

# PREPARATION OF REGIONAL STRATEGIES AND TOOLBOX FOR BUSINESS SUCCESSION

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Final versions of regional strategies for the  
introduction and advancement of business  
succession

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1<sup>st</sup> Version  
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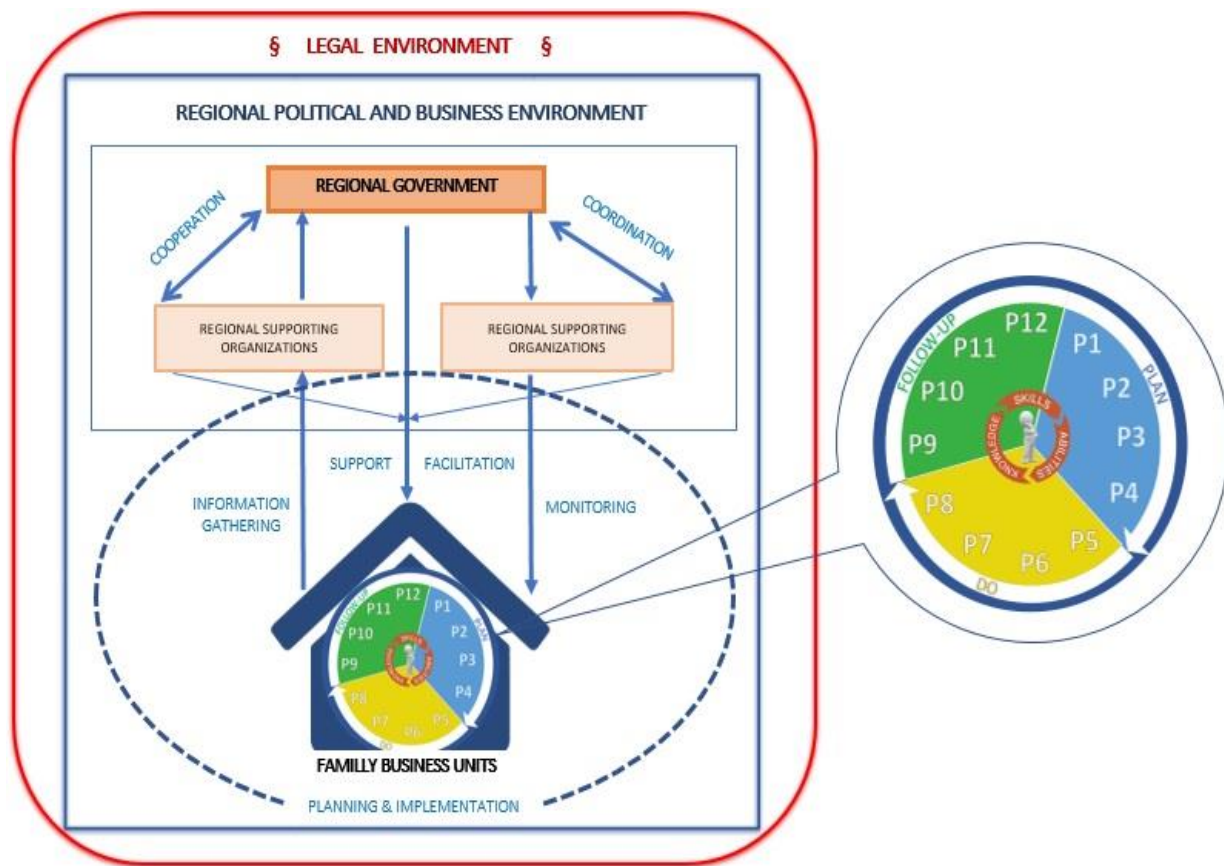


## Introduction

This document is the final version of the regional business succession strategy for the Dubrovnik-Neretva Region, Croatia. The main purpose of the document is to serve as a guide for public authorities for introduction and enhancement of business succession process.

The core and internal logic of the strategy is based on the following scheme which integrates the main components of the strategy from the point of view of the regional authorities: (a) the external macro-environment, (b) the external micro-environment, (c) the regional authorities, (d) the family business units, (e) the strategic tasks aiming at support of the FBUs.

### The Strategy Fundamental Scheme



The **macro-environment** consists of the general legislative acts (laws & regulations) which directly or indirectly influence the regional authorities, such as the regional government and the non-profit supporting organizations, and their activities aimed at forming the regional political and business environment and supporting the FBUs. The **micro-environment** is represented by the family business units (FBUs) and the business succession process (BSP) in a form of the Family Business Succession Clock (FBSC).

The FBSC divides the **process** of business succession into 12 phases in 3 quadrants: Plan - Do - Follow-up. These phases are derived from general business succession models, and considered to be vital for a success of the process of family-business handover. Moreover, it incorporates the **resources** which are understood as the business owner's specific management skills & abilities needed for handling the business succession process.



**The internal environment** consists of the various regional authorities, such as the regional government and the non-profit supporting organizations, which form the regional political and business environment and support the FBUs in their activities. The key supporting activities of the public authorities have a form of the strategic tasks.

