

D.T2.5.2 REPORT ON THE MEETINGS WITH STAKEHOLDERS

D.T2.5.3 THE TESTING OF MEASURES TOWARDS EFFECTIVE
KNOWLEDGE AND POWER TRANSFER

Version 2
04 2019





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1. Objectives

The objective of this report is to present and summarize the results of our pilot actions. These two pilot actions were comprised into one workshop, which was held on December 5th, 2018. The pilot action was organised in one meeting which was split in two parts. These two parts consisted of two different activities. The first part was a stakeholder meeting with presentations and a discussion group to test effective measurements towards effective knowledge and power transfer. The second part was a workshop where the ENTER-transfer model was presented and feedback was collected and the actual “wishful-thinking” workshop was held.

This report is a combination of the deliverables D.T2.5.2. and D.T2.5.3, because the stakeholders (representatives of family business owners and young entrepreneurs) are also involved in the measures towards effective knowledge and power transfer. Therefore, the stakeholder meeting and the testing of measures was combined into one workshop.



2. D.T.2.5.2 Pilot Action / Stakeholder Meeting Austria

2.1. Introduction

The goal of the workshop was to measure the effective power and knowledge transfer during a workshop and therefore enhance the impact of the pilot action. Further, the promotion of the workshop allowed an increase of the awareness of business succession as a positive side product.

A special focus of the pilot action was the measurement of knowledge and power transfer during business succession. To achieve that we invited a company, which already gained a fair share of experiences with business transfers and represents a perfect case study for a successful power transfer. Haidlmair GmbH, a well-established company in the Upper Austrian region is a true family business and already owned by the sixth generation. Both, father and son, talked about their personal story and how they achieved an effective power and knowledge transfer. The case study was done from the perspective of the son and the perspective of the father. Participants of the workshop, who were both successors and transferors, especially valued to hear the story of a business and power transfer from “the other perspective”. Haidlmairs’ story was discussed intensely with all participating stakeholders.

As public authorities play an important part in the successful transfer of knowledge and power, presentations from their consultancy experience and scientifically researched facts were given.

Based on the discussion and the presented hard facts, participants joined a so called “wishful thinking” part in which they were asked to think about their ideal business succession.

The overall objective of the pilot actions was to test the preliminary model, because of that a special focus was on the ENTER transfer model. The model was presented to the stakeholders and their feedback collected.

2.2. Program

15:30 - 16:00	Registration
16:00 - 16:10	Welcome Greetings FH OÖ and Biz-Up
16:10 - 16:50	Keynote and Discussion about power transfer
16:50 - 17:10	Financial Aspects and Business Succession Stories
17:10 - 17:30	WKO: Business Transfer Support in Upper Austria
17:30 - 18:30	Workshop, Presentation and Questionnaire on ENTER-transfer Model
	<i>17:30- 17:50 Wishful thinking</i>
	<i>17:50- 18:00 Questionnaire (Design for wiser action)</i>
	<i>18:00- 18:15 Model presentation</i>
	<i>18:15- 18:30 Feedback to Model & conclusion on power transfer actions</i>
18:30	Networking buffet



2.3. Workshop Promotion

The workshop was promoted at several events, in Email newsletters and on social media. Therefore, different formats of the invitations were created (see below). The chance for a wide promotion like this was one of the reasons why we decided to perform such a workshop instead of a common stakeholder meeting. This way we could reach a bigger audience and raise awareness for business succession.





EINLADUNG

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Erfolgreich Unternehmensübergaben gestalten

Mittwoch, 05.12.2008, 15:30-18:30 Uhr

TECHCENTER
Hafenstraße 47-51, 4020 Linz
Medienraum, B, 5. Stock

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15:30 Uhr	Registrierung
16:00 Uhr	Begrüßung durch FH OÖ und Business Upper Austria
16:15 Uhr	Best Practice: Firmenübergabe bei der Haidlmair GmbH Mario und Josef Haidlmair, Haidlmair GmbH
16:45 Uhr	Finanzielle Aspekte während der Unternehmensübergabe Robert Schernhuber, Prokurist Sparkasse Oberösterreich
17:00 Uhr	WKO Unterstützungsmechanismen in OÖ Sarah Radinger, Bezirksstellenleiterin WKO Steyr
17:20 Uhr	Workshop und „ENTER-transfer-Modell“-Vorstellung
18:30 Uhr	Get together

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Foto: Justin Luebke on Unsplash

EINLADUNG, 05. Dezember 2018, 15:30 Uhr

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ANMELDUNG

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05. Dezember 2018, 15:30 - 18:30 Uhr

Veranstaltungsort
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Medienraum | Bauteil B | Stiege 2 | 5. Stock

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Anmeldung
Anmeldung unter www.m-h-c.at/veranstaltungen/ (freier Eintritt)

Ein Projekt unter Beteiligung von


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2.4. Participants

Overall, there were 28 participants taking part in the workshop.

