# Train the Trainer

## Curriculum and workbook for Trainers

Satakunta University of Applied Sciences (SAMK), project partner number 11

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# Table of Contents

# Preface

Many small and medium sized enterprises are facing a crucial moment when a business gets transferred, e.g. when the owner retires and a new one takes over. Every year, more jobs are lost due to failed business transfers than new jobs are created in start-ups. In the project original INBETS BSR, partners developed models for successful business transfers. The extension project InBets+ is organising events and training courses, to train small and medium sized enterprises all across the Baltic Sea region in successful business transfers. One crucial element in the transfer process is to give pedagogical training for those ones training trainers. This training gives participants the knowledge, skills and confidence to train other people either face-to-face or online in formal and informal situations, such as mentoring and coaching the transfer process.

Pedagogy is part of the KAIN-method (KAIN = Knowledge Acquisition according to Individual Needs) in which participants with different experiences in training and consulting processes build with the KAIN method a common knowledge base. This method's main objective is to present possibilities for changes and improvement taking into account the individual experience of the participants, allowing those involved to plan and implement measures of correct changes and execute them properly in the project.

In this material, also the concept of entrepreneurship and the process of (generational) business transfer will be approached and discussed taking into account several points of view. However, we have tried to bear in mind that the target group of the Train the Trainer –education is not the entrepreneurs nor the employees themselves, but the trainers that are training them in very challenging situation.

This training material has been created in digital learning platform within the framework of project Innovative business transfers in the BSR + (Inbets+). The project has been co-funded by the Interreg Baltic Sea Region Programme of the European Union. Responsibility for the information and views set out in this presentation lies entirely with the authors.

# Introduction

The background of this curriculum is on continuously increasing amount of ageing entrepreneurs and enterprises that need a new owner and successor. It is more and more difficult to find a successor to SME-business, and this endangers, not only enterprises, but also jobs. It has been estimated, that in European Union more than xxxxxx jobs are endangered yearly due to failed (generational) business transfers. This highlights the importance of having well-trained and competent trainers who are capable to train and coach the potential successors.

## Target group

The target group of curriculum consists of consultants, experts, teachers and trainers having experience in business transfers, training, mentoring and/or consulting successors and predecessors in business transfer process. It would be good, but not necessary, if the participants had an experience of their own in running the business, and if they were aiming to train the potential new entrepreneurs.

## Country-specific applications

The curriculum should be applicable and enable country-specific modifications so, that it could be utilized in each country, and applied to country-specific legislation and regulations. Thus, the curriculum should give certain common skills and knowledge but also enable modification and personalization depending to the needs and regulations of each country.

The qualification requirements and ways to reach qualifications and licenses to electric and energy work are quite different in BSR-countries, thus the curricula can be written only as a form of framework inside which the local actors should be able to modify the contents of courses according to their own regulations and local requirements.

## Work required

In the curriculum, the average work required by course is 16 hours containing lectures, group works and discussions. In addition to this, each participant is encouraged to have self-studies in those topics he / she finds requiring further immersion.

## The content of the curriculum

The curriculum consists of four topics (Figure 1). Pedagogic and methodology concerns on the art of training and coaching, differences between training and coaching, and the new digital tools available. Entrepreneurship recapitulates the main issues in being an entrepreneur, running the business, being an employer, the importance of (moderate and controlled) growth and financing. Business transfer describes the business transfer process, participants, the role and tasks of both successor and predecessor, and presents different ways to find successor, to conduct the process and to finance the transfer. In this part, also the legal and fiscal issues should be discussed, but because they are country-specific they are omitted from the project-wide implementation of the course.

Mentoring concerns on the role and tasks of mentor, the differences of mentoring compared to coaching and training, and the

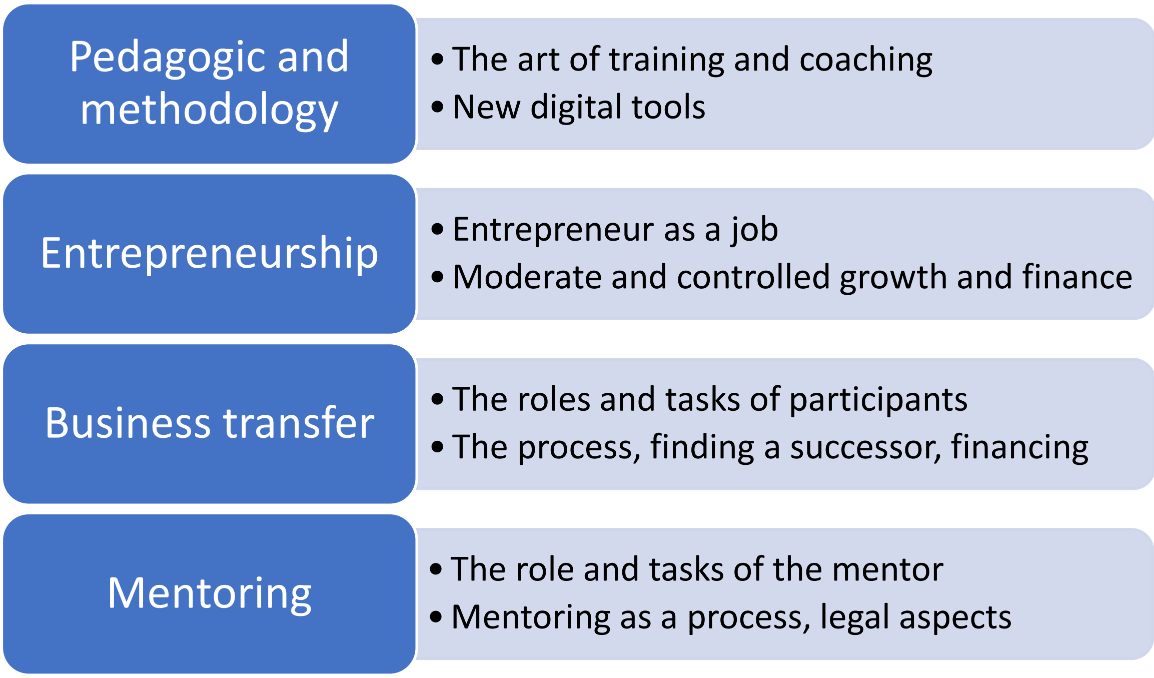


*Figure 1: The structure of curriculum*

# Definitions

## Training

The common and widely spread definition of training that can be found from many dictionaries is that training is a process by which someone is taught the certain skills that are needed in profession, or job. A more sophisticated approach sees training as an organized process in which people are taught knowledge and/or skills for a certain limited purpose.

## Teaching

Compared to the training, teaching is more comprehensive. A session, in which the teacher instructs and supervises a single student or a group of students, is called teaching. It is an interactive process and an act of spreading the knowledge, supervising and giving instructions to the students in most cases in a classroom. The knowledge gained from teaching is more generalizable than that gained from training. Teaching is in many sources considered to be a process in which the participants are impaired, e.g. mature teacher and minor pupils, or skilful teacher vs in some topic (Finnish language, for example) unskilled students.

## Coaching:

Coaching is a form of personal or group development in which an experienced and trusted person, called a coach, through dialogue supports a coachee in setting and achieving certain personal or professional goal by providing knowledge, guidance and supervising.

## Consulting

The activity or business of providing expert advice concerning certain specific topic to other professionals.

## Mentoring

Advising and training younger and / or less experienced colleague by supporting and encouraging him / her to improve, manage and use his / her own competences.

## Entrepreneur

An individual, who sets up, organizes and manages a business or businesses, bearing at least most of both juridical, reputational and financial risks in the hope of success and profit.

## Entrepreneurship

Entrepreneurship refers to the continuous process in which an individual is, or small group of individuals are creating a new business, founding an enterprise, and running the business activities bearing all kind of risks caused by these activities, with the wish of making the profit.

## Enterprise

An enterprise is a company or for-profit business, often a small one, founded and run by an entrepreneur or couple of entrepreneurs with the aim to make profit and to earn money.

## Business

In this context, trade or other commercial activity run by an individual person or organization, or an organization or other juridical entity engaged in commercial, industrial, or professional activities. Often used as a synonym for company or enterprise.

## Business transfer

A business transfer can be defined as a change of ownership of firm or business to individual or legal entity under the following conditions: The existence and commercial activity of the enterprise continues, and more than 50 % of the assets or shares (or the power of decision) are transferred. The definition does not exclude any varieties of business transfers. Both the successions within the family and transfer to an external buyer can be generational business transfers if the successor and predecessor are representing different generations.

## Generational business transfer

Both the successions within the family and transfer to an external buyer can be generational business transfers if the successor and predecessor are representing different generations.

## SME-business

European Union uses the following definition for SMEs (Source: https://ec.europa.eu/growth/smes/sme-definition_en):

> Small and medium-sized enterprises (SMEs) are defined in the EU recommendation 2003/361.
>
> The main factors determining whether an enterprise is an SME are

1. **Staff headcount**
2. Either **turnover** or **balance sheet total**

| **Company category** | **Staff headcount** | **Turnover** | or | **Balance sheet total** |
|---|---|---|---|---|
| Medium-sized | < 250 | ≤ € 50 m | | ≤ € 43 m |
| Small | < 50 | ≤ € 10 m | | ≤ € 10 m |
| Micro | < 10 | ≤ € 2 m | | ≤ € 2 m |

> These ceilings apply to the figures for individual firms only. A firm that is part of a larger group may need to include staff headcount/turnover/balance sheet data from that group too.

## Trainer's notes

# Common characteristics of Training, Coaching and Consultation

## Target groups

### Target group of TtT (This course)

The target group consists of consultants, experts, teachers and trainers having experience in business transfers, training, mentoring and/or consulting successors and predecessors in business transfer process. It would be good, but not necessary, if the participants had an experience of their own in running the business, and if they were aiming to train the potential new entrepreneurs.

### Target groups of the actual training

The training given by trainers is directed to potential new entrepreneurs and successors of SME-business. Thus, the target group is very diverse, including family members of contemporary entrepreneur, managers of the company (MBO), employees of the company (EBO), customer, student of the discipline the enterprise is operating, student of business management, or just someone from the neighbourhood. Thus, due to the multifaceted target group, the skills and knowledge of the participants may vary very much.

## Goals

### Goals of the TtT-training

The main goal of the TtT-training is to prepare a trainer to meet diverse group of people with various knowledge, skills, expectations and attitudes concerning the entrepreneurship and running the business. Trainer should be capable to give a realistic and true image of enterprising as a career and a life, and at the same time motivate people to become as a successor of a business. It is not necessary for a trainer to know everything about everything, but he / she should know where the needed information can be found.

### Goals of the actual training

To give a realistic and true image of enterprising as a career and a life, and at the same time motivate people to become as a successor of a business. To give summary-level knowledge about management, HR-activities, legal issues concerning both business transfers and running the business, financial topics, sales, purchases and investments. To motivate participants to realize their weak points and give hints how to find information and knowledge needed or how to train the skills required.

## Characteristics of trainer

Successive trainers practice and develop all the time qualities that improve their understanding of learner, organizational behavior and the needs of contemporary business. They realize that the more they develop these qualities, the better they will be in training, being able to create an active learning atmosphere, incorporating current trends in learning, running the business and making the profit.

The following thesis (Among many others) are used to describe a good trainer

Good trainer is a good and patient listener. There are properties of a good trainer that are “must” and non-negotiable. The ability to listen, ask the right questions, and understand the needs of the trainee are some of these.

A good trainer always start the project by getting known with the target company / companies, understanding the costs, desired ROI, and benchmarks involved, and gaining the full support of key stakeholders. Training should always be considered as strategic process. Training is effective only if the cost of it is within the frames of the budget and profit measured by the return on investment (ROI).

A good trainer has an ability to keep their eye on the goal and solve the problems without endangering the training quality. This could be best achieved through joining with various members of the organization, such as department managers, if the situation requires it. On the other hand, a good trainer always remains impartial.

Training should never be one-person-show. A good trainer encourages the engagement. Training should be seen as duplex, a two-way street. However, getting learners to adopt and retain new skills sometimes requires entertainment. To enable skill development, trainees need opportunities to discuss, to share their ideas, to answer and to get answers to questions, and to practice the new skills. Trainer should encourage trainees to ask questions, get involved in activities, and be active participants rather than passive consumers of the material.

Be stable and organized. If a trainer is glorious and inspiring today, and a wimp tomorrow, this is probably due to ineffective organization. A trainer should plan his / her training material and presentation carefully. In advance planned lectures and material help the trainer to focus on the topic.

Value the good instructional design. Well-structured courses and build fit-for-purpose content are some of the qualities of a good trainer. Planning training programs that meet all the training goals and create smooth learning experiences requires a lot of work. However, this has a great impact on results of the training and long-term behavioural improvement.

Stay up-dated of contemporary and future learning trends. An important part of professional know-how is an awareness of the latest training trends. Professional trainer should always stay updated with current research in adult education and on-line learning, searching opportunities to include tested trends into their training. It is also good to bear in mind, that professional training is not necessary the correct forum for testing new methods. It is also important, that the trainer will have a censorious approach concerning the trends he / she choose to incorporate.

Analyze and improve your material and presentations all the time. Continuous improvement of material and lectures is one of the most important qualities of a trainer. Trainer should not focus only on developing their learners, but also developing themselves. Surveys and other forms of feedback are essential tools in developing trainer's own skills. Good trainers both improve themselves and evaluate their training materials to get rid of aged, false and irrelevant materials.

Emphasize lifelong learning. Who could be better to train others than someone who is constantly learning himself / herself? Lifelong learning is one of the characteristics of a good trainer.

Trainer who has experiences concerning his/her own learning are in touch with the daily life of the adult learner. Such trainer is more probably choosing content types, topics, and features like mobile learning, that suits better for adult learner when designing a course.

## Trainer's notes

# Pedagogy

## Principles of effective teaching

The first part of the pedagogy deals with effective teaching. It deals with pedagogical approaches, presentation skills, attitude awareness, motivation and engagement (i.e. commitment of participants) and evaluation issues. There are several links to different kind of document, reports and videos about how to improve the training sessions.

Learning involves acquiring new knowledge, skills and attitudes that result in change in participants' ability to do something, i.e., the components in learning process include knowledge acquisition, thinking for understanding and doing in practice.

### What makes the training programme successful?

The purpose of this training program is to impart knowledge of principles of effective teaching and effective training techniques and their application in SMEs. Participants are working in chambers, other entrepreneurial organizations or education institutes or may have worked with entrepreneurship related issues with companies, so they have a solid background on which to build. When is the training successful? To achieve the success criteria, the training should

- Have a clear agenda of the topic to be covered,
- Have a well-defined target group,
- Have enough time to the planning,
- Have well defined program specific learning outcomes,
- Have teachers, instructors or presenters who are familiar with the topic, involve participants,
- Have organizational support systems for the very first steps of the training, use quality measurement system (based on evaluations, feedback analysis), etc.

The list is long and demanding, and organizing training program may be a true challenge.

One of the key success factors is the trainer, mentor, coach or instructor, no matter which is applicable to the train the trainer sessions. Bwika (see link below) has identified the following attributes of a good instructor:

- Competence in subject matter
- Mastery of the techniques of instruction and evaluation
- Desire to teach
- Resourcefulness and creativeness
- Attentiveness to trainee needs
- Management techniques in classrooms
- Professional attitude
- Ability to develop good personal relations

Further information:

Handouts 6. Qualities of a good instructor http://www.nzdl.org/gsdlmod?e=d-00000-00---off-0cdl--00-0----0-10-0---0---0direct-10---4-------0-0l--11-en-50---20-about---00-0-1-00-0--4----0-0-11-10-0utfZz-8-10&cl=CL2.20&d=HASH0106087b55a6cce0f9ea881f.7.6.1&gt=1

Handbook for competency coaches https://oppimateriaalit.jamk.fi/comcoaches/training-program-for-competency-coaches/needed-skills-of-coaches/

## Training process

Training course design and organization includes several phases. The training design models ADDIE consists of five phases, ie. analysis, design, development, implementation and evaluation. Analysis deals with analysis, where the need for the training is studied in detail. In the designing phase the training program is outlined and planned. In the development phase the training is rolled out to the field in the form stipulated in the design phase. The final phase evaluation concludes the process and measures how effective the training program was at achieving its goals. The detailed information with examples can be found from the page The ADDIE Model Infographic https://elearninginfographics.com/the-addie-model-infographic/.