Following such framework, the strategy consists of the following main parts:

1. External analysis
2. Internal analysis
3. Strategic objectives
4. Strategic tasks



## External Analysis

### Macro-environment: The Legal Requirements

The legal requirements represent relatively broad macro-environment influencing the regional authorities and their supporting activities. As the following table shows, the macro-environment consists of various legislative acts which somehow create the general legal framework.

| Croatia  |          |
|--|----------|
| Legislative Act  | Validity |
| Companies Law<br>Zakon o trgovačkim društvima<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2011_12_152_3144.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2011_12_152_3144.html</a>   | 1993     |
| Craft Law<br>Zakon o obrtu<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2013_12_143_3065.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2013_12_143_3065.html</a>  | 2013     |
| Family Law<br>Obiteljski zakon<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2015_09_103_1992.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2015_09_103_1992.html</a>  | 2014     |
| Inheritance Law<br>Zakon o nasljeđivanju<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2003_03_48_604.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2003_03_48_604.html</a>  | 2003     |
| Labor Law<br>Zakon o radu<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2014_07_93_1872.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2014_07_93_1872.html</a>   | 2014     |
| Law on Financing of Local and Regional Government Units<br>Zakon o financiranju jedinica lokalne i područne (regionalne) samouprave<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_127_2874.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_127_2874.html</a> | 1993     |
| Law of Mandatory Relations<br>Zakon o obveznim odnosima<br><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2005_03_35_707.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2005_03_35_707.html</a>   | 2005     |

### Micro-environment: The Business Succession Process in the FBUs

The micro-environment consists of the family business units in which the business succession process is realized. This part is aimed at the process-based analysis and the resource-based analysis. The process-based analysis elaborates 12 phases of the FBSC into detail. The resource-based analysis examines the business owner's management skills & abilities needed for handling the business succession process.

#### Planning Phase

This phase of the FBSC includes the activities which help business owner to prepare the business succession process and unfreeze a change in business leadership. **The following table briefly describes 4 phases (processes) which are vital for successful planning of the family-business handover.**

| Phase Description                                | Phase Result   | Time |
|--|--|------|
| P1 Setting main expectation and goals            | Clear evidence about preferable state of the business succession process             | 5 %  |
| P2 Business analysis & communication             | Assessment of the internal environment readiness for the business succession process | 10 % |
| P3 Stakeholder analysis & communication          | Assessment of the external environment readiness for the business succession process | 10 % |
| P4 Identification of the business succession gap | Identification of the gap between preferable state and the environment readiness     | 5 %  |

As the planning process is goal-oriented by its nature, the first step of the planning phase must lie in setting main expectation and goals of the business owner. He/she should take into consideration his/her own motivation to the family-business handover, and set the expected results of the BSP. After that, the set of clear and SMART goals related to the BSP has to follow. Although this phase should not take



long, it must not be omitted. It is the only way how the business owner can get a clear picture about preferable state of the business succession process.

The business owner should briefly analyze a readiness of the internal and external environment for the BSP after this opening stage. He/she must confront his/her goals and expectations with business reality of his/her family-business and expectations of its stakeholders. The vital part of this stage lies in communication with all internal and external stakeholders. They must have solid and up-to-date information about the business succession process and have a chance to express their point of view at the same time. The business owner should take the results into consideration carefully and be ready to make some alterations to his/her own goals and expectations.

The last step consists of an identification of the business succession gap. This term can be understood as the gap between business owner's preferable state (P1) and the business environment readiness for a change in business leadership (P2 and P3). It is worth to formalize the gap in a brief written form and think about its roots and weight. This process should help the business owner to set the right steps of the following stages focusing on seeking the best possible successor.

**The following table contains seven management skills & abilities (resources) which are considered to be vital for the planning phase of the FBSC.** The resources are sorted based on an opinion of the business owners who were involved in a survey. The survey had a form of in-depth interviews covering owners from different-size family business units. The respondents evaluated the resources on seven-points scale in a range of "extremely useful" (7) to "extremely useless" (1).

| Resources                              | Average | Median |
|--|---------|--------|
| <b>Communication &amp; negotiation</b> | 6,25    | 6,50   |
| <b>Analyzing</b>                       | 5,75    | 6,00   |
| <b>Forecasting</b>                     | 4,50    | 4,00   |
| Logical thinking                       | 3,75    | 4,00   |
| Critical thinking                      | 3,00    | 2,50   |
| Diplomacy                              | 2,75    | 2,50   |
| Goal orientation                       | 2,00    | 2,00   |

If we take a look at the average scores, we can distinguish the category of key abilities needed for the planning phase: (a) communication & negotiation skills (soft skills), (b) analyzing & forecasting (hard skills). This combination fits the planning phase purpose which should help the business owner to prepare the business succession process and unfreeze a change in business leadership. The communication & negotiation skills are vital for communication with all internal and external stakeholders. However, the majority of the process requires rather hard skills consisting of analyzing the current situation and predicting the nearest future. Two more hard skills, such as logical and critical thinking, are considered to be useful in this phase. The business owner should use these skills when thinking about his/her goals and expectations, and also in time of identification of the business succession gap.

In addition, the survey was focused on some possible failures the business owner must be aware of when going through the business succession process. He/she must be aware of **the following possible failures** causing him/her some difficulties during the planning phase of the business succession process:

- subjective based business & stakeholder analysis
- inappropriate communication of the change
- unrealistic expectations & unattainable goals

## Realization Phase

This phase of the FBSC includes the activities which help the business owner to perform the business succession process and realize a change in business leadership. **The following table briefly describes 4 phases (processes) which are vital for successful realization of the family-business handover.**



| Phase Description |  | Phase Result  | Time |
|-------------------|--|---|------|
| P5                | Setting successor's preferable profile | Identification of successor's characteristics needed for closing the business succession gap  | 5 %  |
| P6                | Successor selection                    | Identification of the most promising successor capable of closing the business succession gap | 5 %  |
| P7                | Successor training                     | Improvement of successor profile to be vital in closing the business succession gap           | 25 % |
| P8                | Successor implementation               | Change in business leadership from the business owner to the successor                        | 5 %  |

The core of the realization phase lies in implementation of the successor in a way which leads to closing the business succession gap. After analyzing the gap, the business owner has to think about the successor's preferable profile. He/she needs to identify the key successor's personal and business characteristics which meet not only his/her expectation, but also the business reality. In such a way the business owner defines a set of criteria for successor selection. Although the selection process has many forms, all of them have to lead to identification of the most promising successor capable of closing the business succession gap. This rather demanding approach should minimize some future conflicts between new owner and various groups of internal and external stakeholders, and maximize success of the family-business handover at the same time.