Sector / Company	Number of participants
Biz-Up	3
FH Steyr	3
Public authority	1
Bank	2
Companies	19
Total	<u>28 Participants</u>



3. Case Study: Successful power and knowledge transfer

3.1. Haidlmair - Family business in 6th generation

Haidlmair GmbH is a manufacturer of injection moulds based in central Upper Austria. This region has a long tradition in metalworking and originally Haidlmair GmbH was established as a metalworking company in 1850. As a true family business, the company is now owned by the sixth generation but didn't stand still but rather underwent many successful changes during this time. In 1979 the company switched from metalworking to producing injection moulds, which is their core business competence today. Since 1992, the headquarter is located in Nussbach, with 10,000 m² of production area, 50 CNC machine centres and approximately 250 employees. In Nussbach they also coordinate they (international) subsidiaries: 7 plants with almost 500 employees.

The core business is the production of injection moulds with a focus on rectangular containers of any kind - from a bottle crate to a pallet-box. Additionally, they manufacture technical and automotive parts, recycling containers, infiltration ditches and injection moulds for thin wall applications as well as mould bases and components.

In 2006 the Aachener "laboratory for machine tools" and the Fraunhofer-Institute for production technology ranked Haidlmair Group in the top 10 of 321 mould manufacturers and also awarded them with "Mould-maker of the year 2006" in the category of "External mould-maker with more than 100 employees". And in 2017 they were awarded another time in the category „External mould-maker with more than 50 employees”.

These and further information can be found at <http://www.haidlmair.at/en/Download>.



Figure 1: First generation of Haidlmair GmbH (© Haidlmair GmbH)



Figure 2: Two generations: brothers Rene (left) and Mario (right) and their father Josef Haidlmair (in the back) (http://www.haidlmair.at/en/Download_Haidlmaier_Brochure, Retrieved on 12.12.2018)

3.2. Power Transfer: Measurement of power and knowledge transfer

At the beginning of the case study Mario Haidlmair talked about his background and education, before he took over the business in 2012. He went to a technical school and studied Global Sales and Marketing at the FH Upper Austria. He always tried to put a lot of focus on internationalization and went abroad during his studies. After he finished the University in 2009, he went to Hungary, right at the peak of the economic crisis. The company struggled a lot during the crisis and Mario Haidlmair learned many useful lessons on how to run a company during that time.

His brother, Rene Haidlmair, is a very communicative person, who loves to network. However, contrary to his brother, Rene Haidlmair never showed much interest to lead the company. For several years he worked in another company in Upper Austria to gain experience outside the family company.

When the first discussions started on business succession, the father, Josef Haidlmair, gave both sons the chance to choose, if they would like to take over the company. It was soon obvious and clear that Mario Haidlmair would be the successor. The company shares would be split between the brothers but it was clear to everyone, that there should always be one person who holds more shares than any other person. Everybody in the family agreed that this is necessary in order to avoid conflicts. Currently, the father Josef Haidlmair and the brothers Mario and Rene Haidlmair hold shares of the company. In the near future Mario Haidlmair will hold 60% and his brother Rene Haidlmair 40%. However, Mario Haidlmair considers to buy more shares from his brother.



Both, son and father would change nothing about the succession process. They know that a successful transfer of a company is rare and believe that their transfer of power and knowledge was highly successful and no big mistakes were made.

The father, Josef Haidlmair, mentioned that in his opinion the best and most important decision he ever made was to give his sons the opportunity to choose their education. In this context, he quotes from a famous interview with financial expert André Kostolany:

Question: What do you think is the best investment?

Kostolany: Invest in the education of your children!

Besides offering your children the chance of education, it's also of high importance to be a good role model to your children. Josef Haidlmair elaborates that a successful power transfer can only be possible if the company owner shows his children that he loves what he is doing. It's very important to talk positively about the company and to be a good example as a company leader.

This is also in accordance with a previous stakeholder meeting (D.T.1.2.8) where public authorities mentioned, that a reason for an unsuccessful power transfer is the negative connotation of the company which is perceived through a negative attitude towards it.

