



## Consequences and impacts of the research phase on the development of the policy paper



Erasmus+



# Index

|  |           |
|--|-----------|
| <b>List of abbreviations</b>                                       | <b>3</b>  |
| <b>List of figures</b>   | <b>3</b>  |
| <b>1 Introduction</b>  | <b>4</b>  |
| 1.1 Scope of the Best Boss project                                 | 4         |
| 1.2 European Survey  | 5         |
| <b>2 Results of European Survey</b>                                | <b>7</b>  |
| 2.1 Demographic data on the entrepreneurs                          | 7         |
| 2.2 Competence profile of management successors                    | 8         |
| 2.3 Implications of the European Survey for Best Boss Policy Paper | 14        |
| <b>3 Content of the Best Boss Policy Paper</b>                     | <b>14</b> |
| <b>4 Conclusion</b>  | <b>16</b> |



## List of abbreviations

|      |                                    |
|------|------------------------------------|
| EQF  | European Qualification Framework   |
| GDP  | Gross Domestic Product             |
| HE   | Higher Education                   |
| HEI  | Higher Education Institute         |
| HRD  | Human Resource Development         |
| SMEs | Small and medium-sized enterprises |
| VET  | Vocational Education and Training  |

## List of figures

|  |   |
|--|---|
| Figure 1: "Demographic data on entrepreneurs"                          | 7 |
| Figure 2: "Demanded Market Competences of Business Successors"         | 8 |
| Figure 3: "Demanded Organizational Competences of Business Successors" | 8 |
| Figure 4: "Demanded Leadership Competences of Business Successors"     | 9 |



# 1 Introduction

## 1.1 Scope of the Best Boss project

The planning, organisation and implementation of effective business succession is one of the most severe upcoming issues faced by Europe's economy. Companies find less and less qualified aspiring people to whom the management of the business can be passed over faithfully. The most affected are micro and family businesses, which in fact account for 60% of all European companies. (KMU Forschung Austria, 2008: Overview of Family Business Relevant Issues, p99).

Not all economic sectors are affected in the same way. Those that are threatened most are mainly based on micro and small enterprises. The largest of these sectors is tourism, where 95% of companies employ fewer than 10 people (ETC, 2004: European tourism: facts and figures). At the same time, the tourism industry is the third largest economic activity and the sector continues to grow. (EC, 2010: Europe, the world's No 1 tourist destination, p3). It generates an overall GDP of 12%, with two million enterprises providing 20 million jobs. (Jonckers/EC/DG E&I, 2005: General trends and skills needs in the tourism sector in Europe, p8).

The following four bullet points resume the situation and has been the starting point for the Best Boss project:

- Unresolved company succession is one of the most threatening problems to Europe's economy in the near future; this goes for the regional, national and EU levels
- Micro and smaller (especially family) companies are affected most
- Tourism is one of Europe's largest economic sectors with very promising potential for development, however the problem of unresolved company succession is more evident than in other economic sectors
- Concepts, methods, instruments etc. for overcoming this situation are urgently needed but currently they hardly exist.



The Best Boss project wants to contribute to developing solutions to the problem through the following three main activities:

- A) implementation of a European survey about the company succession situation in the EU and about key competences, skills and knowledge needed for successful company succession
- B) development of a tailor-made assessment procedure (linked to EQF requirements) for micro/small-sized company successors in the tourism sector
- C) publication of a policy paper summarising the findings and outcomes of the project as well as providing feedback and advice to stakeholders and political decision makers about how to tackle the challenge of successful company succession in Europe.

## 1.2 European Survey

The European Survey is the starting point for the development of both the tailor-made assessment procedure and the policy paper. The European Survey intends to explore the existence of company succession models and list the key knowledge, skills and competence relevant to business succession in SME's in tourism based on which an assessment procedure can be developed. The survey will also highlight the areas that need attention from political decisions makers and other stakeholders to improve the situation of business succession in the tourism industry and will feed into the development of the policy paper.

Our research is dedicated to staff and management of micro and small enterprises, associations/stakeholders. Experience has showed that the smaller the company, the bigger the problem is to find qualified aspiring people to whom the management of the business can be passed over faithfully. A case that needs our special attention is that of small family-businesses where it is often the norm, or natural way of doing things, to hand over the business to the next generation. However, the next in line might not always be the preferred or best choice and. Through our project, we also hope to address this particular type of situation.

Business leaders are the core target group of our research but we also want to reach out to institutions of VET (Vocational Education and Training) and HE (Higher Education). They are indeed instrumental in building the knowledge, skills and competences of future business successors.