It is evident that the previous steps have direct link to the results of the planning phase. The next steps are focused on realization of the business succession process. The most time-demanding stage is successor training. From the point of view of the FBSC logic, the training process must be aimed at improvement of the successor profile to be vital in closing the business succession gap. The business owner should help the successor in adaptation process and develop all successor's characteristics which were the key for his/her selection. This stage is a period of time when the business owner is slowly leaving the business and the successor is taking over it. The final successor implementation in the business is the last step of the realization phase. The successor should have all necessary skills and knowledge to run the business solely in this time. The owner leaves the family-business and hands it over to the successor in a role of the new owner of the business.

**The following table contains the management skills & abilities (resources) which are considered to be useful for the realization phase of the FBSC.**

| Resources                   | Average | Median |
|-----------------------------|---------|--------|
| Motivation                  | 5,50    | 5,50   |
| Communication & negotiation | 5,00    | 6,00   |
| Organizing                  | 4,50    | 4,00   |
| Decision-making             | 4,50    | 4,50   |
| Critical thinking           | 3,50    | 3,50   |
| Empathy                     | 2,75    | 2,50   |
| Self-discipline             | 2,25    | 2,00   |

The abilities and skills needed for this phase of the FBSC can be sorted into the soft skills and the hard skills categories as in the previous case. The soft skills - motivation, communication, negotiation - play the main role from the point of view of the respondents. They consider these skills useful mainly during the training process and the process of successor implementation. These processes require intensive communication between the business owner and the successor on daily basis. Moreover, the successor must be assured of handling the business succession process. The hard skills - organizing and decision-making - are vital for this phase as well. The owner uses his/her organization skills during the whole phase with more emphasis on the process of successor implementation. The phase of setting successor's preferable profile and subsequent successor selection are based on decision-making theory. Good owner's ability for decision-making is needed for this phase and it is logically considered as useful by the respondents.





The business owner must be aware of **the following possible failures** causing him/her some difficulties during the realization phase:

- self-projection to successor’s profile
- inappropriate successor’s training
- excessive demands on successor’s profile
- lack of confidence
- emotional based selection of successor
- lack of constructive feedback
- influence peddling

## Closing Phase

This phase of the FBSC includes the activities which help the business owner to fix the business succession process and refreeze a change in business leadership. **The following table briefly describes 4 phases (processes) which are vital for successful closing of the family-business handover.**

| Phase Description |   | Phase Result  | Time |
|-------------------|---|---|------|
| P9                | Legal ensuring of the business succession process | Set of legal instruments fixing a change in business leadership                                     | 5 %  |
| P10               | Setting a new role for successor                  | Setting of new relations between the owner and the successor within the business succession process | 5 %  |
| P11               | Successor counseling                              | Consultation oriented towards an improvement in adaptation process                                  | 10 % |
| P12               | Stakeholders counseling                           | Consultation oriented towards an improvement in adaptation process                                  | 10 % |

Although the successor has already run the business, the business succession process should not end in this time. It is important to fix the process of a change in business leadership. The formal way how to fix the process is its legal ensuring. The form of legal ensuring is dependent on particular national legal system. However, the existence of some legal instruments related to the business succession process is highly probable in all countries. The legal ensuring not only crowns the family-business handover by law, it prevents some possible conflicts between the business owner and the successor in future. Moreover, the conflicts can be prevented by proper setting of a new role for the business owner too. This informal way of fixing the business succession process creates new relations between the owner and the successor for future. It is important to clearly set their relationship and define some framework or boundaries to prevent an influence peddling from owner’s side.

The last two steps of the closing phase are focused on owner’s counseling towards the successor and business stakeholders. The extent of counseling activities depends on the previous step, i.e. owner’s new role. Nevertheless, there is a high chance that some informal consultations oriented towards the adaptation process significantly smooth the path for the successor. That is why the counseling activities are strongly encouraged although they represent additional strain for the business owner.

**The following table contains the management skills & abilities (resources) which are considered to be useful for the closing phase of the FBSC.**

| Resources                     | Average | Median |
|-------------------------------|---------|--------|
| Communication & negotiation   | 6,50    | 7,00   |
| Awareness of applicable laws  | 5,00    | 4,50   |
| Organizing                    | 4,25    | 5,00   |
| Empathy                       | 3,50    | 3,50   |
| Self-discipline               | 3,25    | 3,00   |
| Delivering effective feedback | 3,00    | 2,50   |
| Mentoring                     | 2,50    | 2,50   |





It is evident that the communication and negotiation skills dominate. The respondents see their importance primarily in the phase of successor and stakeholders counseling. They stress a need of in-depth communication during these phases and consider it as a master “umbrella” for subsequent skills of mentoring and delivering effective feedback. The awareness of applicable law is a special skill of the closing phase. The respondents find this skill very useful when making legal ensuring of the business succession process. The organizational skills can be considered as the key skills due to their high average score. However, the respondents’ evaluation varies a lot in this case. Their evaluation is dependent on their experience with the process of setting a new role for the business owner during which the skills are supposed to be useful. Some respondents were able to find a new role for the owner relatively easy without any requirements on their organizational skills. Some of them had an opposite experience causing a high demand on their organizational skills.

Once again, there might be **some possible failures** causing the business owner troubles during the closing phase:

- negligence of the mandatory legal acts
- putting too much pressure on the successor and business stakeholders
- breaking new successor’s role
- offensive way of the counseling process



## Internal Analysis

The regional authorities can be considered as the subjects of the internal environment directly influencing the FBUs and the business succession process. Although their number, scope and activities differ significantly in every region, we can distinguish two broad categories: (a) the regional governments and (b) the non-profit supporting organizations.