Mario Haidlmair mentioned that for him the successful power transfer was only possible because he knew he'd be the only person leading the company. This factor is very important to him because there's only one person responsible for decision-making. He concluded, only if the person holding the most shares is also the person responsible for the decisions, a power transfer can be successful. If there are two children and both get 50% of the company, a successful power transfer is unlikely, because it would just create conflict.

After the succession his father, Josef Haidlmair, stayed in the company. However, he made clear to the employees, customers and business partners that he is not responsible for the decisions anymore and only acts as advisor.

3.3. Discussion

While all stakeholders agreed that it is important that only one person should be responsible for all decisions made, there was also a vivid discussion on the distribution of company shares in the course of the business transfer.

The biggest concern of most Austrian stakeholders is the uncertainty of the next generation. It might still be clear who the successor should be with their children, but they worry about upsetting future generations, especially their grandchildren. However, some stakeholders mentioned cases where big companies from the region gave away equal numbers of shares to the family members. Eventually too many people held shares and the only solution to the dilemma was to sell the company. Ultimately the family would "lose" the company after all.

The discussion was concluded with the following statements: A company owner should start thinking about business succession early on. If the owner wants to transfer the business within the family it should always be in the back of his or her mind and additionally, sometimes it is important to consider and not forget grandchildren that aren't even born yet.



4. Public Authority consultancy

Many interesting facts were presented during the presentation of the public authorities. Some of the most important facts are listed below.

A representative of the Austrian Chamber of Commerce gave useful basic information about their support mechanisms. In Upper Austria, 623 business were transferred in 2017 (See Figure).

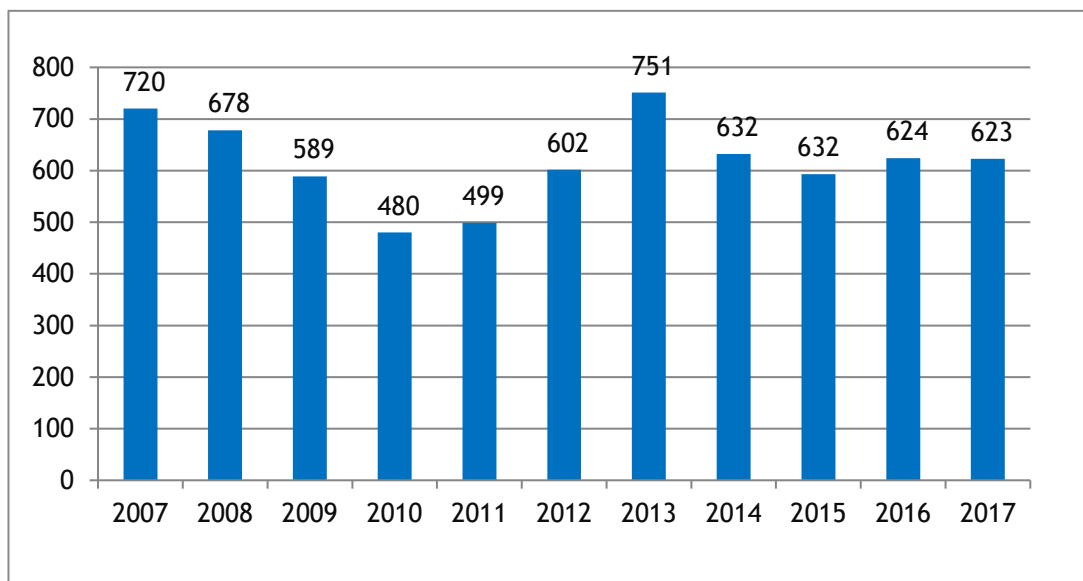


Figure 3: Number of business transfers in Upper Austria (WKO, 2018)

According to the Chamber of Commerce, the most common reasons for these transfers were:

- 66% Age-related
- 11% Health aspects
- 7% Other employee activity
- 6% Other self-employed activities
- 10% other reasons

An interesting fact of business succession in Upper Austria is that the transfer of businesses to family external people strongly increased from 25% to 50% in 1996 to 2006. In the last years, this number stayed rather constant and no more significant increase can be detected.