Discussion:

Define your target audience – their needs, requirements, and constraints

Identify learning objectives and define measures of success

Further information:

Module 6: Planning training of trainers workshops https://watsanmissionassistant.org/wp-content/uploads/2018/10/module-6-planning-tot-workshops.pdf

Train the trainers https://sswm.info/perspective/train-trainers - see material under Sections

We experience the world in unique ways, and with that comes variation in the ways we learn best. Understanding these different types of learning styles can drastically impact the way train the trainer course succeeds. Thus, training sessions should respond to the participants learning styles. In general, there are three types of leaners:

- Visual: These learners receive information best through seeing or reading it. This type of learners benefits from written instructions, diagrams, handouts, overheads, videos, and other visual information.
- Oral: Oral learners receive information best when they hear it. They respond best to speakers, audio conferences, discussion groups, etc.
- Kinesthetic: These learners learn by touch and feel. They respond well to demonstrations and in having the chance to practice themselves.

Learning styles and preferences take on a variety of forms. Participants learn in different ways, and not all people fit neatly into one category. Figure 2. shows the most common ways of remembering from learning activities.

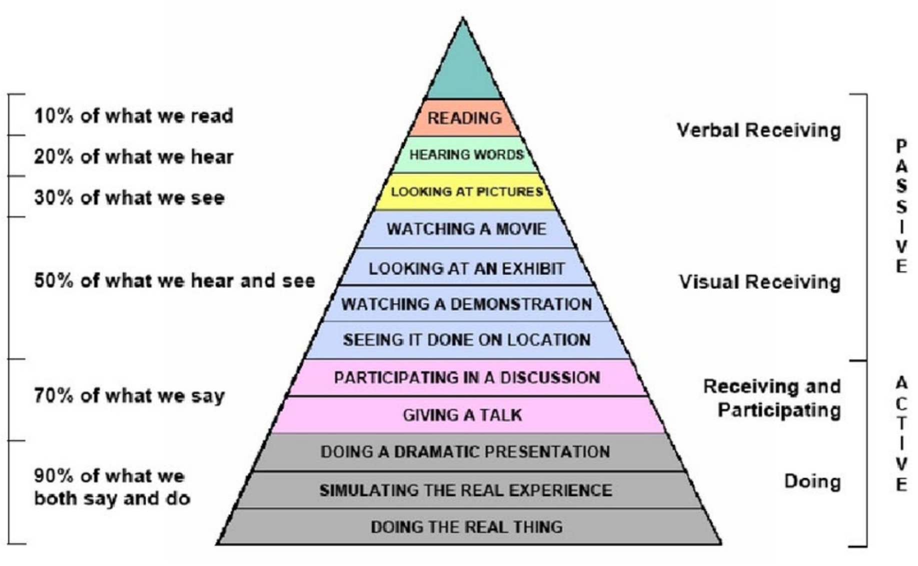


*Figure 2. Ways of learning (according to Dale's Cone of Experience, https://www.researchgate.net/figure/Edgar-Dale-Audio-Visual-Methods-in-Teaching-3rd-Edition-Holt-Rinehart-and-Winston_fig1_28301198).*

Trainees are individuals. Sometimes trainers may encounter themselves in a demanding position with difficult participants. Table 1 gives some strategies to cope with difficult participants.

*Table 1: Ways to survive with difficult participants (Swan and Morgan 1993, sited in Assistive Technology Trainer's handbook, https://www.natenetwork.org/wp-content/uploads/at-trainers-handbook.pdf, p. 86-87)*

| ***Behavior*** | ***Possible reasons*** | ***Strategies for presenters*** |
|---|---|---|
| **The aggressor** | | |
| Confrontational, challenging and unpredictable. May include direct confrontation or constant "supportive" criticism of present ideas. | Need to win.<br><br>Desire to be the leader.<br><br>Need to control the group or the outcome of the training. | Remain calm – do not engage in the confrontation.<br><br>Ask for explanation and clarification of concerns.<br><br>Seek feedback from other participants.<br><br>Redirect the conversation back to content.<br><br>Model ways to permit differences of opinion to stand.<br><br>Use humor.<br><br>Be friendly and relaxed. |

| | | |
|---|---|---|
| | | As a last resort, discuss the behavior in private during a break. |
| **The isolate** | | |
| Does not participate or frequently leaves the session for other activities such as phone calls. | Anxious about speaking.<br>Unsure of own knowledge.<br>Unwilling to commit to the work.<br>Insecure about working with others.<br>May not want to be in the workshop.<br>May have pressing needs than the content of the training. | Ask questions that require yes, no or very short answers to get things started.<br>Offer activities for pairs or very small groups.<br>Assign each person in the workshop specific task to be reviewed by the presenter or other participants.<br>Ask questions that are about the isolate's areas of expertise or strengths.<br>Work with the person one-to-one or ask about the reasons for non-participation. |
| **The negative** | | |
| Responds negatively to any new idea or task. Refuses to try new ideas or to consider them. | Poor self-concept.<br>Lack of faith in ability to do the work.<br>Has been required to attend the training. | Stay positive.<br>State your perceptions of the situation in positive ways.<br>Do not argue.<br>Do not problem solve for the person.<br>Brainstorm with the large group about ways to address the negative aspects that person identifies. "What would it take…"<br>Ask the group to reserve judgement until the end.<br>Ask what part of the topic could be adopted. |
| **The monopolize** | | |

| | | |
|---|---|---|
| Talks for long periods.<br><br>Interrupts others.<br><br>Repeats concerns frequently.<br><br>Tries to speak first.<br><br>Does not listen. | Insecure about participation.<br><br>Insecure about own knowledge base.<br><br>Need for attention.<br><br>Need for approval from the presenter or the group.<br><br>May be naturally talkative.<br><br>May desire to be in charge of the outcome. | Odder activities that require turn taking and multiple speakers.<br><br>Offer activities that require each person to respond or pass.<br><br>Encourage participants to offer feedback to each other rather than in the large group.<br><br>Provide a time limit for comments and questions that everyone in the group must abide by. |
| **The expert** | | |
| Says that s/he already knows the content.<br><br>Talks a lot.<br><br>Volunteers to help the presenter.<br><br>May offer incorrect facts. | Seeking respect and acknowledgement from other participants.<br><br>Seeking approval or connection with the presenter. | Ensure opportunities with others.<br><br>Spend a break or part of a lunch with the person. |

Further information:

Guide for Training in SMEs is available in several languages https://op.europa.eu/en/publication-detail/-/publication/1020b85f-dcc4-4c80-8d6e-65f4617aa3cd

ADDIE overview:

http://www.mass-service.org/sites/default/files/A11%20ADDIE%20Presentation%20Materials.pdf

Trainer’s notes

## Presentation skills

### Lectures

When planning a training session, trainers should pay attention to what trainees remember from it. Estimated learning takes place:

- 10 % of what they read
- 20 % of what they hear
- 30 % of what they see
- 40 - 50 % of what they see and hear
- 50 % of what they discuss
- 70 % of what they experience
- 90 % of what they say as they do

Trainers should engage participants in thinking, questioning, and experiencing themselves. Thus, trainers should not speak all the time alone, because effectiveness of learning decreases very soon, if participants are not involved in the training.

| |
|---|
| Discussion: Determine what learning method best suits your specific requirements |

### Icebreakers

In the beginning of the session, it is important to get participants involved and engaged in an activity that requires them to talk and cooperate with the others. Icebreakers are the simple activities used at the beginning of a session to help participants learn each other's names and/or backgrounds, share their experiences, or introduce the topic of the lecture. The right icebreaker can help to get a positive and enjoyable learning experience for both the trainer and the participants. During the icebreakers, participants should connect with at least one other person. Icebreakers should be topic related and at low risk so that participants would feel comfortable and easy. Time used for icebreakers should not be too long, compared to the length of the session.

Further information:

The Assistive Technology Trainer's Handbook is a toolkit for assistive technology training and it offers wide range of information related to the training sessions, for example icebreakers, presentations, brainstorming etc.

https://www.natenetwork.org/wp-content/uploads/at-trainers-handbook.pdf

Creative Icebreakers, Introductions, and Hellos for Teachers, Trainers, and Facilitators –manual has 15 ideas for icebreaking in the beginning of trainer's session.

http://www.businesstrainingworks.com/training-resources/free-icebreakers

### Presentations

The presentation (e.g. PowerPoint™ or Prezi (Prezi.com)) is used to support the content of the training and thus it should be clear and easy to read. The presentation is designed to be a visual support for both the trainer and the participants. For further examples, see e.g.

- Assistive Technology Trainer's Handbook https://www.natenetwork.org/wp-content/uploads/at-trainers-handbook.pdf
- Presentation Skills Training Resources and Articles

http://www.businesstrainingworks.com/training-resources/presentation-skills-articles
How to create effective training materials
https://www.hpandt.com/howtocreateeffectivetrainingmanuals.pdf

## Figures, Tables and Videos

In order to improve the attractiveness of the lecture and the presentation it would be advisable to include figures, tables or videos into the presentation/ the lecture. Figures and tables illustrate the situations well and thus make it easier for the participants to assimilate the gained information. Presentations of success stories and case studies can be also included to this section. Internet and Youtube offer good opportunity for researching suitable videos.

Further information:

This toolkit is a training programme which can be delivered by experienced trainers / facilitators, with expert knowledge and skills in facilitating.
http://www.knowledge.scot.nhs.uk/media/6866097/trainthetrainers__final_.pdf

Free training resources https://www.trainingcoursematerial.com/free-training-resources

## Attitude awareness, motivation and engagement

According to the BJ Fogg Behavior Model, people take action when their motivation and ability to complete a task are both high and there is a triggering element (Figure 3). Behavioral changes will be expected during training if all three elements are present at the same time.

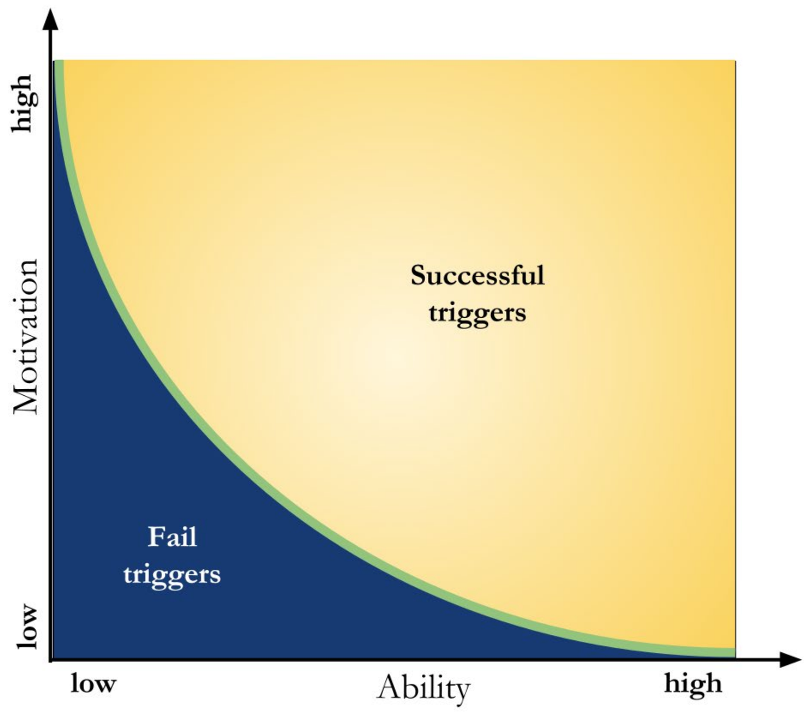


*Figure 3. The BJ Fogg Behavior Model (According to Goodmanguy - Own work, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=58335488).*

The model highlights three principal elements and their subcomponents:

- Core Motivators (Motivation): pleasure/pain, hope/fair, social acceptance/rejection; sensation, anticipation, belonging
- Simplicity Factors (Ability): time, money, physical effort, brain cycles, social deviance, non-routine
- Triggers: facilitator, spark, signal

In the planning and implementing training sessions trainers have to create and keep the high motivation level, give skills to do things easier, and give something that calls to action. Training should give a positive learning experience and a feeling of a victory.

Attitudes can be dealt with in different ways during the training. Depending on what type of attitude question we have the solution of influencing into the attitude is somewhat different. Is there a need for attitudinal change, future oriented attitude, more positive attitude or an attitude that can see the comparative advantages? The training course objective should be created in a way that it emphasizes the nature of attitude change. Change should be seen both in participants' own attitude and in the attitude in SMEs to gain comparative advantages. Also, the importance of the concept in a global scale should be emphasized.

Effective training and learning relay on motivation. Trainers face challenges in making the lectures more interesting and motivating. Unfortunately, there is no single answer how to motivate participants. Trainers are advised to accommodate different learning styles, like visual, oral, or kinesthetic, during their training sessions.

When implementing training programme trainers should consider how they could translate theory into practice. Experimental learning is very powerful when trainers can combine participants' own experiences with the training programme contents.

There are range of exercises the trainer can effectively use in order to involve in the participants as much as possible to the learning process.  The best way for adults to learn is when the new course material is based on their experiences, but there should also be left space for the debate among the participants. Many of the participants are experienced employees or entrepreneurs who have valuable information to contribute. There are varieties of training methods and together they can give the possibility for a multifaceted understanding of the course material.

One way to activate trainees is to include storytelling in the training sessions. Stories may make communication easier, and insert personal touches in the sessions. Stories can be used as examples of right and wrong ways to perform tasks or skills. They could be used to activate participants to find different views on the topic. Trainers should also give floor to the participants' own stories.

There are several ways trainers can use to engage your audience throughout the training sessions:

- interesting materials, which will be used after the training, too
- pair or group discussions, involve participants in one way or another
- case studies and examples from real life situations
- role plays are excellent for example in supervisory, mentoring or coaching situations
- demonstrations, videos, material samples, process simulations, etc,

Further information

Training methods: a review and analysis
https://www.researchgate.net/publication/274980945_Training_Methods_A_Review_and_Analysis

The Trainer's Survival Guide has 25 different activities that make lecture-based lessons more active. They can be used during the training session and they have tips for the trainer to get participants involved. http://www.leotrainer.com/tactiveteach.pdf

10 Storytelling Tips for Powerful Messages in ONE hour
https://ec.europa.eu/regional_policy/sources/informing/events/2511-virtual/melissa_rancourt_inio_meeting.pdf

## Evaluation

Evaluation of the effectiveness of the training is important task. After the theory session, trainers or organizers can collect feedback with questionnaires that participants can fill in onsite or online. Allow enough time for completing the forms, and time to discuss what participants have learnt and how they are going to use that knowledge. The subject of the evaluation is

1) the course itself with all the topics and gained knowledge
2) the framework conditions out of the course: lecturers, organization, materials etc.

Based on the evaluation results, trainer can reveal the whole training outcomes against the expected outcomes, find out eventual weaknesses and get information about new aspects to be incorporated into the programme.

For the "Train the Trainer programme for teachers to conduct further training" evaluation forms will be created and distributed during the training sessions.

Further information:

Training Course: Evaluation of Adult Education and Training Activities, Course Structure and Contents http://www.demalproject.eu/documents/O2_EVA_EN_181130.pdf

Training evaluation https://sswm.info/train-trainers/post-training-activities/training-evaluation

# Effective training techniques

The second part of the pedagogy deals with mentoring and coaching, spreading best practices, learning from the worst cases, effective questioning and appreciative inquiry, and creativity and innovations. There are several links to different kind of document, reports and videos about how to improve the training sessions. The further information links and other sources have been accessed 26.9.2021.

Learning involves acquiring new knowledge, skills and attitudes that result in change in participants' ability to do something, i.e. in this Train the Trainer programme the ability to apply effective training methods. The components in learning process include knowledge acquisition, thinking for understanding and doing in practice.

## Group work and brainstorming

Group works can be applied in learning if the trainer wants participants to deal about the issue by debating and discussing. Group work in small groups gives all participants the opportunity to participate in the exercises and thus express their ideas. In order to get the best out of the group works would be good to get them goal oriented. The participants should understand the task of the group work at hand, the timeframe and the way of presenting the results.

In brainstorming, the trainer asks an open-ended question and the participants come up with as many solutions as possible. The idea of brainstorming is to get participants involved and engaged in the training. Brainstorming should be based on few rules in order to get the best results. Example of the rule could be that there are no stupid or bad ideas.