The following table contains **basic information about the regional authorities** which are allocated in the Dubrovnik-Neretva Region. The organizations are subject of the follow-up analysis. Its aim is to map their supporting activities and assess how intensively the activities cover the business succession process, and help the FBUs to overcome their issues at the same time.

| Croatia: Dubrovnik-Neretva Region   |  |
|---|--|
| <b>Regional Government</b>  |  |
| Dubrovnik Neretva Regional Office<br><a href="http://www.edubrovnik.org/en/">http://www.edubrovnik.org/en/</a>  |  |
| <b>Regional Supporting Organizations</b>  |  |
| Croatian Chamber of Economy County Chamber Dubrovnik<br><a href="https://www.hgk.hr/zupanijska-komora-dubrovnik">https://www.hgk.hr/zupanijska-komora-dubrovnik</a> | The Chamber of Economy provides education, information and advisory assistance to the members. It organizes business meetings of domestic and foreign businessmen, performances at fairs, and activities related to improvement of business quality. It provides contact information about the institutions which provide support in the process of business transfer. |
| Croatian Chamber of Craft Dubrovnik-Neretva County Chamber<br><a href="http://www.du-hok.net">http://www.du-hok.net</a>   | The Chamber of Craft offers consultations in the area of economy, taxes, customs, accounting, financing. It provides all relevant information about the transfer process of the craft. It also offers the master exams, and professional exams.  |
| Entrepreneurship Center Dubrovnik Neretva County Chamber<br><a href="https://www.centar-za-poduzetnistvo.hr">https://www.centar-za-poduzetnistvo.hr</a>             | The Entrepreneurship Centre offers business consultations (info point), entrepreneurial education, both for existing entrepreneurs and for those who intend to become and connecting among entrepreneurs.  |

### Activities of the Regional Government

The aim of the survey is to map how intensively the regional government pays attention to specific problems of the family business units when forming general economic environment in the region.

#### I. General knowledge about the family business units in the region

|   |  |
|---|--|
| Do you know how many family business units operate in your region? Do you have any information about their size and field of their business activity? |  |
| Assessment  | Comment  |
| No  | The government is still gathering the data and developing the FBUs' database.  |
| Do you know what are the main problems the family business units are facing with? Could you name some examples of the most significant problems?      |  |
| Assessment  | Comment  |
| Partially   | The main problems: successor's identification and selection, lack of information how to handle the business succession process |

#### II. Strategy for development of the family business units in the region

|  |   |
|--|---|
| Are the specific issues of the family-owned business incorporated in the strategy of (economic) development of your region?  |   |
| Assessment   | Comment   |
| No   | The issue of the family-owned business is not a part of the regional strategy. However, it should be incorporated in near future. |
| Do you have any specific (formal) strategy for development of the family-owned business in your region? If so, could you name it?                                  |   |
| Assessment   | Comment   |
| No   | There is no specific strategy for the development of family businesses in the region. Strategy elaboration is in progress.        |
| Is there any department / organization / unit which is responsible for implementation of the strategy for development of the family-owned business in your region? |   |
| Assessment   | Comment   |
| No   | We hope that the department responsible for implementing the strategy will be established in future.                              |



### III. Support of the family business units in the region

| Do you (regularly) realize any activities / projects aimed at support of the family-owned business?  |  |
|--|--|
| Assessment   | Comment  |
| Yes  | Activities: consultation focused on solving problems, lectures (education)   |
| Do you (regularly) offer your supporting activities (projects) to family business owners? How do you communicate your supporting activities? |  |
| Assessment   | Comment  |
| Yes  | Communication: mailing list (e-mails), newsletter, website, participation in specific events                                       |
| Do you have some key future intentions in the sphere of support of family-owned business in your region?                                     |  |
| Assessment   | Comment  |
| Partially  | We will maintain our current supporting activities and if necessary we will expand them, depending of our members and their needs. |

### Summary

The results indicate low level of interest which the Dubrovnik-Neretva Region government pays to the specific issues of the family business units (FBUs) in the region. The government has no awareness of how many FBUs' operate in their region. However, it has been working on the FBUs database. The government sees the main FBUs' problem in a lack of information how to handle the business succession process, especially how to find and select a suitable successor.

The Dubrovnik-Neretva regional strategy does not cover the issues related to family-owned business. Moreover, there is neither specific development strategy nor some department / organization responsible for the development of the FBUs in the region.

Government supporting activities are not very extensive and specific. They cover only the consultation focused on solving problems and some kind of lectures. Main supporting activities are communicating especially by the mailing list, newsletter or websites.

The Dubrovnik-Neretva Region government is not very focused on the activities deal with the FBUs. Therefore, it is to be expected that future plans will be aimed at expanding the cooperation activities between the FBUs and the government.

### Activities of the Regional Supporting Organizations

The primary aim of the survey is to map what kind of support the regional organizations provide to family-business owners during the business succession process. The secondary aim is to identify problems the FBUs and supporting organizations are facing with. The respondents of the survey are the representatives of the supporting organizations described in the micro-environment analysis.

#### I. Support of the family business units in the region

The questions below are focused on activities that can help family-business owners within the business succession process (BSP). Each question is focused on a support of specific management skill & ability which the successors identified as useful for the BSP. The activities are ranked on a scale which indicates how the respondents perceive a level of satisfaction of the clients, i.e. family-business owners, with the particular supporting activity. Scale range: 1 = the lowest level of satisfaction, 5 = the highest level of satisfaction, NU = not used.