In order to identify the key competences, skills and knowledge needed for successful company succession in EU, an online-based questionnaire has been created. This one includes two main parts:

- Demographic data on the entrepreneurs interviewed. These relate to the country and nationality of the business leaders, their gender, age and education level as well as the type of managerial position they have and the length of the period that they are in a leadership position.
- Competence profile of management successors. To find what are the knowledge, skills and competences relevant for successful business succession, we have considered three dimensions:
  - Market competencies: 7 competences that are related to understanding the characteristics of the market one operates in: customers, suppliers competition but also the geographical, social, cultural characteristics of the country in which the market is located.
  - Organisational competencies: 7 competences related to defining the DNA of a company and positioning it in the market place
  - Leadership competencies: 6 competences related to managing a company

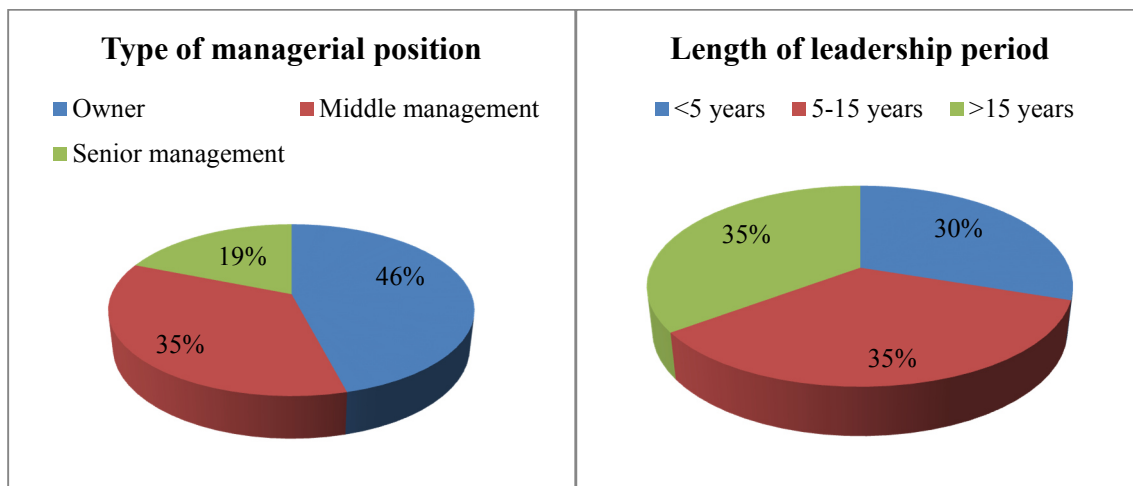


## 2 Results of European Survey

### 2.1 Demographic data on the entrepreneurs

A total of 259 entrepreneurs responded to our survey. The two graphs below detail the leadership profile of our respondents:

Figure 1: "Demographic data on entrepreneurs"



Source: European Research Report.

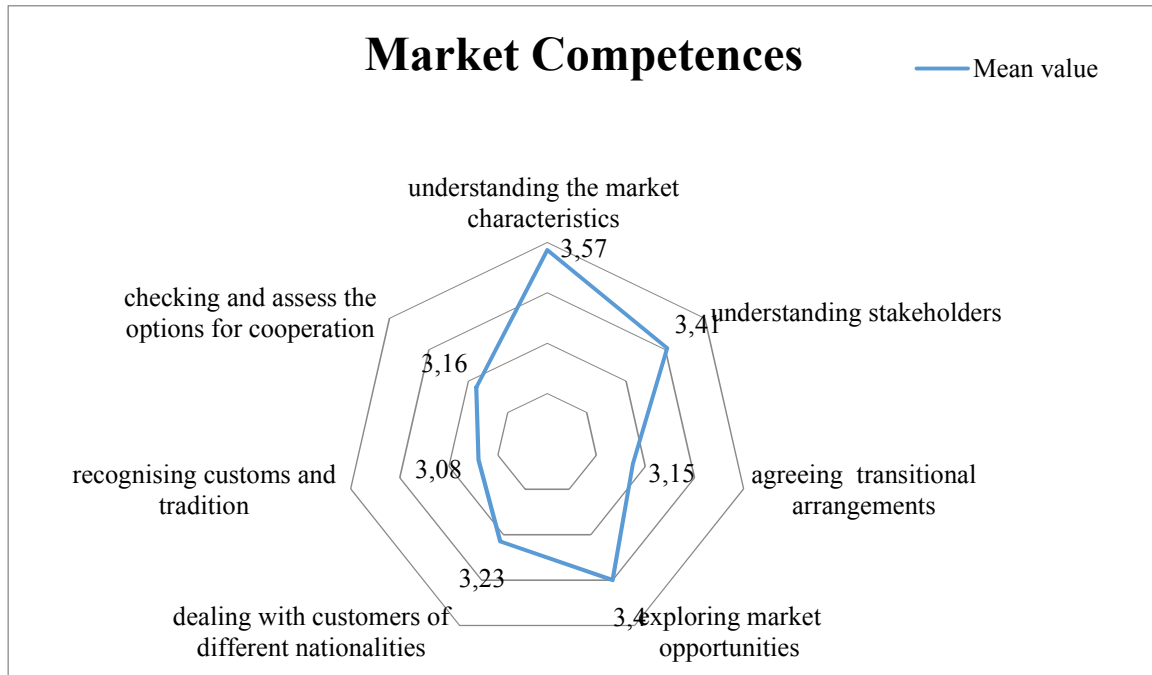
As we can see, the majority of stakeholders were owner of their own business or at least possess a position in the senior management (65% in total). Thereby, we were able to really acquire the expectations and thoughts of current business leaders within the tourism industry reflecting on their future successor. The working experience reflects this as well: A third of all participants already worked for more than 15 years in a leading position within their company. Another third lies within 5 to 15 years in the certain company.