Discussion: Your task is to collect locally available training materials and information resources for your train the trainer event. From which sources would you start?

Further information:

Trainer's Handbook, Assistive Technology Trainer's handbook
https://www.natenetwork.org/wp-content/uploads/at-trainers-handbook.pdf

MindTool Brainstorming http://www.mindtools.com/brainstm.html

## Trainer's notes

## Mentoring and coaching

The EMCC glossary gives the following definition to coaching and mentoring: “It is a professionally guided process that inspires clients to maximize their personal and professional potential. It is a structured, purposeful and transformational process, helping clients to see and test alternative ways for improvement of competence, decision making and enhancement of quality of life. Coach and Mentor and client work together in a partnering relationship on strictly confidential terms. In this relationship, clients are experts on the content & decision making level; the coach & mentor is an expert in professionally guiding the process”. ( https://emccdrive.emccglobal.org/api/file/download/uKy7MLlofV6NoR4grJpySLZNGpbYoGntuZSeu9zf)

Although the definition above draws a parallel between mentoring and coaching the methods are not same nor similar. Mentoring can be described as partnership between two people working in a same field or sharing same experiences. A mentor is a person helping the mentee to develop solutions to career related issues. Mentors should be helpful and get the mentee to believe in him/her while boosting his/her confidence. A good mentor also challenges and questions mentee, but in the meantime provides guidance and encouragement. The most important meanings of mentoring are to enable others to become more self-aware, to make them take responsible for their life and to direct their life in the direction they decide.

Coaching focuses on the individual needs of a person and is generally less formal than other kinds of training. A manager, supervisor, or other employees serve usually as the coach. The coach works with the employee being coached when time allows and works with this employee to answer questions, make suggestions, leads to right track, and gives support and feedback. The differences between coaching and mentoring are shown in Table 2.

Mentoring as an important part of business transfer process is discussed further in chapter “Mentor and Mentoring”.

## Trainer’s notes

*Table 2: Differences between coaching and mentoring (https://www.usgs.gov/media/files/coaching-vs-mentoring-25-ways-theyre-different).*

| **Coaching** | **Mentoring** |
|---|---|
| Task oriented | Relationship oriented |
| Short term | Long Term |
| Performance driven | Development driven |
| Can be done as needed; no design necessary | Program design needed to create effective program |
| Manager directly involved | Manager involved only indirectly |
| More easily evaluated and measured for ROI | Less easy to measure for ROI |
| Reliance on performance management systems, e.g. reviews, 360's etc. | Not dependent upon performance management systems |
| Feedback by coach to manager about progress in development | No feedback by mentor to manager |
| Coach paid for services | Mentor receives no compensation |
| Coach operates independently | Mentors operate with assistance from the Mentoring Program Manager |
| No training of coaches needed | Mentors and mentees trained |
| Focus is more on business issues than personal | Focus is on personal and professional development |
| Lower initial investment cost | Higher initial investment cost (lower over time) |
| Lends itself to online software | Management of the mentoring program lends itself to software but not the relationship itself |
| Coaches leave organization when done | Mentors and mentees remain in the organization and can provide ongoing mentoring to others |
| Done by inside or outside content expert | Mentors are normally within the company |
| Can be done for remedial purposes | Never remedial |
| Internal politics not usually affected | Internal politics a consideration in program design |
| Cultural change may/may not occur | Mentoring is transformational and affects the culture |
| Diversity may or may not be included | Diversity is a component of mentoring |

| | |
|---|---|
| Coaching done 1-on-1 | Mentoring most often is done 1-on-1 but other models may be used as well |
| Content expertise more important in coaching | Interpersonal skills more important in mentoring |
| Manager can be coach of own employee | Mentor is outside mentee's direct supervisory line |
| Coaching is one-directional | Mentoring is bi-directional |
| Coaching is focused on the business person | Mentoring involves the whole person |
| Behavioral transformation | Personal transformation |

Further information:

Information on business mentoring, successful mentorship and the benefits of mentoring can be found from the Website https://www.micromentor.org/

Videos: http://mentoring-works.com/resources/videos/

## Effective questioning and appreciative inquiry

Learning can be promoted by effective questions. By questions, trainers can motivate participants, keep their interest on the key issues, and engage them in the learning process. Questions can also be seen as means of fostering knowledge sharing and creation among participants. Should you be worried if participants do not have questions? Yes, you should. In the beginning of the sessions trainer should encourage participants to ask questions. There are no silly questions. If there are no questions from the audience, pose them a question. If you do not know the answer, ask help from the participants. Someone from the audience might know the answer. Of course, you can always give links to Internet sites with further information.

In the SMEs, problems can be solved by using the 4D-model or 5D-model. The four common phases are:

- Define: you have to know the current situation and it's positive aspects
- Discovery: analyze what works well currently
- Dream: dream vision of what is the bright future, brainstorm creative and innovative ideas
- Design: build the dream, plan systems, processes, and strategies

The fifth phase in the 5D-model is (Figure 4):

- Deliver, which is the implementation towards the dream.

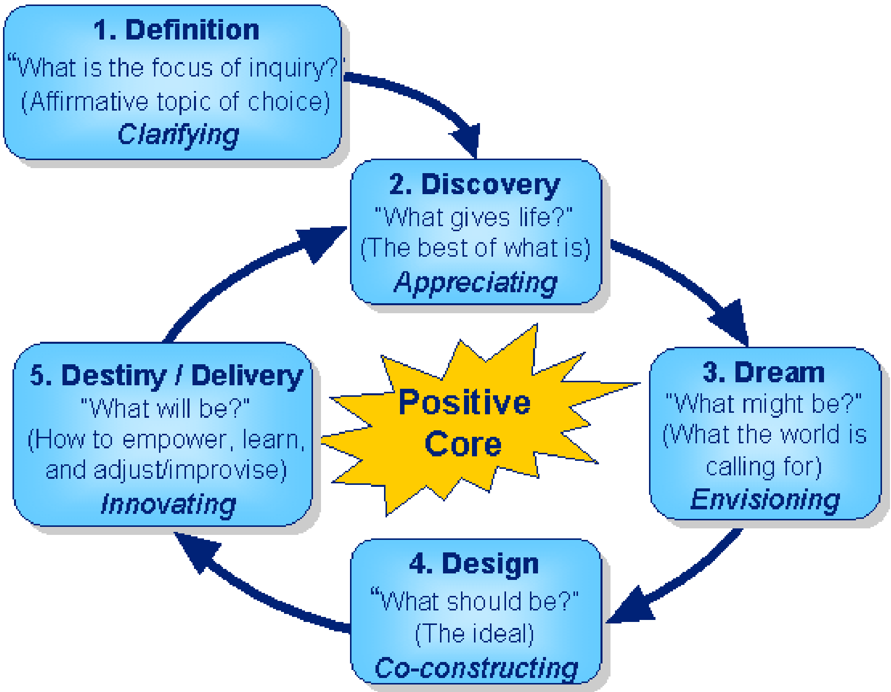


*Figure 4. The 5-D Cycle of Appreciative Inquiry* [http://www.metavolution.com/rsrc/articles/whatis_ai.htm](http://www.metavolution.com/rsrc/articles/whatis_ai.htm)

Further information:

MindTools Appreciative inquiry http://www.mindtools.com/pages/article/newTMC_85.htm

Center for Appreciative Inquiry http://www.centerforappreciativeinquiry.net/

## Best practices and worst cases in knowledge creation and sharing

Best practices can be defined as "practices that consistently show results superior to those achieved with other means". (European Commission report on best practices p.17) Best practice examples can be used as a support and example during the training session. Good examples can be asked from participants.

Discussion:

Share your best and worse experiences with other participants.

Further information:

Small Business Act - Database of good practices https://ec.europa.eu/growth/tools-databases/sme-best-practices/SBA/index.cfm?fuseaction=welcome.detail

Enterprise Europe Network, Success stories https://een.ec.europa.eu/success-stories

Worst cases can be defined as: “ involving, projecting, or providing for the worst possible circumstances or outcome of a given situation” (https://www.merriam-webster.com/dictionary/worst-case). During the training session worst cases can be helpful to the participants in order to help their planning of the future expenditure cuts and contingency in their businesses. Unfortunately, examples from the worst cases are not easily found.

Experiences from a real working life and companies should be included in the training programmes. During group activities possible solutions for the acute changes could be developed.

Further information:

Foresight methodology:
https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1553867970.pdf

## Creativity and innovations

Creativity and innovations are closely related to the productivity in SMEs. European Commission promotes innovations in SMEs, like technological breakthroughs, new processes and business models, non-technological innovations and innovation in the services sector. Creativity, use of new knowledge and capturing tacit knowledge will strengthen productivity of SMEs. When knowledge is transferred effectively, new product, process and service innovations have a change to be invented.

Further information:

European small business portal has gathered together all the information provided by the EU for SMEs, ranging from practical advice to policy issues.
http://ec.europa.eu/small-business/index_en.htm

European Commission, Innovations
http://ec.europa.eu/growth/industry/innovation/index_en.htm

MindTools Creativity tools http://www.mindtools.com/pages/main/newMN_CT.htm

Video: The Future of Creativity and Innovation is Gamification
https://www.youtube.com/watch?v=ZZvRw71Slew

## Trainer’s notes

## Digital Training and Learning Tools

Technology plays a fundamental role in the processes of train the trainer education and learning. Digital training and learning tools can be used in several ways to support the teaching and learning process. The number of digital tools available is huge, so only a couple of the main type of applications will be presented. The role of these tools is to give autonomy to the trainee and encourage trainees to collaborate with other trainees and facilitate communication with the trainer and trainees. Digital tools can be used in multiple ways via mobile devices. With train the trainer process technology will give much wider ways to conduct training sessions, to be integrated as supplement tools in face-to-face teaching or to support mentoring or coaching process either online or offline.

### Pedagogy in digital environments

When utilizing digital training and learning tools, the pedagogical approach has to be rethought. All three forms of knowledge, i.e. content, pedagogy, and technology, have to be considered simultaneously in unique contexts as shown in Figure 5. Since digital training courses differ from each other, due to the tools used, the level of trainees, the cultures and lecturers, each course is unique. Traditional training events are unique too, but the complexity of training with digital tools brings more pedagogical challenges. Transition to the use of digital training and learning tools means much more than just transfer of materials and activities to the digital environment.

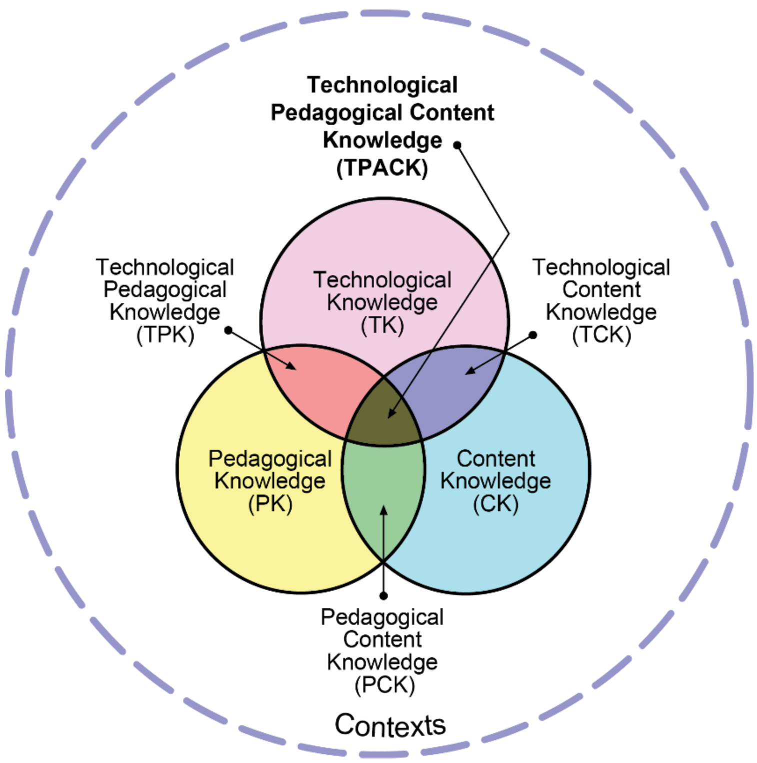


*Figure 5. Components of TPACK (© 2012 by tpack.org, http://tpack.org).*

### Examples of learning platforms and tools

Multiple development tools and digital teaching devices are available for use with train the trainer courses. Some of the learning platforms and tools are shortly presented here. Tools enable not only online video meeting, but also managing daily tasks and storing documents in cloud services. Tools work as well as well on mobile devices and desktops or laptops. The following platforms and tools are only examples from different kinds of applications, and more free and fee paid versions and applications can be found in the Internet.

**Moodle** is an open source learning management system (https://moodle.org/?lang=fi).

The platform works in several languages.

Hubs for meetings and conferencing, chatting and collaborations are i.e. Microsoft **Teams** (https://www.microsoft.com/en-us/microsoft-teams/group-chat-software) and **ZOOM** (https://zoom.us/).

**Collaborative tools** offer versatile visualization tools for collaborative knowledge building. Visual thinking tools are applicable in various business and training cases, such as project planning, meeting management, brainstorming, idea management, knowledge management, and note taking. Participants can simultaneously create content and new ideas or create mindmaps. Some examples of collaborative tools are Flinga whiteboard (http://www.nordtouch.fi/, Miro (https://miro.com/) and Padlet (https://padlet.com).

**Kahoot!** is a game-based learning platform for creating, sharing and playing learning games or trivia quizzes (https://kahoot.com/).

**Online feedback** can be collected by many different platforms. E.g. some of the collaborative tools enable anonymous input and can be modified to be used in collecting the feedback. More sophisticated tools, for example Google Forms and Microsoft Forms, enable conducting a survey and importing the results to the Excel or other spreadsheet program to be analyzed.

Tools that are particularly designed to collect feedback are for example SurveySparrow (https://surveysparrow.com/), GetFeedback (https://www.getfeedback.com/) and Gainsight PX (https://www.gainsight.com/) that is particularly designed to catch user feedback from digital platforms, applications and services.

Concerning the educational purposes there are several free web tools that can be used to gather feedback from students. Feedback can be both formally and informally. It is also possible to use these tools to poll students about a learning event, assess their level of comprehension, or simply to get to know their opinions about a certain topic. Some of these tools will be listed below:

- Poll Everywhere (http://www.polleverywhere.com/)
- Kwiqpoll (http://kwiqpoll.com/)
- SimpleMeet Me (http://www.simplemeet.me/#)

Each tool has its own properties and particular purpose it has been designed for. Thus, it could be a good idea to get known with several tools before choosing the one to be used just in the case on hands.

| |
|---|
| Discussion: How digital learning and electronic tools fit in your own entrepreneurship training events? What are the pros and cons of the use of variety of training tools? |

Further information:

Digital pedagogy https://www.tuni.fi/tlc/en/planning-and-implementation-of-teaching/digital-pedagogics/

Digital pedagogy toolkit https://www.jisc.ac.uk/full-guide/digital-pedagogy-toolkit#

Hybrid pedagogy https://hybridpedagogy.org/

Pedagogics in digital learning https://unips.fi/pedagogics-in-digital-learning/

Automatic feedback in online learning environments: A systematic literature review https://www.sciencedirect.com/science/article/pii/S2666920X21000217

## Definitions

**Digital pedagogy:** “The term ‘digital pedagogy’ is made up of two words: ‘digital’ and ‘pedagogy’. The word ‘digital’ refers to something which exists in electronic form. This might be information, materials or tools. ‘Pedagogy’ refers to the ways teaching is organized. Digital pedagogy may refer to the ways in which teaching is organized, from classrooms to web-based learning environments.” Koli, H., see more detailed description from https://aoe.fi/#/materiaali/3.

**Collaborative tool:** “Collaboration is commonly defined as working with another individual or group in order to achieve something. With that, we can define a collaboration tool: a technology tool that can be used to help people work together to achieve a common goal or objective.