| Supporting Activities / Regions   | Q1 | Q2 | Average |
|---|----|----|---------|
| <b>1. Do you promote legal knowledge of family-business owners related to the BSP?</b>        |    |    |         |
| Through the organization of educational events  | 5  | 4  | 4,5     |
| By ensuring the offer of educational events of other entities                                 | 5  | 4  | 4,5     |
| By our own consulting activities  | 5  | 5  | 5,0     |
| By ensuring the consulting activities of other entities                                       | 5  | 5  | 5,0     |
| By providing continuous information support   | 5  | 4  | 4,5     |
| <b>2. Do you promote communication skills of family-business owners related to the BSP?</b>   |    |    |         |
| Through the organization of educational events  | 5  | 4  | 4,5     |
| By ensuring the offer of educational events of other entities                                 | 5  | 4  | 4,5     |
| By our own consulting activities  | 5  | 4  | 4,5     |
| By ensuring the consulting activities of other entities                                       | 5  | 4  | 4,5     |
| By providing continuous information support   | 5  | 5  | 5,0     |
| <b>3. Do you promote motivation skills of family-business owner related to the BSP?</b>       |    |    |         |
| Through the organization of educational events  | 3  | 4  | 3,5     |
| By ensuring the offer of educational events of other entities                                 | 4  | 4  | 4,0     |
| By our own consulting activities  | 3  | 4  | 3,5     |
| By ensuring the consulting activities of other entities                                       | 3  | 5  | 4,0     |
| By providing continuous information support   | 4  | 5  | 4,5     |
| <b>4. Do you promote analytical skills of family-business owners related to the BSP?</b>      |    |    |         |
| Through the organization of educational events  | 3  | 4  | 3,5     |
| By ensuring the offer of educational events of other entities                                 | 3  | 4  | 3,5     |
| By our own consulting activities  | 4  | 3  | 3,5     |
| By ensuring the consulting activities of other entities                                       | 4  | 4  | 4,0     |
| By providing continuous information support   | 3  | 5  | 4,0     |
| <b>5. Do you promote organization skills of family-business owners related to the BSP?</b>    |    |    |         |
| Through the organization of educational events  | 4  | 4  | 4,0     |
| By ensuring the offer of educational events of other entities                                 | 4  | 4  | 4,0     |
| By our own consulting activities  | 4  | 5  | 4,5     |
| By ensuring the consulting activities of other entities                                       | 4  | 5  | 4,5     |
| By providing continuous information support   | 4  | 5  | 4,5     |
| <b>6. Do you promote decision-making skills of family-business owners related to the BSP?</b> |    |    |         |
| Through the organization of educational events  | 4  | 4  | 4,0     |
| By ensuring the offer of educational events of other entities                                 | 4  | 4  | 4,0     |
| By our own consulting activities  | 4  | 4  | 4,0     |
| By ensuring the consulting activities of other entities                                       | 4  | 5  | 4,5     |
| By providing continuous information support   | 4  | 5  | 4,5     |

|  |     |
|--|-----|
| <b>Do you provide any other supporting activities to family-business owners which should help them with handling of the business succession process?</b> |     |
| Q1   | N/A |
| Q2   | N/A |

## II. Problems of the family business units in the region

|   |   |
|---|---|
| <b>Do you know what are the main problems the family business units are facing with? Could you name some examples of the most significant problems?</b> |   |
| Q1  | Lack of information regarding the business transfer.  |
| Q2  | The main problems are who will take over the business, who will inherit it and continue it, awareness is small and the information's about business transfer is not quite good. There are not enough information's regarding the business transfer available. |

## Summary

The results of the survey show that the issue of family-business handover is well reflected by the supporting organizations in the Dubrovnik-Neretva Region. Their activities cover all the key management skills & abilities which have been identified as useful for the business succession process. Moreover, the supporting organizations use full range of the supporting activities covering both the internal and contracted activities. As we have no information about some other supporting activities above the scope of management skills & abilities development, it is a question whether they are provided or not. Nevertheless, we strongly believe such activities have their importance and should be covered by the supporting organizations.

If we take a look at the average quality scale, we can see just the solid scores oscillating from 5 points to 3,5 points. These scores stand for relatively high level of satisfaction of family-business owners with



the activities of the regional supporting organizations. The only minor exception can be found in the case of the organization of educational events and consulting activities directly arranged by the supporting organizations.

The supporting organizations perceive some significant problems of the FBUs in the Dubrovnik-Neretva Region. They are aware of the following main problems: (a) lack of information how to deal with the business succession process, (b) how to find and select a suitable successor.



## Strategic Objectives

The following part describes **the strategic objectives** which are derived from the analytical part of the strategy. They can be interpreted as the main areas to which the regional governments have to pay their attention. Each strategic objective reacts on analytical information summarized in the Analytic Overview. The objectives are analyzed by the simplified version of **Force-Field Analysis**. The core of the analysis lies in identification of the factors positively (**driving forces**) or negatively (**restraining forces**) influencing a possibility to reach the strategic objectives.

### Analytic Overview

The results indicate low level of interest which the Dubrovnik-Neretva Region government pays to the specific issues of the FBUs in the region. The government has just a limited pieces of knowledge about actual situation on a market of family-owned businesses in the region. Moreover, the Dubrovnik-Neretva regional strategy does not cover the issues related to family-owned business. There is any specific development strategy or some department / organization oriented on the development of the FBUs. However, the issue of family-business handover is well reflected by the supporting organizations in the region. They are aware of the following main problems: (a) lack of information how to deal with the business succession process, (b) difficult finding and selection of any suitable successor.

The government supporting activities are not very extensive and specific. They cover only the consultation focused on solving problems and some kind of lectures. On the other hand, activities of the regional supporting organizations cover all the key BSP management skills & abilities. Moreover, the supporting organizations use a full range of the supporting activities covering both the internal and contracted activities. In addition, just a small number of the supporting activities show the average quality results which stands for a quite high level of satisfaction of family-business owners with the activities of the RSOs. The FBUs are informed about the activities via mail, newsletter or websites.

### Strategic Objectives

The objectives are analyzed by the **Force-Field Analysis**. The core of the analysis lies in identification of the factors positively (**driving forces**) or negatively (**restraining forces**) influencing a possibility to reach the strategic objectives. The following tables contain result of the Force-Field Analysis for all partner regions. They include the various driving and restraining forces having an impact on the strategic objectives fulfilment. Moreover, the tables include two variables: (a) **Rate of Impact** (RI - the intensity of the force's impact on reaching the strategic objective), and (b) **Need to Improve** (NI - the need to improve the current state of the restraining force and thus to reduce its negative impact).