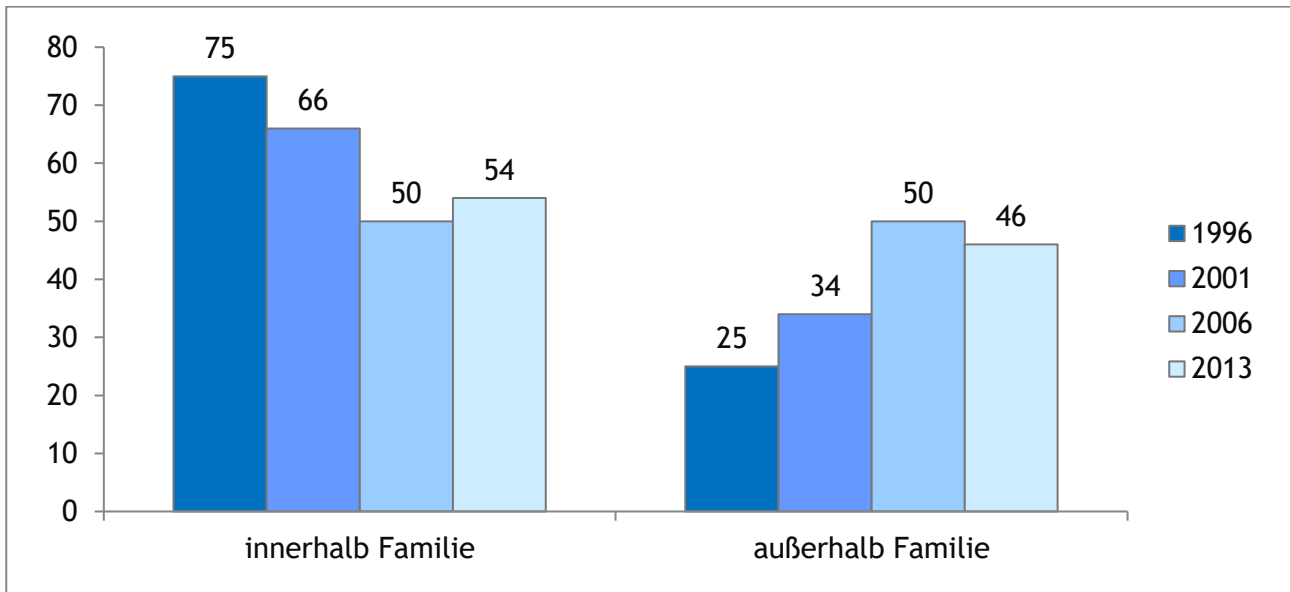


Figure 4: Business successions within the family (%) and to external persons (%) in Austria (KMU Forschung Austria, 2014)

The Chamber of Commerce is offering much support to businesses dealing with succession, which is well accepted by business owners and successors:

- information
- succession exchange platform
- matchmaking platform
- deliberations
- consultation (coaching)
- events

At the workshop a bank representative warned the participants about financial problems which can occur during business succession. Avoiding these problems is especially important when looking at the following numbers: By 2023 45,700 company transfers are pending, that concerns 451,000 jobs or rather 30 % of the all Austrian employees, which corresponds to a sales volume of EUR 580 billion (KMU Forschung Austria, 2014).

He continued to explain that most of the transfers are concluded as share deals. This was followed with a discussion about the difference of an asset deal and share deal:


- **Asset deal:** This is analogous to the investment financing of existing companies and is based on an assessment of the entrepreneurial capabilities of the new owner
- **Share deal:** Here the purchase price is usually higher than the net asset value of the company and the company must earn the purchase price itself - in addition to the existing obligations. Furthermore, there is usually no collateral for the purchase price credit.

The representative of the bank gave the workshop participants information about financing both deals. The financing support varies greatly though.



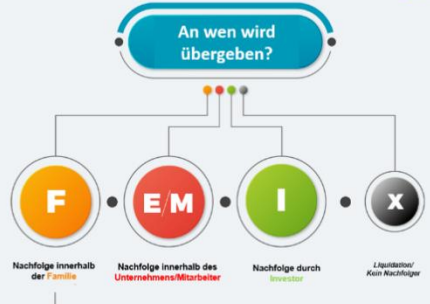
5. Model presentation and discussion

In a Power Point presentation, the preliminary ENTER-transfer model was presented.



ENTER- transfer Modell

- Das Modell ist (momentan) für Übergeber ausgerichtet und kann bereits ab einer sehr frühen Phase im Übergabeprozess unterstützen.
- Der Übergeber beantwortet spezifische Fragen in verschiedenen Phasen des Übergabeprozesses.
- Dadurch wird dem Übergeber eine strukturierte (Skala von 0-100% der erfüllten Kriterien einer Übergabe) und erklärende (Kommentare und Hinweise welche wichtig sind zu beachten) Selbstevaluation gegeben.