A collaboration tool can be something as simple as a whiteboard in a conference room that people gather around and use to brainstorm and solve problems. Another collaboration tool is a conference call, during which multiple people get together over the phone to hash out an issue. But for the purposes of this lesson, we are going to discuss online tools that allow people to work together to get a job done: email, workflow software, online workspaces, and so forth. These types of tools are also sometimes referred to as groupware.” (What Are Collaboration Tools? - Definition & Types. (2016, August 4). Retrieved from https://study.com/academy/lesson/what-are-collaboration-tools-definition-types-quiz.html)

## Trainer’s notes

# Entrepreneurship

## Entrepreneur & entrepreneurship

A person who creates a new business, or buys an existing one, being in charge of most of the risks and gaining most of the rewards if the business has success. The concept of starting and running a business is called entrepreneurship. The entrepreneur is can sometimes be seen as an innovator: a flow of new ideas, goods, services, and business/or procedures taking over one's mind is common for entrepreneurs. However, an entrepreneur does not necessary need to be an innovator. Another stereotypic version of entrepreneur is skillful hard-working craftsperson, tailor, carpenter or shoemaker who has learnt skills from father and wishes to teach same skills to children too. The truth is between these stereotypic versions, although, unfortunately, the contemporary era highlights more the innovative young startup founder and serial entrepreneur without seeing the smoking ruins behind many of them.

Entrepreneurs play an important role in economies all around the world. They use their skills and initiative necessary to match the demand and to bring new ideas into markets. Entrepreneur, who proves to be successful in carrying the risks of founding a startup or acquiring an existing enterprise, can expect profits, fame, and continuing growth. Entrepreneur, who fails, carries losses and bad reputation in markets.

Entrepreneurship as a concept covers the both sides of the doing business, both success and fail. Those who just want to cream off can soon be former entrepreneurs.

"You just do not see the things from my side?"

https://www.investopedia.com/terms/e/entrepreneur.asp

## Properties of an entrepreneur

Entrepreneurship is commonly defined as the process of starting a (new) business. Although this is partly true, some issues should be emphasized.

If the concept entrepreneurship is defined as an opportunity (or attempt) "*to sell a product or service for which customers are willing to pay more than the required investments and operating costs*", it must be considered that entrepreneurs, both personally and in teams may find opportunities throughout their personal and professional lives. They get ideas concerning the ways they could answer to customers' needs, and test their ideas. They may recruit others and invest money to find out how the delivery of a product or service would be possible at an acceptable cost. Most of these opportunities are visible for everyone, but only few of them take the risk to try out, to catch the opportunity, to become an entrepreneur.

Thus, how to identify those who will be entrepreneurs? During the years entrepreneurship has exists as an issue in business management discourse, there has been several attempts to describe the typical characteristics of a successful entrepreneur. It has been stated that there is no unique personality profile that would be universal among the entrepreneurs, and that is why it would be more essential to pay attention to the entrepreneurial team, than to focus on the individual properties. No certain single characteristic or personal profile, that would explain the entrepreneur's nature, has been identified. However, there are certain characteristics that play a big role when starting and running a business, and gaining the success. According to online course Entrepreneurship Essentials, offered by HBS, ten characteristics that are typical for most of the most successful entrepreneurs are:

### *1. Curiosity*

A sense of curiosity allows entrepreneurs continuously scan for new opportunities. Curious entrepreneurs do not stay with what they already know and can, but challenge themselves and explore new ways and opportunities. Entrepreneurship is sometime described as a continuous process of discovery. Continuous challenge to the status quo and searching new answers to both new and old questions enable valuable innovations.

### *2. Structured Experimentation*

Curious mentality includes the need for structured experimentation. An entrepreneur tests new opportunities to determine whether it is worth pursuing.

### *3. Adaptability*

The world around us changes all the time and so does the business too. New challenges and opportunities appear at every turn. One can not possibly be prepared for every scenario. Situations need to be evaluated and adapted to keep the business going on when unexpected changes occur.

### *4. Decisiveness*

To success, difficult decisions must be made and stood by them. As a leader, an entrepreneur is responsible for guiding the course of his/her business, including every issue from financial and strategy planning to HR and other resource allocation. However, being decisive does not mean that one should know all the answers. Being an entrepreneur means to make challenging decisions and see them through. If the outcome proves to be less profitable or in other way unexpected, corrective actions are just as important.

### *5. Team Building*

Ant entrepreneur should be aware of his / her strengths and weaknesses and build well-rounded teams that complement his/her abilities. Rather than an individual entrepreneur, it is the managerial or entrepreneurial team, which runs a business toward success. Particularly in the beginning of the entrepreneurial career, it is critical for young entrepreneur to surround oneself with team that has complementary talents and that contributes to a common goal.

### *6. Risk Tolerance*

Risk belongs to the entrepreneurship. Launching a business requires an entrepreneur to take risks, thus, there are also means to minimize those risks. Entrepreneurs should actively manage the relationship between risk and reward, and position their businesses to “sunny side of the street”. To success, an entrepreneur should be comfortable with experiencing certain level of risk to harvest the rewards of their efforts. However, their risk tolerance is tightly related to their efforts to mitigate it.

### *7. Comfortable with Failure*

In addition to managing and tolerating risks, and considering the risks in decisions, an entrepreneur rshould have a certain tolerance with failure. It has been estimated that 75 - 85 percent of new startups fail, depending to the branch and area. The reasons for failure are various; from too optimistic expectations or unrealistic business plans to focus on totally wrong issues or lack of motivation can be found behind a fallen startup. Although many of these risks could be foreseen and avoided, there are also risks that can not be seen in advance. Successful entrepreneurs realize the risks and are prepared to failures, too. They see these as opportunities to learn and a source of new success.

### *8. Persistence*

As already said, although successful entrepreneur takes into account the possibility of failing, it does not mean surrender but considering the failures as possibilities to learn and grow. During the entrepreneurial career, many prove to be wrong, and businesses may fail without any certain reason. The willingness to learn from mistakes, continuously asking questions, and aiming to reach set goals are some common characteristics of successful entrepreneur.

### *9. Innovation*

It is stated, that innovation goes together with entrepreneurship. This can be true—but not necessary is. There are many examples how a new enterprise has gained success by taking existing product or service, improving and renewing it, and by updating it to meet the contemporary or future requirements of the market. Thus, although innovation not necessary needed to success, having an innovative mindset at least helps to solve problems. It is good to know, that innovativeness is a characteristic that can be cultivated. By developing strategic skills, an entrepreneur will also get tools to find innovative opportunities and to ensure the success of the business.

### *10. Long-Term Focus*

The term entrepreneurship is commonly defined as the process of starting a business. Although the first steps in starting a business are most critical to success of an enterprise, getting the business in operational stage does not end the process. It can be easy – or at least seem to be easy – to found or acquire an enterprise. However, it requires hard work grow a business profitable and sustainable. Although an entrepreneur may have an excellent idea while founding the company, the greatest opportunities may – and probably will – be found when the business is running. It must be highlighted, that entrepreneurship is a life-long course, and entrepreneurs should focus on the entrepreneurship with long sight to ensure the success in the future too.

Many other definitions of entrepreneur contains the same properties named above, or at least some of them, sometimes combined to tight slogans or simplified to easily remembered phrases. It is good to bear in mind, that even if it can seem to be easy, successful entrepreneurship is a combination of wonderful ideas, good luck and – before all – hard work.

KEY ISSUES

A person, who charges the risk of starting a new business or acquiring and/or running an existing one, is called an entrepreneur.

An entrepreneur founds, owns and manages a firm to realize his/her idea, known as business idea, and aggregates capital and labor in order to produce goods or services, and wishes that this activity would be profitable. This concept is called entrepreneurship.

Entrepreneurship as a concept contains both high risks and an opportunity to high rewards. Entrepreneurship serves the whole society by generating economic wealth, growth, and innovation.

Ensuring funding is one of the key issues in entrepreneurship.

The way enterprises adopt an approach to e.g. employees' rights, safety at work, environmental and sustainability issues, equality, consumerism, and filing and paying taxes, is called business ethic. Business ethic is highly depending on entrepreneurs' own attitudes.

Further information can be found e.g. from

https://online.hbs.edu/blog/post/characteristics-of-successful-entrepreneurs

https://www.investopedia.com/articles/personal-finance/101014/10-characteristics-successful-entrepreneurs.asp

https://www.indeed.com/career-advice/finding-a-job/entrepreneur-characteristics

https://articles.bplans.com/35-common-characteristics-of-successful-entrepreneurs/

NOTE

The concept of entrepreneurship and characteristics of successful entrepreneur are partly culture-dependent. The properties listed above, as well as properties named in links of the further information –box, are mostly based on experiences gained from Anglo-American macrocultural area. In Europa, Africa and Asia, some properties can be emphasized more than the others.

## Trainer’s notes

## Determining corporate competitiveness

Preparing, completing and evaluating startup and takeover activities

## What criteria characterize the successful business transfer?

The retiring owner has a freedom to transfer the business to family or non-family member. In common, in generational transfers, the family member is preferred as a successor. However, if there are no heir willing to success or no heir at all, and if other family members and relatives are out of question too, the successor must be found outside the family. The business or part of it can be sold to management of a company (Management buy out, MBO), to staff and workers of a company (Personnel buy out, PBO), to other interested person or group of persons, or to another company (customer, competitor, provider, or investor). Although an entrepreneur may not be willing to transfer the business to competitor or investor and thinks that the best solution is to shut down the business by means of voluntary liquidation, this is in many cases the worst alternative: All the jobs and benefits gained from the economic activity of this enterprise are lost.

- Begin the planning of the transfer process
    - Planning should be started early enough – it is never too early
    - The transfer should be planned thoroughly – an entrepreneur should know his / her own competences, use the experts in issues he / she does not know well (e.g. tax issues), and keep all routes open. Succession plan should be formal.
- Search and find a successor that can be accepted by as many of the parties as possible. Suitable successor could be
    - Someone of the family members
    - Someone who knows the business well, who e.g. has worked in the company
    - Someone who has necessary skills to take control.
    - Remember, that lacking skills can be learned but wrong characteristics are much more difficult to be corrected.
    - If no suitable person is found, do not forget other company as suitable acquirer.
        - Competitor
        - Customer
        - Investor
        - …
- Set a timetable for transference of power/ownership
- The negotiations can be started immediately after suitable candidate has been found. After all the issues has been discussed, and both parties are satisfied with the results, final decisions should be made and agreements signed.
- Make the decisions required, sign the agreements
    - Note that in certain countries various formal documents are required depending the quality of transferred property (shares, real estates, vehicles, …)
- Inform all the stakeholders' groups, especially the employees.
    - Note that in many countries, when a business changes owner, its employees may be protected under the country's employment terms and conditions.
    - Note that in some countries the terms of employment, e.g. the pension rights, and the liabilities caused by these should be mentioned in the contract
    - Note that in some countries transfer of employment contracts is not needed but – particularly if agreed so – employees are moved to new owner as old employees.
        - what if employee doesn't want to work for the new employer?
- The successor should be given an opportunity to benefit knowledge and experience of previous owner, but even more important is to give successor space to make decisions of his / her own.
- Planning of the next generational transfer should be started immediately

- Can the business take over happen successfully without external consultancies?
    - Can but not recommendable
    - At least lawyers are needed

## Finance - funding

- There are few common ways to finance small business purchase and funds to operate the business after the purchase.
    - Own Funds
    - Seller Financing - not recommended except in transfers between the closest family members.
    - Bank Loan
    - Institutional loans from institutions specialized for
        - Supporting and / or funding of business transfers
        - Supporting and / or funding of generational business transfers
        - Supporting and / or funding of SME-business
        - Supporting and / or funding of innovational business
    - Leveraged Buyout
    - Assumption of Debt
    - “No-Money-Down” Opportunities
    - Investors that are funding startups with direct investments or more sophisticated instruments
    - Crowdfunding – uncertain instrument, may success if business or product is known by the crowd or appeals to the crowd.
- Each country and even each area may have its own special funding sources and investment support, thus it is recommendable that the trainer modifies this chapter to match the circumstances in country and area in question.
- In addition to funding, also guarantees are needed in most cases. Particularly if the loan is applied from bank or other institutional funding source. The common forms of guarantees are
    - Personal guarantees
    - Mortgages
    - Floating charges
    - Credit insurances ( require in common countersecurity)
    - Guarantees given by non-profit organization or municipal or governmental organization (may require countersecurity but not necessary)
    - This list should be completed according to country-specific and local approaches.

After purchasing or transferring a business, it is still a need to ensure that enterprise and / or entrepreneur has funds enough to operate the business successfully after acquired it (called working capital). In case there is a need for additional operational funding, it is better to negotiate it during the purchase negotiations than to try to get funding immediately after purchasing the business.

### *Common ways to finance operations:*

- Cash Reserve/Self-Funding
- Line of Credit
- Invoice Factoring
- Leasing
- Sale and lease back -solutions
- Payment terms
    - Longer terms for purchases, shorten the sales payment terms
    - Advance payments

Also in these financing forms, there may be local and country-specific exceptional approaches.

https://starting-up.org/en/starting-up/financing/different-types-of-funding/

https://smallbusiness.co.uk/financing-the-purchase-of-a-small-business-2463257/

https://www.business-transfer.eu/

An example of local business funding service: https://www.businessjoensuu.fi/en/services-for-companies/business-growth-and-development/funding-and-investments/

An example of “angel funding”: https://www.scandinavianinvestmentnetwork.com/

## Trainer’s notes

## Entrepreneurial environment

The environmental variables that have an impact on the entrepreneurial circumstances and particularly the willingness to start a career as entrepreneur.

- Tax policy
- Labor policy
- Business policy
- Business-friendly environment
- Public opinion
- Attitudes of family and friends
- Education
- Experiences gained from existing enterprises as customer / employee / …
- Business transfer influencers
- Opinions manifested in social media

## Corporate culture

According to Peter Drucker "Culture eats strategy for breakfast". Corporate culture has been defined e.g., as the values and behaviour that contribute to the unique social and psychological environment of an organization. This definition conflicts with the real life, because in many cases the organizational culture may include values and behaviour that work against the interests of an organization. The habits like nepotism, discrimination due to gender, religion, disability or ethnicity, or harassment, some examples to be given, are poisonous for collaboration, innovativeness, and successful and confidential relationships in business. Although no organization voluntary admits that there might be poisonous cultural characteristics in their organizational culture, scandals regularly burst out.

Another way to define organizational culture is to say, that organisational culture is a way an organization runs the business, treats its employees, customers, and the wider community. It is the way how an organisation approaches the topical issues like climate change, sustainability, equality and diversity of the personnel. Also the extent to which the freedom is allowed in decision making, developing new ideas and personal expression are part of organizational culture. Organizational culture defines also how the responsibilities, power and information are flowing through the hierarchy, and how the employees commit to collective goals and targets.

Different roles of an owner-manager may cause problems and is challenging on point of view of culture, value assessment and defining strategic goals. Particularly if the owner holds three positions (Majority or all of shares in general meeting, Chairman of the Board and CEO / Managing Director) at the same time, the owner may fall into a situation in which he/she should vote against himself/herself. In certain cases, this kind of situation may lead to illegal or harmful act, for example if the general meeting should e.g. refuse the approval of actions of members of board or CEO, but with the majority of votes the main owner accepts the approval. The more common but similarly illegal situation is if owner hires the family members into business and gives them better advantages than the other employees. In the smallest companies this can be understood by employees, particularly if it is made openly, and if the organisational culture includes commitment to the family ownership. However, the bigger the company is, measured by the number of employees, the bigger is the risk, that visible or even imagined nepotism causes dissatisfaction, weakens the commitment and disturbs the collaborative spirit. This is why the commitment to the principles of good governance is important and should be an essential part of the organizational culture of the smallest enterprises and corporations too.

## The core principles of good corporate governance are:

### *Accountability*

Stakeholders should always know the mission, values, short and long term strategic goals of the company. They should also always be aware of role they must play to help the company reach the goals. The stakeholders should also understand what the repercussions are if these expectations are not met. The board of directors should ensure that a company is steered in the right direction. A skilful management team will verify that their subordinates who report to them are following the company's strategy as instructed.

### *Transparency of Governance Policies*

Enterprises with an effective corporate hierarchy in place realize that transparency is a core principle. Stakeholders want to be sure that the business is running within the law and that company is managed in a way that is ethical and fair. Valuing transparency increases both trust and confidence among stakeholders.

