new one. A business transfer often requires more financial resources than a start-up, as it must not only be paid for tangible and financial assets but also take into account relationships with customers, suppliers, trade reputation, probability of future revenue, etc. Provided loans, guarantees and forms of equity of limited duration would facilitate the takeover process as financial instruments dedicated to supporting the establishment of new business are not always sufficient to facilitate the business transfer. This type of financial support could also be linked to an examination of the company's eligibility for transfer. It would be an additional safeguard not only for the donor but also for the transferor.

OECD (2017), Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard

In some countries, development banks or public financial institutions provide a range of mezzanine or subordinated loans to enterprises that change ownership. Specific loan programmes, including micro-credits for young, first time entrepreneurs taking over a business are also used to ease the financial burden associated with a business transfer.

For instance, “take off loans” to young entrepreneurs are offered by Finland’s public development institution, Finnvera, and by the French Réseau Entreprendre, a private association running a regional network with the participation of public partners. Although it currently accounts only for a limited number of operations by SMEs, venture capital can also serve transfer purposes and, in Denmark, a dedicated matching online site supports buyers that seek additional equity from venture capital firms.

6.8. Transparent marketplaces for the transfer of business

In addition to raising awareness, consultations or mentoring, marketplaces that provide a platform for bringing together potential buyers and sellers are an important tool for fostering successful business transfers. Marketplaces are increasingly important since the number of transfers to third parties is increasing. It is, therefore, becoming more important to facilitate the matching of potential buyers and sellers of businesses, thereby contributing to successful transfers. According to findings from various researches, transfers to third parties are characterized by specific factors: matching the preferences of buyers and sellers, building trust (information asymmetries), and addressing emotional, psychological, and technical issues. Buyers and sellers have different preferences regarding the business; therefore, it might be complicated to match a potential buyer and potential seller in the same area and at the same time.

Strong information asymmetries usually exist between buyers and sellers of businesses, especially smaller ones. The owner-seller might exaggerate the strong aspects and downplay the problems. Knowing this, the transferee-buyer might distrust the information provided by the owner. The building of trust will also be made difficult because potential sellers usually do not want to have it widely known that their business is for sale. Therefore, advertisements in databases will be quite general and vague. The issue of trust also applies to intermediary institutions. Potential advisers in a web-based marketplace sometimes do not trust the institutions involved in running the database. For the incumbent owner (transferor seller), the business to be transferred also has emotional value, which the buyer will not be willing to pay for. Only if the incumbent owner-seller has some emotional bond with the potential successor-buyer can the loss of the emotional value be diminished. Therefore, the seller and buyer have to get along on an emotional and psychological level, not just on a business level. In order to build trust between the buyer and the seller, longer tutoring periods during which the incumbent owner gradually retires from the business can be helpful. In addition, technical issues are linked to business transfers. The transfer of business is complex as it involves the transfer of several types of assets, which might be governed by special rules and different tax provisions. Moreover, more than two parties are often concerned, including not only the owner-seller and the buyer, but also other family members, employees, stakeholders.

The fragmentation of databases should be avoided by establishing a comprehensive national database. If that is not possible, then a national portal for such databases should be considered. The database should be run and managed by a neutral and trustworthy host organization, for example, business support agencies or business associations, since trust is a key factor for the databases' success. In order to balance information asymmetries between buyers and sellers as well as attract more potential users of databases, a minimum standard is required with respect to the degree of detail of the information presented. Anonymity is of central importance for most potential sellers. The database host organization should be responsible for the quality of advertisements and for regular checking of their validity as well as for offering additional services (e.g., information about business transfers issues, mediation services during the negotiations, and tutoring). With such an offer of services, marketplaces would be more successful. In order to adjust and improve marketplaces, a systematic follow-up of the success of transfers would be also useful.

Matching and assistance systems for potential transferor and successor – Belgium

The transfer of businesses was a real challenge for the Walloon economy in Belgium. In this context, the Walloon Government has included an action "Strengthening awareness-raising actions on the transfer of businesses". New policy measure was introduced and implemented by the organization of SOWACCESS. Two main policy goals were set:

- raise the awareness of entrepreneurs, inform them about the most important aspects of the transfer and / or takeover and the importance of preparation, and provide professional support to the seller and the buyer during the transfer to ensure the continuity and development of the local economic sector;
- establish contacts between potential buyers who have gone through pre-selection (based on their skills, experience and available assets) and sellers, assisted by professional consultants to help ensure greater transparency in the market.

The measure has succeeded in creating a network of business succession professionals that supports the SOWACCESS platform. Over four years, the networking platform has helped to establish 1,005 contacts between buyers and sellers, conclude 28 contracts, submit 102 partner offers, and meet the needs of 880 buyers. Regarding the services SOWACCESS was providing, there were two types of support activities:

- how to sell business (business transfer tests; assistance on various technical aspects such as finance, taxes, laws; finding a potential buyer)
- take-over of business (take-over tests; training to prepare for taking over a company; assistance on various technical aspects such as finance, taxes, laws; information about funding).

Further information: *www.sowaccess.be/fr*

6.9. Tax preferences

Some OECD countries have introduced preferences targeted at SMEs under gift and inheritance taxes, with the aim to address adverse tax consequences, including on retirements savings or intergenerational transfer of assets, and ease business transfer. At the same time, the introduction of preferences on the disposal of SME assets should be considered against the revenue and efficiency costs of doing so, including the risk of creating further distortions, such as discrimination against transfers of private wealth relative to transition of business ownership.

Gift and inheritance tax preferences in selected OECD countries

Germany provides an exemption from gift and inheritance taxes if the successor continues to hold the business and keeps the wage bill steady. This requirement is relaxed for SMEs so that they only need to continue to hold the business.

Hungary exempts the inheritor or gift receiver of the SME's assets from stamp duties or gift taxes, depending on the number of employees and net sales revenue.

Italy allows transfers of firms or shares to the spouse or descendant to be exempt for inheritance tax if the activity is carried on (or for shares, if control is retained) for five years.

The Netherlands provides a provisional exemption for inheritance taxes of businesses that are continued for at least five years. This exemption applies at 100% up to a going concern value of EUR 1 045 611 (in 2014) and at 83% for values above this amount.

Belgium also provides preferences under gift taxes, although these are levied at the regional level.