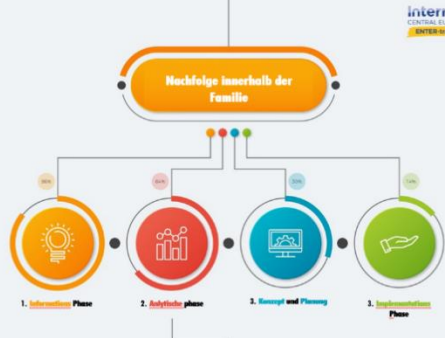
An wen wird übergeben?

- F**: Nachfolge innerhalb der Familie
- EM**: Nachfolge innerhalb des Unternehmens/Mitarbeiter
- I**: Nachfolge durch Investor
- X**: Liquidation/ Kein Nachfolger

ANALYTISCHE PHASE

The analytical phase is completed by 44%.

Familien-angelegenheiten	Übergabe-prozess	Finanzielle Angelegenheiten
<ul style="list-style-type: none"> • Gibt es ein Familienmitglied welches das Unternehmen übernehmen möchte? • Will das Familienmitglied, dass er als Nachfolger in Frage kommt? • Gibt es innerhalb der Familie Konflikte? 	<ul style="list-style-type: none"> • Ist der größte Anteilnahme zur Übergabe bereit? • Ist es möglich, das Übergabepaket zusammen mit dem Nachfolger zu verhandeln? • Ist der Nachfolgekandidat alt genug um für die Zukunft des Unternehmens verantwortlich zu werden? 	<ul style="list-style-type: none"> • Bist du finanziell schon für finanziell bereit in the long run? • Wurden Mechanismen eingeführt um das Persönliche/ Familienvermögen zu schützen? • Hat der Übergeber eine ausreichende Pension?



Nachfolge innerhalb der Familie

1. Informations Phase
2. Analytische phase
3. Vertrag und Planung
4. Implementations Phase

Nachfolge innerhalb der Familie	Nachfolge innerhalb des Unternehmens/Mitarbeiter	Nachfolge durch Investor
<ul style="list-style-type: none"> • Information (100 %) • Evaluation (100 %) • Selling price (88 %) 	<ul style="list-style-type: none"> • Family members (80 %) • Terms & plan of succession (65 %) • Financial needs (60 %) 	<ul style="list-style-type: none"> • Financing plan (100 %) • Selling (80 %) • Financial needs (60 %)

Overall the discussion about the ENTER-transfer model was very positive. Especially the design, the clear steps and arrangement as tree were pointed out. All participants mentioned, that they could imagine to use the model. Again, the clear structure was favorable for the participants. They all mentioned that it is a great and modern asset to common checklists.

The only strong recommendation by our participants was to add a third category in between “yes” and “no” - e.g. “partly”. Many experienced that they haven’t thought through everything completely. For a deep and critical examination, it seems important that the user has the opportunity to say “partly” as he knows that there is still room for improvement. Our participants mostly liked the questions as a means to (re-)evaluate their situation in the succession process.



6. Workshop feedback

Each participant was asked to think about his/her own ideal vision of the business transfer. This should make the participants think and evaluate the business transfer plan. By defining an ideal situation, the participants also see which problems may occur and aren't going to be surprised by them but rather aware to face them. This is important as one of the main problems of business succession is the neglect of conflicts and the procrastination of a business succession plan.

For better support everybody received a template with four different aspects concerning (family) business succession. This template is based on the ENTER-transfer model (family, plan, finance, and legal aspects). Therefore, this “wishful thinking” concept can support the transferors/successors on the one hand, but on the other hand, it will also allow us to analyse which factors are important for power transfer as well as to validate our developed model.

Further guiding questions were asked based on the model:

e.g. Whom do I consider as my perfect successor? How do I wish my personal relationships within the family would look like? How do I wish my personal relationships within my company (to my employees) would look like?

The “wishful thinking” staid private and the participants didn't have to share. However, after the thinking phase a discussion took place.

This discussion (based on the concept of the “design for wiser action”) focused on the next steps that the participants thought are important for them after thinking about their personal ideal wishes. As an additional step we tried to connect those statements to the ENTER-transfer model.