### *Documentation of Policies and Procedures*

Pre-defined and documented policies, practices and procedures allow personnel in all levels of an organization to understand the tasks and functions in the company as well as those of the company, and to find out whether organizational objectives are met or not. The documented policies, practices and procedures assist employees of the organization see what they are expected to do. The documented policies and procedures enable to reassure employees that the organization follows all legal and regulatory requirements and establishes a framework through which the company can run business seamlessly and successfully.

### *Sound Decision-Making Within the Organization*

The concept "corporate governance" and practices supporting it are defined to support the profitability of business by good administration and sound decision-making. Company's executive leadership team can gather data and insight from e.g. employee and customer surveys, market analysis reports and managerial and departmental meetings to inform their decisions. For a Board of Directors of the company, the primary concern should always be on the interests of shareholders and stakeholders. The board is the topmost authority (Except the general meeting) concerning the company's management, and that is why the members of the board should have information enough to be able to make well founded decisions concerning annual budgets, executive compensation and authorizing the hire or release of the company's managing director / chief executive officer.

Definition of corporate governance: https://www.investopedia.com/terms/c/corporategovernance.asp

Principles of corporate governance: https://corpgov.law.harvard.edu/2016/09/08/principles-of-corporate-governance/

Core principles in small business: https://smallbusiness.chron.com/core-principles-good-corporate-governance-72364.html

## Trainer's notes

# Innovative enterprise

## Innovation management

Innovation management is a conceptual framework of managing new ideas from generating an idea to realizing them to become concrete product, service, or any part of business process. The managed innovation process consists of 4 main phases:

Generating – customers', employees' and other stakeholders' feedback as well as the news, and even rumours are used as input for brainstorm to uncover hidden needs, problems and future phenomena.

Capturing – Collecting, documenting, and saving ideas in an easily searchable, shareable and usable way.

Evaluating – Discussing, testing, and constructively criticizing innovative ideas to find out, whether they could suit for the needs of the business.

Prioritizing – Putting the innovative ideas in order according to their usability, importance, or some other criteria. Evaluate, which one(s) should be realized to optimize the usage of the resources in the company.

Another way to define innovation management is to consider it as a combination of the management of innovation processes, and change management. Innovation management can refer e.g. to product, business process, marketing or organizational innovation. Innovation management is the subject of ISO 56000 standards.

According to this definition, innovation management consists of a set of tools that allow leaders, managers, workers or users to collaborate with a common understanding of processes and goals. Innovation management allows the organization to see the external or internal opportunities, and to use the creativity of the organization to introduce new ideas concerning the services, processes or products. Innovation management should not be relegated to research and development; it involves workers and users at every level to contribute creatively an organization's product, service or marketing development.

By encouraging the usage of innovation management tools, management can support and utilize the creative capabilities of the staff for the continuous development of an organization. These tools include brainstorming, prototyping, product lifecycle management, idea management, design thinking, TRIZ, Phase–gate model, project management, product line planning and portfolio management. The process can be seen as an evolutionary integration of organization, technology and market by iterating series of activities: search, select, implement and capture.

## What is innovation

Innovation can be defined in various ways. One approach says that innovation is a process by which a domain, a product, or a service is updated by implementing new processes, adopting new techniques, or founding successful ideas to create new value. Innovation has always been one of the success factors in competitive markets. It has been proved during the recent years that the speed of change is increasing, and this means, that innovativeness is becoming most important in the entrepreneurial life.

The simplest definition of the innovation might be that innovation is an idea that is concrete, usable and that has value for the enterprise. It can be based to existing knowledge, or destruct or change existing understanding and construct a new one, that matches better to changed circumstances. Innovation process searches an answer to questions and challenges woken by changing business environment.

The result of an innovation process can be new product, services, or ways to do things (profit), or new or improved product or process. The innovation activities include all operations aiming to create an innovation

Innovation is related to process, connecting to knowledge, technology, market opportunities, new or improved products compared to those already available and encompassing a certain degree of risk. Innovation is a mindset describing how to do business in an other, new way that combines new knowledge and commercial approach

*Why it is important*

Two of business organization's basic functions are marketing and innovation. They produce incomes, all the other are costs. The result of the organization is incomes ./. costs.

Innovative methods contain opportunities to reduce waste and environmental damage. Innovations also create growth, increase productivity and support economic wealth, enables better goods and services and offer more interesting works. Innovative processes can increase profits on the value side or the costs side (less costs per unit).

### How to innovate

Innovation is needed but it is not easy. Innovation is not a natural process in our culture: Fear of failure and loosing faces is an effective way to stop innovativeness (Figure 6). Risk-taking and change making are not praised values in our society – stability is. However, risk taking is an essential part of entrepreneurship. Thus, innovativeness should be too. Open competition and entrepreneurship are not (yet) assets in our economies - protectionism and risk-avoiding are.

Innovation iceberg: Visible innovation projects vs core competence, external innovation sources, partnership and external support

What prevents the innovation?

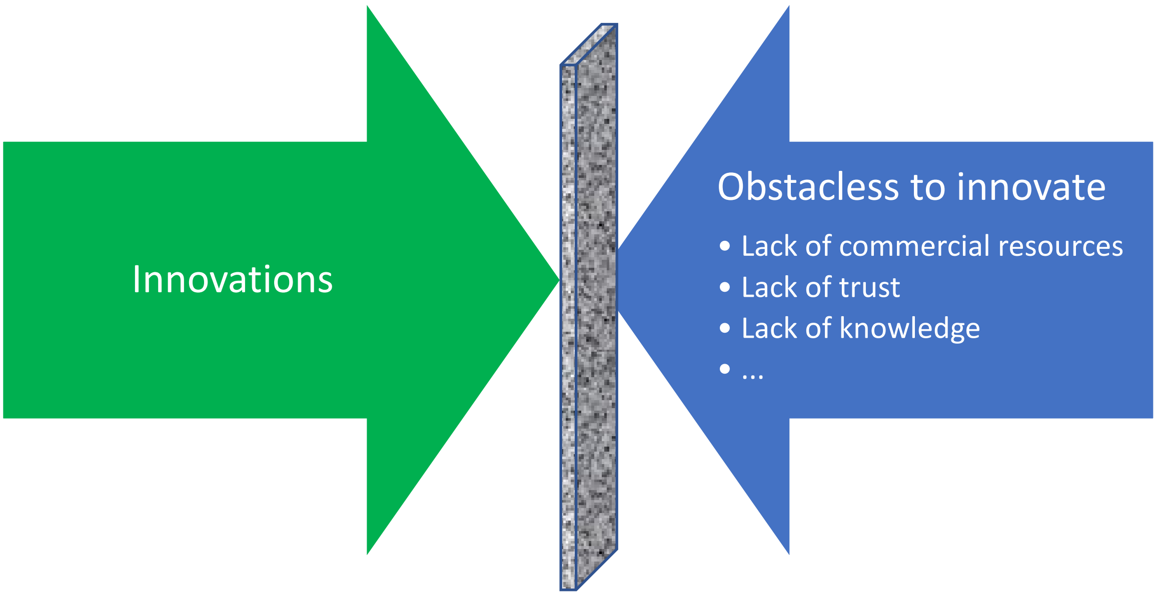


*Figure 6: Many issues can build a wall towards innovations*

Innovation management – the object of management discipline (Figure 7) is crosscutting the areas like technology, product development, and logistics, among the many other. In addition to this, innovation is not only one activity but a series of activities (Figure 8).

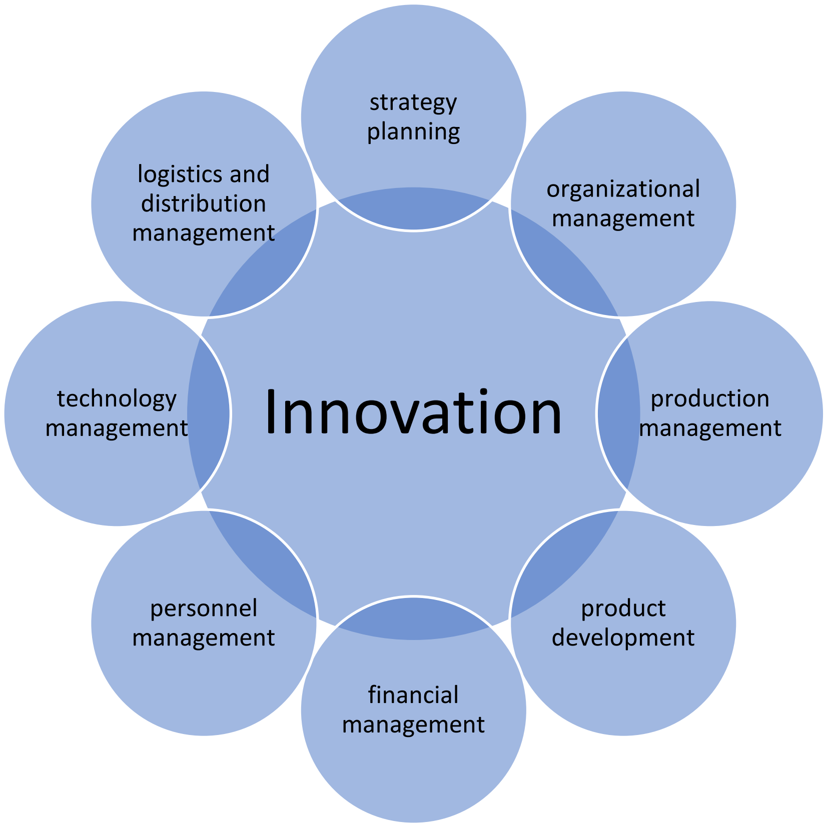


*Figure 7: Disciplines to be considered during the innovation process*

=> Is any specific expert capable to lead innovation or evaluate it?

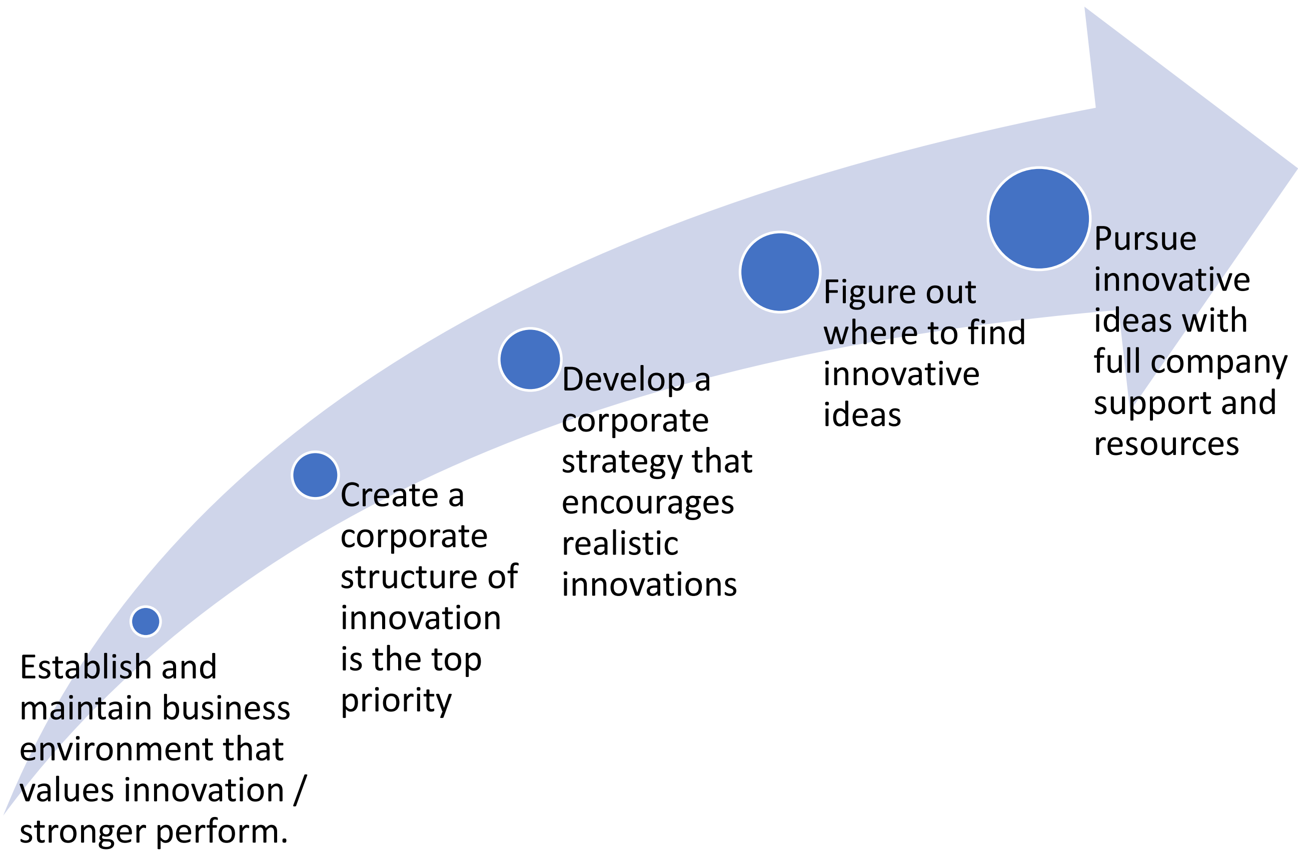


*Figure 8: Five steps to innovative business culture*

Discuss:

How to sustain innovation while transferring business

## Classifying an innovation

Innovations can be classified in many different ways. One common classification is based to innovations impact on technology and value chain. If an innovation creates totally new technology and totally new value chains, it can be considered as radical innovation. If it only improves existing technology without creating any new value chain, it is called as incremental innovation (Figure 9). It is good to bear in mind, that these classifications are always architypes, and an innovation is very rarely pure radical innovation.

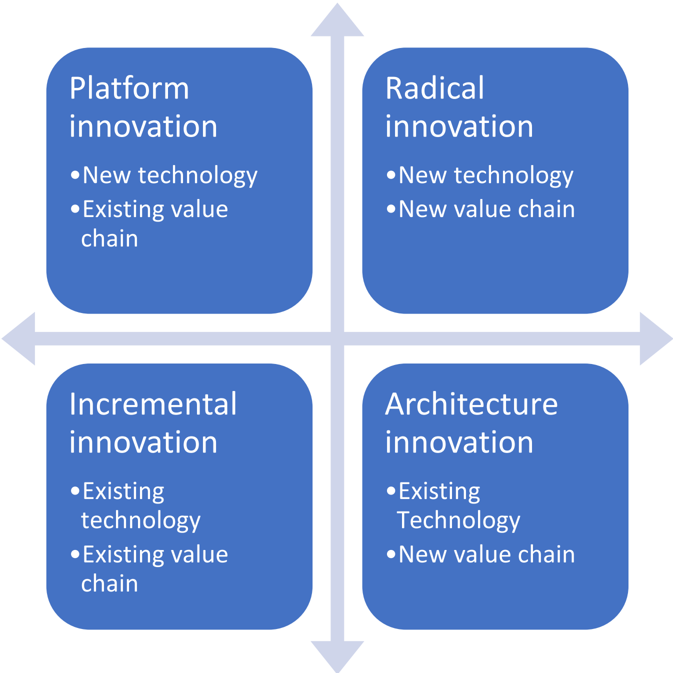


*Figure 9: Technical innovation classification*

Another approach to innovations is to classify them according to their level in company's manufacturing (i.e., does the innovation affect on the component or on the whole product), and the scale of the impact: Is the innovation only an improvement to an existing component or product, which means that something is done better. Does the innovation create a new version of, or new component for an existing product, which means that although there has been done something new, it is known to the company. Or does the innovation create totally new product or new component for totally new system, which would mean that the innovation is radical (Figure 10).

The last named classification can also be used to describe the risk of the innovation for the company. At component level the risks, at least financial ones, ae relatively small, but at system level they grow. In the scale dimension, if the innovation is only incremental or known by the company, the risk remains relatively small, but with the radical innovation, the risks are growing considerably.


*Figure 10: Innovation classification by level and scale of implementation on pint of view of company*

## The nature of innovation

Innovation is for everyone and everywhere. it is a competitiveness driver. Innovation is brought by people, innovation is practice, mindset, set of skills, team activity, and ability of an organization determined by innovation leadership and collective innovation capacity of the team members and collaborating people. It is not a routine but activity. Innovativeness needs creativity, but creativity requires certain skills and activity to become visible (Figure 11). The other properties that are needed to enable innovativeness in the organizations are diversity, experimentation ("right to fail") and leadership. Innovative organizations prefer divided decision making instead of top-down command chains.