The evaluation is made by the following scale: very low (1) - low (2) - strong (3) - very strong (4). The mark (-) indicates the force which is considered not to be relevant in particular region.

#### Strategic objective 1: Monitoring the FBUs' activities

| Driving Forces  | RI | Restraining Forces   | RI | NI |
|---|----|--|----|----|
| Precise specification of the FBUs in any legislative act                      | -  | Insufficient financial and human resources for monitoring activities                 | 3  | 3  |
| Cooperation with any regional entity in monitoring activities                 | 3  | Lack of any valid statistics or information about the FBUs' activities               | 3  | 3  |
| Existence of any work position responsible for monitoring activities          | 2  | Poor-quality cooperation between the regional government and other regional entities | -  | -  |
| High-quality information sharing between the FBUs and the regional government | 2  | FBUs unwillingness to share information with regional government                     | 3  | 3  |



### Strategic objective 2: Developing a plan aimed at overcoming the main issues of the FBUs

| Driving Forces  | RI | Restraining Forces  | RI | NI |
|---|----|---|----|----|
| Existence of any manual describing recommended structure and content of the plan              | -  | Insufficient financial and human resources for developing the plan                            | 3  | 3  |
| Existence of any database of good practices how to help the FBUs to overcome their issues     | 3  | Lack of solid information about the FBUs and their issues needed for developing the plan      | 3  | 3  |
| Existence of solid information about the FBUs and their issues needed for developing the plan | -  | Poor-quality cooperation between the regional government and the FBUs in solving FBUs' issues | -  | -  |
| Well-established participatory planning - involving various regional entities to planning     | 3  | FBUs unwillingness to share information with regional government                              | -  | -  |

### Strategic objective 3: Supporting the FBUs in their business activities

| Driving Forces   | RI | Restraining Forces   | RI | NI |
|--|----|--|----|----|
| Existence of any plan defining preferable structure of supporting activities                 | 3  | Legislative restriction of direct support of the FBUs' business activities                   | 2  | 3  |
| Availability of financial and human resources needed for supporting activities               | 3  | Insufficient financial and human resources for supporting activities                         | -  | -  |
| Existence of solid information flow between the regional government and the FBUs             | 3  | High level of bureaucracy related to supporting activities                                   | 3  | 3  |
| High-quality cooperation between the regional government and the RSOs in supporting the FBUs | -  | Poor-quality cooperation between the regional government and the RSOs in supporting the FBUs | -  | -  |

### Strategic objective 4: Facilitating the FBUs in the business succession process

| Driving Forces   | RI | Restraining Forces   | RI | NI |
|--|----|--|----|----|
| Existence of any manual describing recommended facilitating activities                         | 3  | Lack of information about the BSP and its typical pitfalls                                     | -  | -  |
| Existence of any database of good practices how to help the FBUs to provide the BSP            | 3  | Lack of information about the FBUs' future intentions in the BSP                               | 3  | 3  |
| Availability of skilled human resources needed for facilitating activities                     | 3  | Underestimation of the BSP's importance for sustainable development of the FBUs                | 4  | 4  |
| High-quality cooperation between the regional government and the RSOs in facilitating the FBUs | 3  | Poor-quality cooperation between the regional government and the RSOs in facilitating the FBUs | -  | -  |

### Strategic objective 5: Providing coordination of the supporting / facilitating activities

| Driving Forces   | RI | Restraining Forces  | RI | NI |
|--|----|---|----|----|
| Involvement of coordination activities in the plan for the FBUs development      | 3  | Insufficient financial and human resources for coordination activities            | -  | -  |
| Existence of any public entity suitable for providing coordination activities    | 3  | Absence of any formal specification of responsibility for coordination activities | 3  | 3  |
| Availability of financial and human resources needed for coordination activities | 3  | Lack of previous experiences with such coordination activities                    | -  | -  |
| High-quality relationship between the regional government and the FBUs / RSOs    | 3  | Poor-quality cooperation between the regional government and the FBUs / RSOs      | -  | -  |





## Strategic Tasks

The following strategic tasks reflect the Analytic Overview and the results of the Force-Field Analysis. They represent the main tasks for the regional government which have to be accomplished to meet the strategic objectives. The tables include the sets of sub-tasks which decompose the particular strategic task. The need of sub-tasks accomplishment is shown via the following indicative color scale: yellow (moderate) - orange (high) - red (severe). In addition, the tables include some good practices from other partner regions which can be used as an inspiration in meeting the strategic tasks.

### Task I: Information Gathering & Monitoring

|                       |  |        |        |     |
|-----------------------|--|--------|--------|-----|
| <b>Sub-tasks</b>      | <b>Description / Importance</b>  | Yellow | Orange | Red |
|                       | Develop a platform for effective information sharing between the regional government and the FBUs  |        |        | Red |
|                       | Motivate the FBUs for sharing information about their BSP intentions and specific business-related issues  |        |        | Red |
|                       | Build an information database enabling to search up-to-date information about the FBUs in a region anytime   |        | Orange |     |
|                       | Analyze information from the FBUs at regular intervals and monitor their course in cooperation with the RSOs   |        | Orange |     |
| <b>Good Practices</b> | Round tables<br>South Bohemia Region<br>Round tables of the FBUs representatives and the representatives of the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (AMSP) which are organized on regular basis. They create a platform for sharing experiences and issues related to the topic of business succession, and for giving the consultations from the AMSP side.                  |        |        |     |
|                       | Interviews with the representatives of the FBUs<br>Linz-Wels Region<br>Face-to-face interviews with the representatives of the FBUs are strong motivation for the FBUs for sharing information. The interviews enable to obtain “real-life” information about the FBUs issues and gather some examples or good practices about business transfer process. Moreover, they enable to monitor FBUs activities on regular basis. |        |        |     |
|                       | Research on family business<br>Presov Region<br>The Slovak Business Agency realizes research studies on family business and its issues in Slovakia. The studies are published on regular basis. The most recent one is called “Barriers of Family Entrepreneurship in Slovakia”.   |        |        |     |
|                       |  |        |        |     |