7. Evaluation questionnaire of the pilot action

In cooperation with all project partners the Polish partner and Work Package lead PP8 Radom created a questionnaire for the pilot action. Each country evaluated this questionnaire. We split it into three different questionnaires (owner of company, successor of a company and public authorities) and translated the questions into German.

We received one filled-out questionnaire from a public authority, six questionnaires from company owners and four from (potential) successors. In total we received eleven filled-out forms. The overall feedback of the questionnaires was very good. However, some questions were not very clear to the participants. For many participants it was challenging to answer just with “yes” or “no”, because they reflect on their own situation and see room to improve in certain categories. Especially in the section “preparation of the company”, company owners reflected that they have done some work but more work still has to be done. Therefore, we allowed the participants to click “both” if they are in the middle of it.

The evaluation of the questionnaire showed, that all participating stakeholders know about the importance of succession and how long a good succession process should last. In general, it seems that most participants were well informed about business succession and had a clear picture of how their succession or transfer should take place.

One of the few questions which was ticked mainly with “no” by the owners, was that they have implemented new objectives and management styles in preparation for the upcoming succession. This is in accordance with previous experience.

The question “I have designed the constitution of the family” caused for some confusion with some participants. This is reflected in the questionnaire as only one person was sure that the has designed such a constitution.

Table 1 lists the amount of the answers of our questionnaire in the pilot action.

Table 1: Results of the evaluation of the questionnaire for the pilot action

	YES	NO	Both	NR
AWARENESS OF THE SUCCESSION PROCESS				
1. I know the importance of the succession	11			
2. I know how long a good succession process should last	10		1	
3. I have got familiar with different forms of company and knowledge transfer	10		1	
4. I have already had the concept of the succession plan	3	7		1
5. I got to know legal and fiscal rules related to the succession process	5	3	2	1
6. I know what features of character should be possessed by a potential successor	11			
7. I am aware of the problems and the threats, which can occur during the succession process	10			1
8. I know different succession models	11			
9. I know the differences between succession models	9	1		1
10. I know, which model should be used in my company	2	2	2	5
PREPARATION OF THE COMPANY				
1. I have identified main values of the company and the family	5	1		5



2. I have protected the company in the legal aspects in the case of sudden succession	2	2	2	5
3. I have developed the strategy of the company	5			6
4. I have indicated new objectives and management style	2	4		5
5. I know the potential of my company	6			5
6. I know how to conduct the company through the succession change	7	3	1	
7. I know the value of the company	8		2	1
8. I have designed the constitution of the family	1	3	1	6
PREPARATION OF THE OWNER (SENIOR)				
1. I have somebody who I can consult with, even in personal matters	3	3		5
2. I have written a will	6			5
3. I have gathered the capital, which enables me to leave the company	4	1	1	5
4. I already know if I want to stay in the company, and if so, what role will be appropriate for me after the succession process	5	1		5
5. I have developed own retirement plan for the future	5	1		5
6. I have planned the active lifestyle in the company after the succession process	3	3		5
PREPARATION OF THE FAMILY				
1. I have discussed the succession process with the family	5		1	5
2. The family members support the succession in the company	3	1	1	6
3. We have agreed for the succession strategy	5	3	1	2
4. The family members support the choice of the successor	4	1	1	5
5. We have identified moral values, which will be cared of in the company	8	2		1
SUCCESSION PROCESS				
1. I have chosen the succession form	2	2	2	5
2. I have chosen the successor(s) – I have been chosen by the owner	7	2		2
3. I have appointed the date of the company transfer	3	3		5
4. Together with the successor I have identified further main directions of the company development	5	4	1	
5. I have transferred the values to the successor, which should be considered while managing the company – the values have been taken by the successor	5	5		1
6. I have informed the successor about my decision – I have been informed about the decision of the owner	3	6		2
7. I have introduced the successor into his / her duties – I have been introduced into my duties	6	3		2



8. Conclusion

Based on the discussion about power transfer and also on the case study of the successful power and knowledge transfer of companies, some main conclusions were drawn. These following factors have to be considered for a successful power transfer during a business succession:

The first factor is that a good education of children and or/future successors is of high importance.

The second factor is that for a company owner it is important to be a good role model for children and to communicate joy for the company.

However, a very critical issue is the distribution of shares to the successors. The overall opinion is that one person should hold the main number of shares. It was also concluded that for most participants the most important factor for a successful power transfer is that there is only one decision maker. Especially shortly after the succession process it is important that the former owner clearly communicates that he/she will not be responsible for any business-related decisions any more.