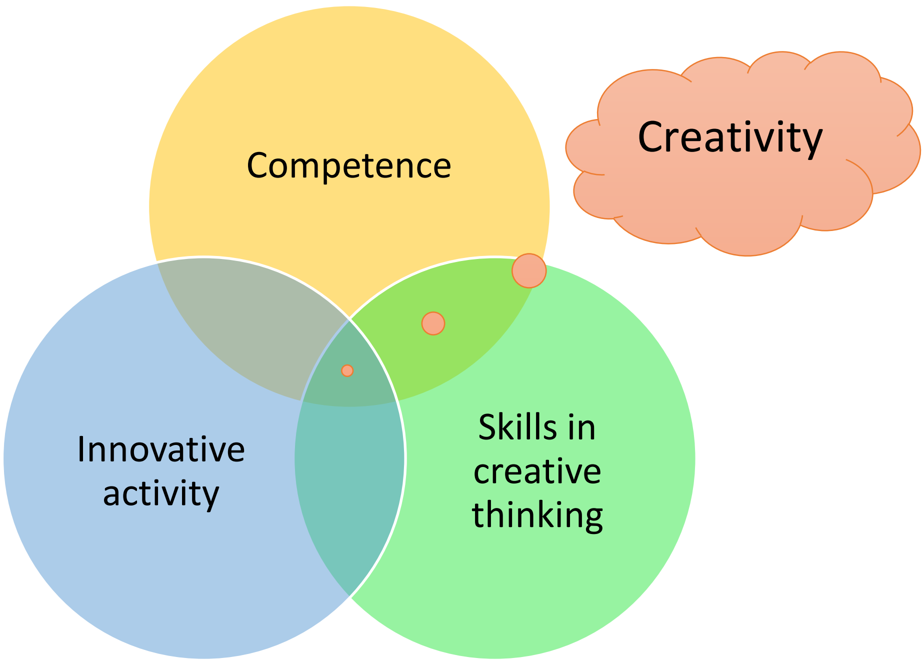


*Figure 11: Creativity as a product (union) of innovative skills*

Discussion and Interactive group work

Science = Transformation of money to knowledge, Innovation = Transformation of knowledge to money

Research = investment in science, Education = Investment in innovation

Various approaches to innovation

Innovation management as a process: https://masschallenge.org/article/innovation-management

Starters handbook: https://innolytics-innovation.com/innovation-management/

Innovation management guide: https://www.ovtt.org/en/guidelines/innovation/

Definition of innovation: https://innolytics-innovation.com/what-is-innovation/

Ways to innovate: https://innovationmanagement.se/2009/11/03/21-great-ways-to-innovate/

Rules of innovation: https://www.forbes.com/sites/gregsatell/2016/02/28/if-you-want-to-innovate-learn-these-9-rules/

8 essentials of innovation: https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-eight-essentials-of-innovation

15 steps: https://www.wikihow.com/Innovate

5 steps to innovation: https://www.bdc.ca/en/articles-tools/business-strategy-planning/innovate/how-generate-new-ideas-steps-lead-innovation

## Trainer's notes

## Labor market is a mysterious thing…

Concept of Profession changes. One career is not enough any longer – more and more people have two or more careers during their work life. Does it benefit to study certain topics, if you do not need the whole your life, might many ask. Loyalty to profession is on change. Partnership at work becomes more important – but partners are not necessary working for the same employer. Needs of certain professionals and opportunities to work are changing, and duration of employment in one organization is shortening.

At the same time, the future employees are changing too. Their expectations for the future are high – to become leader, famous or at least known, to get salary without doing anything, or at least working should be funny. they are sophisticated in technology, but only few social contacts. They are influenced by parents – either positive or negative (Face-to face –contact at home), but even more influenced by dis- and misinformation spread in social media. For some of them, entrepreneurship could be an alternative – less employed, more independent, but do they have characteristics, knowledge, and skills needed to success in entrepreneurial career? And in addition to all these, also the knowledge is changing with increasing speed. What you were taught last year, may be old today. Learning will become lifetime.

These changes challenge the schools and universities, teachers, and trainers. In the centre of interest are the questions approaching qualification of education, duration, and content of studies – several professions (and graduations?) will be needed during the life, maybe several careers must be created. What kind of goals should we set to the training and education? What kind of structure should the education have?

One answer could be to build a modular examination structure that enables many different qualifications during the lifetime, to emphasize in comprehensive education the skills to learn continuously, to find information and to distinguish disinformation from the true one instead of learning static and already old facts. Also the organizations of schools, universities and other training institutes should be changed so that they can support lifelong learning.

*(It is stated that quartile of family business is shortened from 25 years to 10 years which increases the needs of CEOs. I do not believe on that. While the life is getting longer, also the period of generational transfers will get longer.*

Discussion and Interactive group work: What do you think about the claims above?

Future challenges in education: https://www.sitra.fi/en/blogs/education-challenges-future-vision/

Preparing Students: https://edtechauthority.com/learning-future-preparing-students-challenges-opportunities-face/

The challenge of learning: https://ceoworld.biz/2020/12/15/the-challenge-of-learning-the-future-of-education/

Digital challenges: https://www.brookings.edu/research/the-opportunities-and-challenges-of-digital-learning/

https://news.harvard.edu/gazette/story/2017/05/emerging-challenges-in-digital-higher-education/

https://hospitalityinsights.ehl.edu/digital-transformation-challenges

What is lifelong learning? https://www.valamis.com/hub/lifelong-learning

Finnish lifelong learning: https://www.sitra.fi/en/topics/lifelong-learning/

What is the lifetime learner like? https://www.theatlantic.com/sponsored/deloitte-shifts/the-lifetime-learner/256/

Unesco institute for lifetime learning: https://uil.unesco.org/

Trainer's notes

## Success keys

The primary goal of each enterprise in long term should be money making, profitability and gaining dividends to shareholders. However, it should always be born in mind, that short term profit goals may ruin the long sight profit, if e.g. investments that are necessary to save and secure the profitability and competitiveness of the business, or if the financial reserves, e.g. stocks or financial investments are driven down to improve the short term indicators. This kind of tricks are typical to consultants who may bind their fees to improvement of the profits within the 3 next year. This is the period a typical SME-business will survive with minimized stocks and financial reserves. Thus, although the optimizing of business is necessary on point of view of success, it should be done bearing in mind the facilities of the long sight surviving.

The success of the business is based on the mission and vision of the enterprise / entrepreneur. The strategic goals set commonly by the board of directors should be defined bearing in mind both the mission and vision, and the primary goal – profit making. The strategic goals are in common told by describing with a few words and indicators, what should be done within the next years to gain the vision. E.g. If the vision is that business is among the 5 biggest in branch and / or in the city it is located, one strategic goal could tell, what the turnover should be after two, three and four years, and what should be the profit margin. If the vision is, that a business will continuously have a solid financial standing, the strategic goal could be some suitable indicator, e.g. ROI (Return on investment = (T-OE)/I). The period of vision is in common between 5 and 10 years, and the period of strategic goals is commonly from 2 to 5 years. Sometimes, and nowadays more commonly, the strategic planning is rolling, so that each year new goals for next few years are set. The objectives are concrete goals that should be reached within short period, like 6 months or one year, to gain the strategic goals. Tactics describe the means to reach the objectives, and tasks are the concrete practical operations, with which the tactics are realized (Figure 12).


*Figure 12: The strategic planning pyramid of an enterprise*

NOTE: Sometimes the figure is drawn in revers order, so that mission and vision are on the peak of the pyramid. Although such presentation can be reasoned with various reasons, it is important to highlight, that the mission and vision are in any case the base of all strategic planning.

**Vision** - if one do not know where to sail, no wind is the best

**Vision statement:** A vision statement describes the organization in a future successful state. When developing a vision statement following question should be answered: What will the business look like after e.g. 10 years.

**Mission statement** : Explains the company's reason to existence, what it does, what is the overall intention

**Objectives:** Focuses on achieving the vision, are measurable clear results, descriptions of operations "To measure is to know. if you can not measure it, you can not improve it". Performance measurement is the process of collecting, analyzing and reporting the information concerning the performance. Performance process indicator is a type of performance measurement, which evaluates the success of the organization or of a particular activity like production or sales

## Success factors

Concerning the success of the business the are some success factors that are common to every business. These are

| | |
|---|---|
| Satisfaction | To guarantee a long-time success, a company must meet the expectations of most if not all stakeholder groups. These are customers, suppliers, authorities, employees, owners, the public… Even if the satisfaction inside the enterprise would be good, if the environment is dissatisfied with the company's way to run business, if there is e.g., pollution, noise, or violations against consumer's rights, it may be challenging for the company to stay in life in the era of social media.<br><br>To survive in competition, a business should be able to satisfy customer's significant need to such extend no competitor is capable. This is called as decisive competitive edge. Of course, there are also many other topics, that may be emphasized as a competitive edge, such like super production method, location of facilities etc. |
| Ethic | Strong business ethic supports the satisfaction and on its part prevents crisis born in social media |
| Measurable goals | Goals, were the strategic or operational, should be measurable. If they aren't, it is impossible to be sure whether the goals were gained or not. This is extremely important if reaching the goals is a base for salary or other benefits. |
| Long-term competitiveness | Business must be competitive in the long sight. This requires a strong financial state, which is gained by ensuring that out from company is taken less than the input to the company is. The turnover must be more than the operating costs, interests, taxes, and depreciations, and all the profit is not divided as dividend, but at least some is left in the enterprise. Thus, the company should be able to build a competitive edge and the capability to capitalize on it. You need to be better than your competitors in some aspect. You do not need to be first or best – but if you are, you should be able to benefit it. You need to be capable to utilize your superiority |
| Moderate growth | Strong growth requires additional funding or strong financial base. Sometimes both. In common growth requires investments. New machines are needed and purchased, new workforce is hired, and the incomes are coming afterward. If a company does not have financial reserves, quick and strong growth spurt may be the last one. |
| Profitable growth | Throughput must grow faster than operating expenses. Because the growth in any case binds the money, gaining the growth by selling under production costs may cause the long lasting financial crisis. |
| Reasonable growth | Exhausting the resources or taking too many and / or big risks endanger the future of business. Respect the resources you have, know them, do not underestimate the risks. Although one important property of entrepreneurship is optimism, it does not make it easy to evaluate risks. |

| | |
|---|---|
| Cost leadership | Cost leadership can be gained in different ways. The most common are mass production or some technological innovation which reduces the production or marketing costs. |
| Quality | Quality of products and services includes the reliability of delivery, contact and information given. The bad quality is one of the most common reasons for dissatisfaction. |
| Technology | A company may be superior thanks to the technology, e.g. long-term patents, which mean that no else can use the same technology. |
| Brand | If a company has made mostly right things, it may have such a strong brand, that it is superior in its branch, or geographic area. |
| Focus | Company can focus on certain type of markets, on which the company has some superior advantage, e.g. products are in line with cultural requirements. This kind of markets are called niche markets. |
| Cost and revenues management and control | Budgeting, controlling, and reporting are some of the basic skills of an entrepreneur. They are the more important the bigger a business is, but also an individual entrepreneur needs to know how much he /she should get from products and services he is selling, how much did he get from the products or services sold, and how much do the production of these products and services cost to be able to conclude the profitability of the business, to be able to make correct decisions in offering and selling the products, and to be able to file tax reports.<br><br>There are hundreds of variations of different indicators, each having its own devoted advocators. The most important is to choose those fitting best to just this business, to know what they are telling, how they should be read and to use the selected indicators continuously. Many of these indicators are worth nothing as a single value but tells everything about the business when followed as a (time) series. In such cases the most interesting points are the exceptions from normal curve.<br><br>As a kind of basic rule, it can be said that the indicators should be chosen according to critical resource. If the funding is critical, such indicators like ROI and indicators measuring the sufficiency of short and long term assets could b recommendable. In cases where the capacity of production line is a bottle neck, sales forecasts, the volume of offers and orders, and throughput times might be usable. If the costs are under the loop, it could be a good idea to control the development of prices of most important materials and components, and so on.<br><br>The indicators named above were just examples, and each trainer and consultant should have a variety of indicators he/she knows and is able to teach to trainee. However, the indicators should be chosen bearing in mind the best of the company, not the best of the consultant. |

Note: The items listed above are just examples. There are many other properties that may impact on success too. It is a task of entrepreneur and / or management of an enterprise to optimize the business, which means that they should choose to reach such success factors that are applicable in this market situation, on that branch and for those resources a business is being run.

Trainer’s notes

### Growth

Is the growth of the company obligatory or not? It has been said that when a company stops growing, it disappears This is not necessary the truth, but if a business stops growing, the entrepreneur and the management of the company will meet a lot of new challenges, depending to the situation.

The best way to grow for a company is moderate, planned, and managed growth. Which such a grow a company may avoid or at least foresee the most common risks of growth, such as

- Too fast growth and the lack of capital
- Growth to wrong / strange branches: lack of knowledge
- Growth in competed branch / area: Growth can be gained only in by risking the profitability

Focus on growth may be organizational dilemma if the growth is the main goal. Successful organization has in common developed its governance strategies trying to maintain the stability, thus, the focus is on stability. However, to maintain the growth to the same time turns the focus on growth, which means that stability is no longer maintained, and governance strategies should be redeveloped.

# Business transfer

## Business Transfer Process

### Wake up the entrepreneur

It is good to start the planning of transfer as early as possible. The what-if -plans to guarantee the continuum and success of the business in case of exceptional circumstances should be started when entrepreneur founds or acquires an enterprise. One of these plans should state who would be the successor if the entrepreneur were in a way or another out of the game.

### Start the discussion

When the transfer would be topical, is the successor found in family, if not, what to do, how the future living of predecessor should be funded – by pension, by price of the business or how? What would be the role of predecessor in the company after transfer, and how long? What does an entrepreneur think about the value of the business.

### The momentum is close

If the successor is not found from family or people close to the business,

- Define the characteristics of ideal successor
- Start a search
- Find candidates, evaluate them and discuss with them
- Choose one or more, not over three, with whom the preliminary discussions are held.
- Agree (LOI) with suitable candidate the continuation of negotiation including the valuation process, the Due Diligence process etc.

### Business valuation process: defining (and agreeing) the economic value of the business

It is important to understand what a business is worth, what impacts on the value, and how to increase and take care about the value of the business. During the time of negotiation, knowing how to estimate and calculate the value of a company becomes an essential part of the process.

There are several different business valuation methods and models available. In each solution, the valuation is a combination of the value of the property which the business has, the future or present value of expected incomes (e.g. turnover, profit,…), the future or present value of expected profit sharing (i.e. what an enterprise is able to offer to a potential shareholder, owner or buyer).

Approaches that can be used are

Asset-based approaches

Earning value approaches

Market value approaches

Discuss:

What Are Common Mistakes When Valuing a Business?

When Valuing a Business, Is an Employee Salary Considered an Expense?

Links for further information

*https://www.thebalance.com/business-valuation-methods-2948478*

*Methods to evaluate worth: https://www.thebalance.com/business-valuation-methods-2948478*

Introduction to Business Valuation: https://www.researchgate.net/publication/338306623_Introduction_to_Business_Valuation

https://www.investopedia.com/terms/v/valuation.asp

***Business valuation methods:*** *https://www.investopedia.com/terms/b/business-valuation.asp*

How to prepare for a business sale: https://www.corporatefinanceineurope.eu/how-to-prepare-for-a-business-sale

Valuation Resources: *https://corporatefinanceinstitute.com/resources/knowledge/valuation/*

## Trainer's notes

# Valuation of the business

## Methods

### *Market capitalization*

Market capitalization is the cumulative value of a company's outstanding shares defined in Stock Exchange. Market capitalization is a quick and easy method for estimating a company's value, but unfortunately, it is rarely available for SME-companies, because it requires that shares of the company were publicly quoted.

This method, if available, gives the indication of a value of a company. However, there are many variables, the impact of which may cause bias on the value, like volatility, risk and growth potential. The market capitalization should be considered just as an estimation of the company's market value, thus, if the market capitalization is used as a reference, the final value of the company should be calculated and agreed with support of some other pricing method.