### Task II: Planning & Implementation

|                       |  |        |        |     |
|-----------------------|--|--------|--------|-----|
| <b>Sub-tasks</b>      | <b>Description / Importance</b>  | Yellow | Orange | Red |
|                       | Involve the RSOs and FBUs to elaboration of the plan for FBUs development with respect to the principles of participatory planning   |        |        | Red |
|                       | Elaborate the plan devoted to FBUs development and support as an integral part of a regional economic / development strategy   |        |        | Red |
|                       | Integrate the issues related to business succession process into the plan  |        | Orange |     |
|                       | Establish any unit or appoint any employee which / who will be responsible for activities connected with implementation of the plan  | Yellow |        |     |
| <b>Good Practices</b> | Strategic approach to the FBUs development as a new priority of the Development Plan<br>South Bohemia Region<br>The strategic approach to the FBUs support & development in a form of purpose-based strategic plan has its basis in two priorities of the South Bohemia Region Development Plan for 2021 - 2027: (1) Smart region and competitive regional economy, (2) Regional competitiveness and support of business activities. |        |        |     |
|                       | The FBUs support as a part of the City Development Plan<br>Mazowieckie Region<br>The Radom City Development Plan provides an in-depth analysis of local economic conditions. The analysis creates a solid basis for targeted support of local business units, the vast majority of which are family businesses.  |        |        |     |
|                       | Existence of the strategy for SMEs and FBUs support & development<br>Linz-Wels Region<br>The chamber of commerce (WKO) follows The Strategy for SMEs and family businesses Upper Austria 2030 which aims at supporting the SMEs and the family businesses throughout their business life cycle.  |        |        |     |
|                       |  |        |        |     |



**Task III: Cooperation & Coordination**

| Sub-tasks                    | Description / Importance   |  |  |  |
|------------------------------|--|--|--|--|
| <p><b>Good Practices</b></p> | <p>Establish any unit or appoint any employee which / who will be responsible for coordination of the supporting / facilitating activities and developing cooperation between regional government and the RSOs</p> <p>Conference on family businesses<br/>South Bohemia Region<br/>Annual conference aimed at networking between the representatives of regional supporting organizations, regional government, representatives of academia and representatives of regional family business units. Each participant has an opportunity to share information about his/her activities or issues. Each contribution is followed by a live discussion with the suggestions of all participants.</p> <p>Cooperation skills training<br/>Mazowiecke Region<br/>In the vast majority of offices, people are appointed to cooperate and support entrepreneurs. Their superiors willingly send them to the courses that are necessary to improve their skills and develop their knowledge on cooperation and coordination of activities with entrepreneurs. The training courses are organized by recognized experts who invite local government employees to participate.</p> <p>Existence of departments responsible for RSOs support &amp; coordination activities<br/>Mazowiecke Region<br/>The local government supports the Radom Chamber of Industry and Commerce through departments dedicated to entrepreneurs: (1) The Office for the Radom Economic Zone and (2) The Office of Economic Activity and Permits. Having such departments in the structures of local government helps to promote entrepreneurship, solve entrepreneurs' problems, collect necessary data and information about entrepreneurs, and support training opportunities.</p> |  |  |  |