Understanding market capitalization concepts: https://www.fidelity.com/learning-center/trading-investing/fundamental-analysis/understanding-market-capitalization

*Company size: Why market capitalization matters:*
*https://www.merrilledge.com/article/company-size-why-market-capitalization-matters-ose*

### *Earning per share (EPS)*

Earnings per share (EPS) is the profit of the company divided by the number of shares (excluding those owned by company itself). The result indicates the profitability of the company. In common, a company reports EPS that is adjusted for extraordinary items and potential share dilution.

Definition: https://www.investopedia.com/terms/e/eps.asp

Various ways to calculate EPS:
https://learn.financestrategists.com/explanation/earnings-per-share/various-types-or-methods-of-computing-earnings-per-share-eps/

### *EBITDA*

EBITDA is an indicator that tells how much money the operations have earned to pay the interest, taxes, depreciations and amortizations i.e. Earnings Before Interest, Taxes, Depreciations and Amortizations. If E <= ITDA, no dividends can be paid unless there is non-tied equity left.

Definition: https://www.investopedia.com/terms/e/ebitda.asp

Usage (Examples):
https://corporatefinanceinstitute.com/resources/knowledge/finance/what-is-ebitda/

Discuss

The EBITDA is not important only in business transfers, but also in normal operational calculations. Why? What does the indicator tell about company's profitability and efficiency in point of view of an owner / sharehoder / investigator?

### *Times revenue method*
(Streams of revenues multiplied by branch- or economic environment dependable multiplier, which in common varies between 1 and 2 but can in some industrial branches be less than 1)

The times-revenue method uses current revenues and individual multiplier to find out the maximum valueof certain company. The times-revenue method is more commonly used by entrepreneur owning a small enterprise.

| |
|---|
| Times-Revenue Method – Definitions and applications<br><br>https://thebusinessprofessor.com/en_US/business-personal-finance-valuation/times-revenue-method-definition<br><br>https://www.preferredcfo.com/how-much-is-your-business-worth/<br><br>https://www.investopedia.com/terms/t/times-revenue-method.asp#:~:text=The%20times%2Drevenue%20method%20is,value)%20for%20a%20particular%20business.&text=However%2C%20in%20some%20industries%2C%20the,might%20be%20less%20than%20one. |

### *Earnings multiplier (P/E Ratio) method*
Price per Earnings Ratio -method is used to compare the price of share of certain company with that of similar companies. The P/E Ratio tells how much an investor will pay for a dollar earned by the company. This ratio can be used to assess the financial health of a company. The price/earnings ratio of various companies is commonly used to compare different alternatives while making investment decisions particularly in stock exchange markets.

The P/E ratio measures the relationship between a company's stock price and its earnings per issued share and is calculated by dividing a company's current stock price by its earnings per share (EPS).

| |
|---|
| *Earnings-multiplier definition:*<br>https://corporatefinanceinstitute.com/resources/knowledge/finance/earnings-multiplier/<br><br>*Using the Price-to-Earnings Ratio to Assess a Stock:*<br>https://www.fool.com/investing/how-to-invest/stocks/price-to-earnings-ratio/<br><br>*Determinants of the PE ratio:*<br>https://pages.stern.nyu.edu/~adamodar/New_Home_Page/invfables/peratio.htm<br><br>*Definition and usage:*<br>https://www.investopedia.com/investing/use-pe-ratio-and-peg-to-tell-stocks-future/#:~:text=The%20P%2FE%20ratio%20is,the%20company's%20earnings%20per%20share.&text=In%20other%20words%2C%20earnings%20per,paid%20out%20to%20its%20shareholders |

### *Discounted Cash Flow (DCF)*
Discounted cash flow (DCF) -method is used to estimate the value of an investment based on its expected future cash flows. DCF will answer to the question “How much money will the investor receive from the investment over a period of time?” The result can be compared to the amount that could be earned from alternative investments. Discounted cash flow analysis (DCF) can be used e.g., when the enterprise is considering the profitability of a specific investment project, buying shares in a publicly traded company or investing in a private company.

Definition, formula and usage of DCF:

https://www.investopedia.com/terms/d/dcf.asp

https://www.streetofwalls.com/finance-training-courses/investment-banking-technical-training/discounted-cash-flow-analysis/

DCF Model Training: 6 Steps to Building a DCF Model in Excel:
https://www.wallstreetprep.com/knowledge/dcf-model-training-6-steps-building-dcf-model-excel/

DCF: Discounted Cash Flows Calculator: http://moneychimp.com/articles/valuation/dcf.htm

To be discussed:

Why is Discounted Cash Flow important?

How does Discounted Cash Flow work?

Why and when to use DCF?

Cash Flow (DCF) formula – what should particularly be considered?
(E.g. used interest and inflation rates…)

DCF advantages and disadvantages?

### *Book value*

Book value is the carried value of the company's assets as reported in its financial statements. Being available for everyone, the book value calculated from public financial statements has an important role. Investors, market analysts and anyone interested in the company can have the same direct-giving image of the company's worth. It is worth noting, that depending to the country-specific legislation, and used financial and accounting standards, e.g. GAAP, IFRS or IAS, the book value calculated from public financial statements may be more or less biased. This is why most institutes that are financing business transfers or investments, collect and use internal adjustment items in their calculations.

Book Value: https://corporatefinanceinstitute.com/resources/knowledge/accounting/book-value/

*Understanding book value:* https://www.rbcgam.com/en/ca/learn-plan/investment-basics/understanding-book-value/detail

*Book Value definition:* https://www.investopedia.com/terms/b/bookvalue.asp

*Book value vs Market value:* https://www.investopedia.com/articles/investing/110613/market-value-versus-book-value.asp

Discussing issues:

Importance of Book Value

Book Value Formula

The Issue of Intangibles

Impact of distributions on book value

### *Liquidation value*

The liquidation value is an approximate calculation of the final value of business in a liquidation process, i.e. the price of financial instruments and tangible assets when an asset is sold. For example, if a company goes bankrupt, it is liquidated, and its tangible assets are quickly sold for an extremely low price compared to its purchasing price or current value. Intangible assets are excluded from a company's liquidation value.

*Liquidation value:* https://www.investopedia.com/terms/l/liquidation-value.asp

*The value of a business under a rapid sale process:*

https://corporatefinanceinstitute.com/resources/knowledge/valuation/liquidation-value/

*THE 4 PILLARS OF SALES READINESS:* https://www.brainshark.com/sites/default/files/4-pillars-sales-readiness-ebook.pdf

Discussion

- What is Liquidation Value Used For?
- How to Calculate Liquidation Value?
- What should be considered when using Liquidation Value?

### *Trainer's notes*

### *Notes considering the valuation methods and business valuation process*

The methods presented above are just an example of mass of different methods and variations available. What method is used and by which parameters, is always negotiable, and should be agreed in very early phase of negotiations.

The final price of the company is always a result of negotiation, a compromise of acquirer's view of reasonable price and seller's view of the value of his/her lifework.

## Due Diligence (DD) process

Parallel with the business valuation process, a process called Due Diligence process is or at least should be conducted. The aim of DD is to ensure that the base for the successive transfer exists, i.e., that figures used to value the business are not biased, that business is what it is said to be, and that there are not any significant juridical, operational or financial risks that could endanger the transfer. If something is found, it should be identified, recognized and discussed. In practice, during the Due Diligence process, information is collected and analyzed before making a decision or conducting a transaction to make sure that both parties would not become legally liable for any loss or damage caused by other party. In principle, doing the Due Diligence should mean that all the necessary facts to make a wise and informed decision have been gathered.

It is good to bear in mind, that Due Diligence process is always unique, depending to the goals of the DD, country, branch, target enterprise and consultants conducting the process. Thus, the best way for seller to prepare the enterprise for the DD process is to make sure that persons involved in process know the company and business well, are impartial in relation to parties of the business transfer, and willing to give open and honest answers.

Due diligence process: https://www.investopedia.com/terms/d/duediligence.asp

Types of Due Diligence: https://corporatefinanceinstitute.com/resources/knowledge/deals/types-of-due-diligence/

Due diligence activities: https://www.forbes.com/sites/allbusiness/2014/12/19/20-key-due-diligence-activities-in-a-merger-and-acquisition-transaction/

To be discussed

- What are the benefits of DD
- Why it is recommended?
- Could the Due diligence process be harmful? In what situations?

## Trainer's notes

## Negotiations

Negotiations concerning the business transfer should be started immediately after the suitable and willing candidate has been found. During the negotiations, all terms and conditions that impact on the price of the business, the transfer of the business, the terms of the transfer, and the continuum of the business, including also such aspects like the role of predecessor in the new business, the future living of predecessor, the transferring property, will the successor need certain period for getting know with the business, etc., should be discussed and agreed.

### *Checking list for the negotiations*

The following checking list may be help during the negotiations

- Readiness of the company (for sale or transfer)
    - While each buyer will perceive value from different characteristics of the business, there are several general areas that most buyers will consider value drivers.
    - Picking the wrong time to sell may cause the selling be difficult and / or expensive.
- Take a holistic approach to planning for a sale
    - Financial considerations
    - Nonfinancial considerations
    - Hard facts
    - Soft and emotional issues (Image, moral and ethical issues, feelings, opinions of family, employers and other stakeholders etc.)
    - Potential synergy (purchases, production, sales…)
    - Skills and knowledge the new entrepreneur must have
        - Does he / she need further training or mentoring
- Create an effective action plan
    - The four key areas that can impact the outcome of a transaction include: economic, market, ownership, and the business itself. How described those four keys in more detail:
        - Ownership readiness
        - Economic readiness
        - Business readiness
        - Market readiness
    - Sale readiness and the value proposition of seller's due diligence: [https://www.plantemoran.com/explore-our-thinking/insight/2015/02/sale-readiness-and-the-value-proposition-of-sellers-due-diligence](https://www.plantemoran.com/explore-our-thinking/insight/2015/02/sale-readiness-and-the-value-proposition-of-sellers-due-diligence)
- Plan before you think you need to plan
- Financial transparency
    - Accounting
    - Personal expenses
    - Non-dependency of the company
    - non-dependence on owners' participation
        - One of the main risk factors for SME business owners in preparing their business for sale and achieving maximum value is the company's dependence on themselves. Any business that cannot operate without the owner cannot be worth much money and, if often, cannot be sold at any price. For example, if the company does not make sales unless the owner is involved, or it cannot produce or deliver the product without the owner's participation. Nobody wants to buy a company that is totally dependent on the owner.
        - The question is "How Exactly Does Owner Dependence Affect the Sale Process?"
    - non-dependence of any single factor
    - Independence of the company
- Key success factors (Figure 13) are an important part of immaterial value of an enterprise.

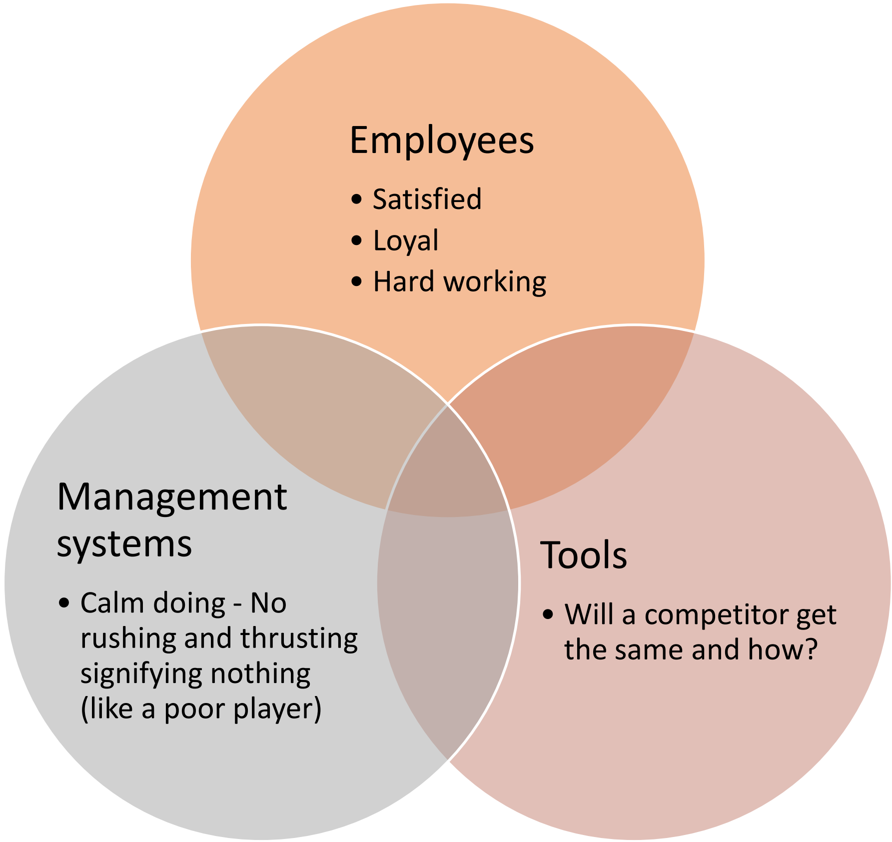


*Figure 13. Key success factors*

- Market analyses
    - The market analysis is a fundamental part of any business plan. It is not only related to market opening plan, but also allows knowing up close the environment where the product / service is located.
    - Market analysis pursue market size both in volume and value, the various customer segments and purchasing patterns, competition and the economic environment in terms of barriers to entry and regulation, which is a great factor when purchase or transfer a business.
    - A good approach to market analysis is to prepare a table that lists all the information collected about the companies you are about to analyze.
- Value of the company
    - Usable methods to analyze the company:
        - Analyst estimates
        - EPS
        - EBITDA
            - Net profit or EBITDA - EBITDA (earnings before interest, taxes, depreciation & amortization) is one of the major financial indicators used for evaluating the profitability of a business. It is a simple process mostly requires information only regarding the company's income statement and/or cash flow statement.
            - The EBITDA can be calculated in two different way—the first formula use operating income as the starting point and the second uses net income as the starting point. Stability and growth of sales and profit.
            - EBITDA as tool can direct whether a company could service its debt in the near term
            - EBITDA is essentially net income (or earnings) with interest, taxes, depreciation, and amortization added back.

    - EBITDA can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures.
    - What is EBITDA? https://www.youtube.com/watch?v=I7ND6z5eXmo
    - EBITDA Formula and definition: *https://corporatefinanceinstitute.com/resources/knowledge/finance/what-is-ebitda/*
- Revenue
- Enterprise value
- Net debt
- Market capitalization
    - Business valuation: the market value approach: https://eqvista.com/company-valuation/business-valuation-market-value-approach/
    - Market analyses to business valuation as buyer: https://www.thebusinessplanshop.com/blog/en/entry/market_analysis_for_business_plan
- Share price
- Company name
    - This covers so called soft values – the image got by the stakeholders concerning the company's way to do things.
- SWOT (Strengths – Weaknesses – Opportunities – Threats)
    - SWOT can also be used for a business valuation as it provides a succinct summary of the information, especially useful for understanding a new client or preparing for a consulting engagement. Assessing a company's strengths and weaknesses as well as the overall market environment.
    - SWOT analysis can quickly understand the most important aspects of a company and identify the factors that affect the industry as a whole.
    - SWOT report can help:
        - Better understand your competitors, partners, or customers
        - Evaluate new partnership possibilities
        - Assess a company as a prospective vendor or supplier
        - Stay up to date on a company's business strategy, prospects, and new developments
        - Learn about the competitor's weaknesses
    - The Strategic Value of a SWOT Analysis: https://blog.marketresearch.com/the-strategic-value-of-a-swot-report
- What is your value for the company (as founder, entrepreneur, new owner…) and what is company's value for you?
- What are the goals of participants and stakeholders?
- What are the negotiable terms of the transfer?
- Is there funding available?
- Can we describe the desired transaction process
- Why transfers fail? Have we considered all the risky issues?

*The business transfer process description.*

Each transfer process is unique. The process description below (Table 3) is a generalized summary of common phases in business transfer.

*Table 3: Process of the business transfer*

**Awareness** — ”Memento mori”

- Awareness concerning the need to find successor, due to age, accident or for some other reason, wakes up.
- It is good to prepare what-if –plans for all kind of situations early enough, the sooner after founding / aquiring the enterprise, the better

**Brainstorm** — Realizing the situation may be big shock

- Time to adapt to the situation is needed, particularly, if no plans has been made before
- Latest at this phase, the plans should be made

**Seeking the successor** — Do not forget the most likely alternatives

- If there is no potential successor in the family, a willing and capable one can be found inside the company
  - Management buy out, personnel buy out, coop buy out or mix of these
- Also the former competitor, customer or deliver might be interested in continuing the business

**Finding potential candidate** — ”Welcome, my dearest son/daughter”

- Giving the successor candidate time to get known with the business e.g. by working in the firm before the final decision can strentghen the commitment
- Is there any need for training? If,  what should be learned, how the training should be arranged, by whom etc.

**Valuation and Negotiations** — Terms of the transfer including the value of the business are defined and discussed

- No matter how mathematic model is used, the value of the business is always a compromise of different valuations
- It is easier to find a consensus concerning the value of business if the retiring entrepreneur has taken care of the proper pension

**Agreements** — Si vic pacem, para bellum!

- Allthough it is in no one’s interests to contest agreement he/she has agreed, the disputes concerning the agreements are one of the most common reasons why the business transfers fail.
- Use attorneys, legall advisors, auditors and consultants to check the details of agreements before signing them.

**Transition phase** — Smooth transition of business benefits every participant.

- Give the responsibility and power to the successor at the same time. Walk with him/her, but let him/her make his/her own decisions. Give advices only if asked. Be available but not on successor’s way.
- Inform every  stakeholder clearly and uniformly, listen the questions and answer them honestly and directly.

**Exit from business** — ”Et animalis cognoscunt quando ire…”

- After you have signed the agreement, worked parallel with new entrepreneur as agreed and given him / her all the visible and tacit knowledge you have, your part has been done.
- The longer you are tagging along, the harder is the grief work.

**New life** — It is time to start it.

*Other issues to be considered:*

- What will be transferred?
  - Whole business including the immobile property.
  - The operational part of the business, while predecessor keeps the immobile property renting them to successor and in that way financing his /her future living.
  - Some combination of solutions named above.
- Timeframe for business transfer: Go straight to sell… who, what and when … have at least one year planning period, much longer may be required. – The rising role of startups challenges the future possibilities for business transfers. However, there are also buyers buying everything to grow their business – What is their capability to understand the

culture, limits and possibilities of each bought company? And, furthermore, is there aims to gain a monopoly?

- How to arrange the funding of the transfer?
    - Loans, how much, from where
        - Banks,
        - Other financing institutes including municipal and governmental ones,
        - Investor / group of investors ("Business angels"),
        - Predecessor,
        - Family,
        - Company itself (Be careful with the country-specific legal issues).
    - Are guarantees needed
        - Who will guarantee?
            - Successor
            - Predecessor
            - Family
            - Bank,
            - Other financing institute including municipal and governmental ones,
            - Company itself (Mortgage, Floating charge) (Be careful with the country-specific legal issues).
        - Note: Predecessor giving a guarantee includes risks and should be used only, if the transfer is made between the closest family members. However, even then it is not recommended.
- Check the tax rules, and how they will be applied in just this case, in advance
    - In certain countries, e.g. in Finland, the surprises brought by taxation are one of the most common reasons for failed business transfers. The less time it has been reserved to realize the transfer, the more careful should the tax issues be considered.
    - No consultant nor lawyer is expert in all the issues. Use particular tax specialists to analyze the situation already in early phase of planning.
    - In more complicated situation, it would be good to describe the situation and planned operations, and ask preliminary ruling for such case from tax office if this is possible in country in question.

## Trainer's notes

## Acquisition and Merger

In case there is no individual interested in and suitable to become the successor, selling the business to another company might be a good alternative. Such a company might be either customer, provider, competitor or someone outside the microecosystem surrounding the business in question. Transferring the business to another company differs somehow from selling the company to individual or group of individuals.

There are two main forms of transfer in which both parties are companies (or other juridical organizational forms). When one company takes over another and establishes itself as the new owner, the purchase is called an acquisition. When two companies are joining together, and result is one enterprise, the operation is called merger. Consolidation can be used as a synonym for Merger, but it also refers to an arrangement in which there are more than two companies involved. Sometimes a company interested in acquisition, merger or consolidation of certain business publishes a public purchase offer, tender offer, to gather as much shares as required to gain majority. Sometimes a company may want to buy another company through the process of buying its assets, as opposed to a traditional acquisition process. The reason for this may be the wide distribution of shares, and a vision of major owner and / or Board of Directors that a merger would be reasoned for example in point of view of developing the business. Sometimes the acquisition process is conducted by management that acquires the company themselves. This is called management acquisition or Management Buy Out (MBO)

Acquisition – definition: https://www.investopedia.com/terms/a/acquisition.asp

Merger – definition: https://www.investopedia.com/terms/m/merger.asp

Consolidation – definition: https://www.investopedia.com/terms/c/consolidate.asp

Tender offer – definition: https://www.investopedia.com/terms/t/tenderoffer.asp

Asset Acquisition Strategy – description: https://www.investopedia.com/terms/a/asset-acquisition-strategy.asp

Management Acquisitions – description:
https://www.investopedia.com/terms/m/mergersandacquisitions.asp

Discussion:

How acquisitions could be financed?

How mergers and acquisitions are valued?

How Do Mergers Differ from Acquisitions?

Why do companies acquire other companies?

How does Merger and Acquisition activities affect shareholders?

Are Merger and Acquisition processes common and usable among the SME-business?

How do these methods apply as tools in generational transfers, and in what kind of situations?

Links to general business transfer issues:

Transfer of a business: https://ec.europa.eu/growth/smes/supporting-entrepreneurship/transfer-business_en

Facilitating Transfer of business- book: https://www.transeo-association.eu/wp-content/uploads/2021/04/EU-Commission-Guide-Facilitating-Transfer-of-Business-2012.pdf

Succession planning and business transfer: https://www.infoentrepreneurs.org/en/guides/succession-planning-and-business-transfer/

How to Finance a Business Acquisition: https://comcapfinancial.com/articles/finance-the-purchase-of-an-existing-business/

Sale of shares or business: https://www.op.fi/corporate-customers/customer-relationship/acquisition/sell-the-shares-or-the-business

## Trainer’s notes

# Mentor & mentoring

Mentoring can be defined as support, guidance, direction, or influence given by an individual person, mentor. Most common type of mentoring is that a an older and more experienced mentor supports the personal and professional growth of a mentee in new job or new task. However, mentor does not necessarily have to be more senior than the mentee. The most important is that mentor has experience that mentee can learn from.

## Mentoring as process

Mentoring as a process is interaction between mentor and mentee, in which – in best cases – both gain valuable and beneficial knowledge. In organizational contexts like job mentoring, the process supports the adopting of organizational culture and behavioural models required in new tasks. Thus, applying the requirements of the new profession as a part of mentee's personal characteristics is one of the most important goals of professional mentoring. The means used in this varies from psychosocial support and career guidance to role modelling, discussion, and storytelling.

Participants of mentoring process:

| **Supporting** | **To be supported** |
|---|---|
| Mentor | a protégé (male), a protégée (female),<br>an apprentice,<br>a learner or,<br>a mentee (from the beginning of 21st century)<br>The three first names include certain hierarchic setting, thus, to highlight that both the mentor and mentee are equal in point of view of hierarchy, the name *mentee* is recommended to be used. |

Mentoring is a practicable method for the informal transmission of knowledge, social capital, and the psychosocial support relevant to work, career, or professional development. Mentoring contains informal communication, usually discussions face-to-face, between the mentor and mentee (Figure 14).

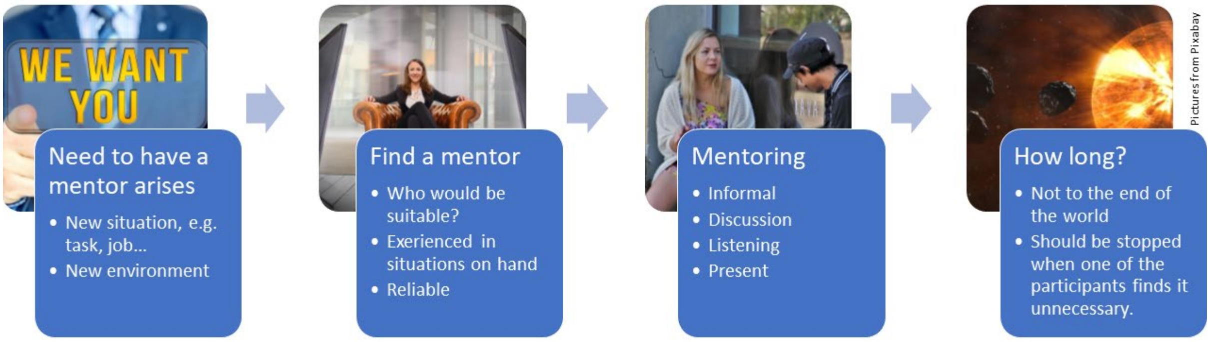


*Figure 14: Mentoring as a process*

The words "mentoring" and "coaching" are often used as synonyms, but they are not having the same sense. Both processes have specific goals, including cultural learning, adopting requirements of profession, and career guiding that leads to the usage of full potential to gain high performance. However, there are differences in the definition, focus, role, approach, and tools of each process.

In which situations you would use mentoring?

In what kind of situations it is not necessary the best approach?

https://www.td.org/talent-development-glossary-terms/what-is-mentoring

https://www.td.org/insights/mentoring-versus-coaching-whats-the-difference

https://www.oulu.fi/en/mentoring

https://artofmentoring.net/what-is-mentoring/

https://torch.io/blog/coaching-vs-mentoring/

https://www.kent.edu/yourtrainingpartner/know-difference-between-coaching-and-mentoring

## Mentoring in entrepreneurial context

Each entrepreneur should have a trusted outsider with whom it is possible to discuss issues that bother one's mind, a mentor. Although a mentor can also give advice, the best mentoring is asking and challenging, bringing up alternatives and new ideas. In business transfer cases, where the role of mentor is emphasized, each participant should have a mentor of his / her own.

### Mentoring as a tool in generational business transfers

In generational transfers it is common, that a predecessor remains and becomes as a mentor of the successor. Although this has been considered as a good practise, there is a place for warning words in case of business transfer inside the family. Mentor should not be too close to the mentee. Otherwise, there is a risk of agreeing or arguing with mentee instead of giving building critique and alternative ways.

Mentor is an interlocutor, with whom both predecessor and successor can discuss their fears, wishes, plans and visions. Mentor's main task is to listen and let the mentee to find solutions of his/her own. If needed, mentor can ask questions and conduct what-if type discussions, Sometimes mentor is bound to ”give a shoulder to cry against”. The grieving may run through all the process or attend just when it is time to leave the company into other hands. Successor on his/her part may need a lot of encouragement and support in the beginning of the career. Each case is individual and each predecessor-successor -pair is individual. If a mentor has an experience of his/her own, he understands better what is going on Both the predecessor's and successor's feelings should be understood and considered but not overplayed or underestimated.

It is not necessary for a mentor to be an expert, but he/she should know the company and business, and he/she should have experience as entrepreneur or leader to be able to understand the problems and issues arising. In business transfer cases, if the mentee is the predecessor, it would be recommendable, that the mentor had experience in business transfers, and particularly in selling the business of one's own. It is only then he can understand the storm of feelings that is all the time churning inside the predecessor.

Confidentiality and trust are absolutely important parts of mentoring relationship. Mentor is not a consultant who charges every minute, but abusing mentor's time and role (e.g., using him/her as a free consultant) is lethal for fruitful mentor-mentee –relationship. On the other hand, mentor must not abuse in any way the information got in the mentor's role. Even if the information were not classified as business secret, the trusted nature of the relationship requires absolute secrecy. Furthermore, any information mentor gives to mentee should be unbiased, impartial, and as correct and true as possible. E.g., one should not recommend an attorney or auditor who is one's relative or close friend or in other way close, connected to mentor. In cases where such person is recommended, these connections should be informed.

### To be highlighted in the training

The juridical status of mentor is not necessary established in your country, thus, at least following country-specific issues should be checked. The rights and duties of the mentor, particularly related to third parties must be considered. E.g., does the mentor have right to be present in the negotiations without approval of each participant, has the mentee right to discuss with mentor or give confidential material to mentor etc. In unclear situations it is recommend that the status of mentor is defined in specific document or in Letter of Intent if this is made.

The insurance policy of mentor should cover the liabilities between mentor and mentee as well as the third party liabilities. However, in some countries it may be difficult to get insurance policy if mentor does not have certain qualification or if mentor is on voluntary basis i.e. not as paid or hired professional.

Furthermore, it must be borne in mind that the role of mentor is varying depending to the phase of business transfer and the role of mentee (Figure 15).

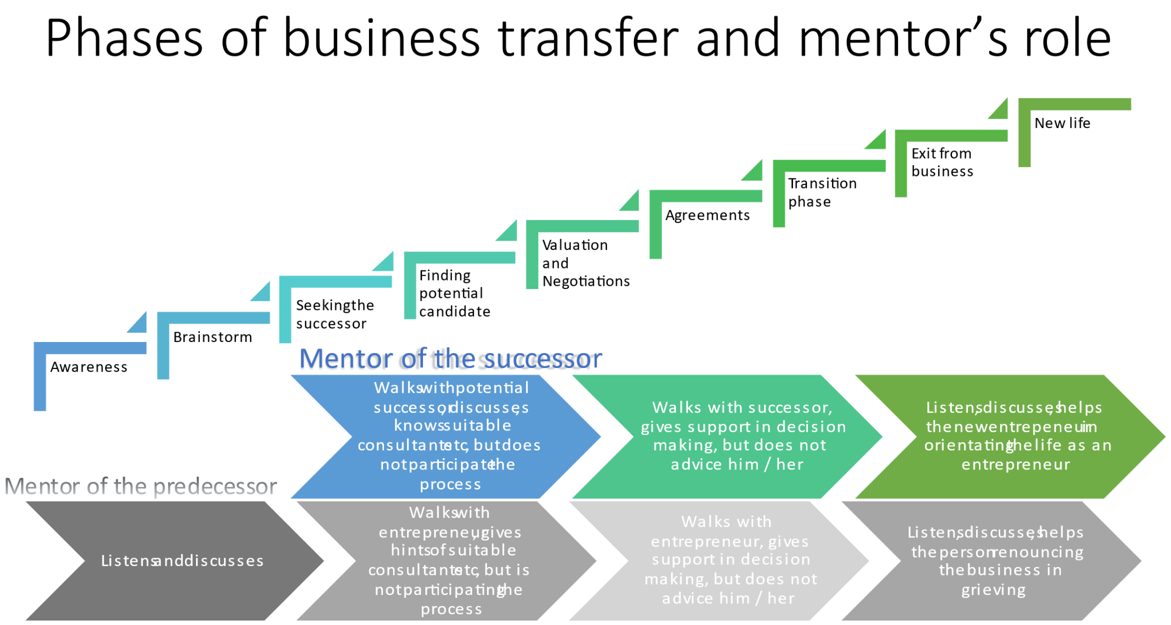


*Figure 15: Phases of business transfer and mentor's role*

Too close relationships between mentor and mentee – even if they are not relatives - endanger the sense of mentoring. This is the main dilemma in mentorship. Mentor should be such trusted, that mentee dares to tell everything that bothers his/her mind, but at the same time mentor should be able to consider business as business without mixing the feelings into mentoring.

Both seller (predecessor) and acquirer (successor) should have mentors of their own. This partly the issue of impartiality, partly due to the fact that the phases and schedule of mentoring of predecessor and successor differs from each other. However, it is often seen that the former entrepreneur remains to the business as a mentor for successor. This solution has both benefits, e.g., mentor knows the business, and disadvantages, e.g. developing and renewing the business might be endangered, and it may be difficult for successor to discuss the most intimate issues with mentor if this is too close to mentee, for ex. family member or other relative.

Consultant / Trainer should be extremely discreet if the predecessor and successor are members of the same family, and they are going to use the same mentor or if predecessor is going to mentor the successor. The underlying feelings and prejudices may endanger the whole business transfer. Sometimes a spade must be called a spade.

Mentoring in generational business transfers

https://www.proviisoriyhdistys.net/sites/default/files/tunkkari-eskelinen_2005_vaikkari.pdf

https://www.researchgate.net/publication/317283922_Mentoring_in_family_businesses_Toward_an_understanding_of_commitment_outcomes

https://www.forbes.com/sites/francoisbotha/2019/08/22/mentorship-as-a-tool-to-engage-and-inspire-the-next-generation/

## Trainer’s notes