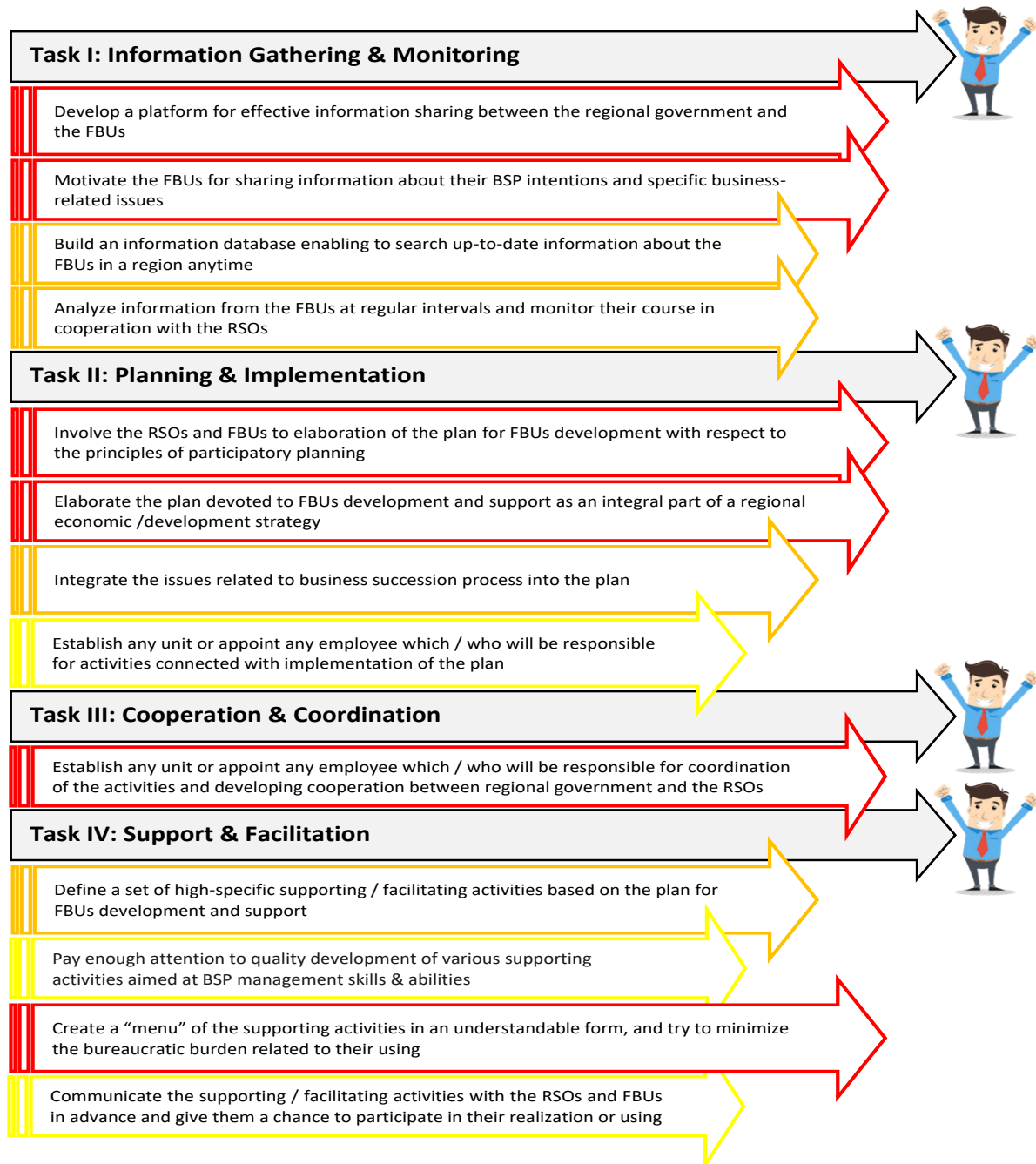
## Task IV: Support & Facilitation

|                | Description / Importance   |  |  |  |
|----------------|--|--|--|--|
| Sub-tasks      | Define a set of high-specific supporting / facilitating activities based on the plan for FBUs development and support  |  |  |  |
|                | Pay enough attention to quality development of various supporting activities aimed at BSP management skills & abilities  |  |  |  |
|                | Create a "menu" of the supporting activities in an understandable form, and try to minimize the bureaucratic burden related to their using   |  |  |  |
|                | Communicate the supporting / facilitating activities both with the RSOs and FBUs in advance and give them a chance to participate in their realization or using  |  |  |  |
| Good Practices | <p><b>ENTER-transfer Toolbox</b><br/>South Bohemia Region</p> <p>The web tool which serves as an environment supporting the business succession process. The tool indicates the possible ways of business succession in the company, and topics and tasks that must be completed within the succession process. In addition, it evaluates the degree of readiness of individual participants in the succession process and the degree of agreement on the chosen solution among participants.</p>  |  |  |  |
|                | <p><b>ENTER-transfer Matchmaking Tool</b><br/>South Bohemia Region</p> <p>The web platform enabling and facilitating the establishment of contact between business owners and potential investors in the process of business succession. It mediates those interested in taking over the company and those interested in handing over the company in an unrestrictedly accessible virtual environment.</p>   |  |  |  |
|                | <p><b>Consultations on business succession process</b><br/>South Bohemia Region</p> <p>Due to its active participation in the ENTER-transfer project, the South Bohemian Science and Technology Park is ready to consult on possible problems of family business owners related to the preparation of the family business succession and is able to direct the business owner to support this process (competence consultants, relevant grant sources, supporting electronic tools and digitization issues, academic consultants, etc.).</p> |  |  |  |
|                | <p><b>Tax free period for new business</b><br/>Mazowiecke Region</p> <p>The local government in Radom supports entrepreneurs in various ways, e.g. during the first years of operation the companies are exempted from tax. This type of support encourages establishment of new companies and helps new companies to run their business.</p>  |  |  |  |
|                | <p><b>Friendly business environment of Radom City</b><br/>Mazowiecke Region</p> <p>Thanks to the friendly policy of local authorities, Radom is a city with positive investment climate. High level of entrepreneurship of Radom inhabitants together with the friendly policy of the City Hall, as well as well-developed business environment institutions, make Radom a place where the number of micro, small and medium enterprises is steadily increasing.</p>   |  |  |  |
|                | <p><b>Good practice database</b><br/>Linz-Wels Region</p> <p>The Gründerservice provides an online collection of good practices in a form of testimonials of successors, start-ups and franchise projects, in order to learn about the real experiences with the business succession process:<br/><a href="https://www.gruenderservice.at/site/gruenderservice/testimonials/Testimonials-Archiv.html">https://www.gruenderservice.at/site/gruenderservice/testimonials/Testimonials-Archiv.html</a></p>                                      |  |  |  |
|                | <p><b>Travel expenses reduction</b><br/>Presov Region</p> <p>The representatives of the family business can attend various conferences, seminars, trade shows and other international events while their travel expenses (transportation, accommodation), and participation fee are fully or partially covered by the Slovak Business Agency.</p>  |  |  |  |



## Strategic Tasks Summary

The following comprehensive scheme summarizes the strategic tasks needed for meeting the strategic objectives.



The bullets indicate the main challenges for the Dubrovnik-Neretva Region government in its effort to support the FBUs activities and enhance the business succession process:

1. Develop an effective and productive information sharing platform between the regional government and the RSOs / FBUs, and connected information database collecting up-to-date data about the FBUs in the region.
2. Increase motivation of the FBUs for sharing information about their BSP intentions and specific business related issues.



3. Gather and analyze information from the FBUs in cooperation with the RSOs on a regular basis.
4. Strengthen the strategic approach to the FBUs development by drawing up a plan devoted to the FBUs development and support as a part of a regional development strategy.
5. Utilize the principles of participatory planning when drawing up the plan devoted to the FBUs development.
6. Analyze the FBUs problems connected with the business succession process and integrate the following strategic actions into the plan.
7. Improve the assistance to the FBUs by establishing some entity responsible for coordination of the supporting activities and developing cooperation between the regional government and the RSOs.
8. Increase the amount of the supporting activities which precisely react on the FBUs needs and issues, and which cause a minimum bureaucratic burden for the FBUs at the same time.