**This gives proof of the right choice of stakeholders and makes sure that the results of the European Survey are relevant and validated.**

## 2.2 Competence profile of management successors

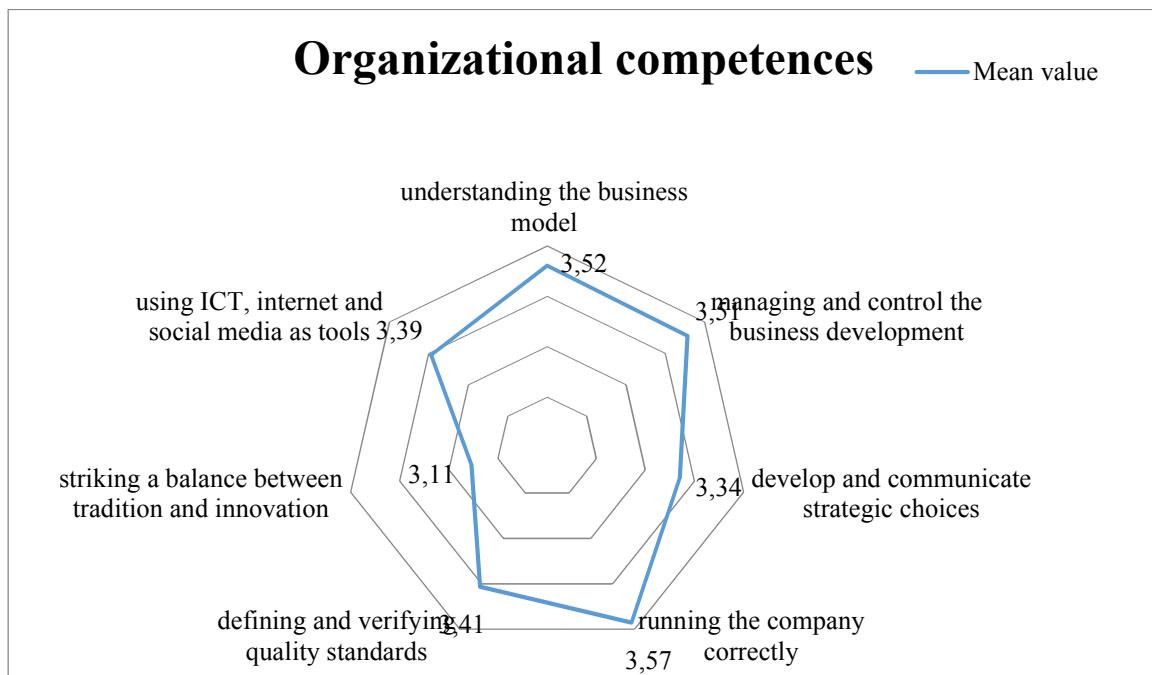
For each of the 3 types of competences, the results of the survey are summarized in the graphs below:

Figure 2: "Demanded Market Competences of Business Successors"



Source: European Research Report.

Figure 3: "Demanded Organizational Competences of Business Successors"

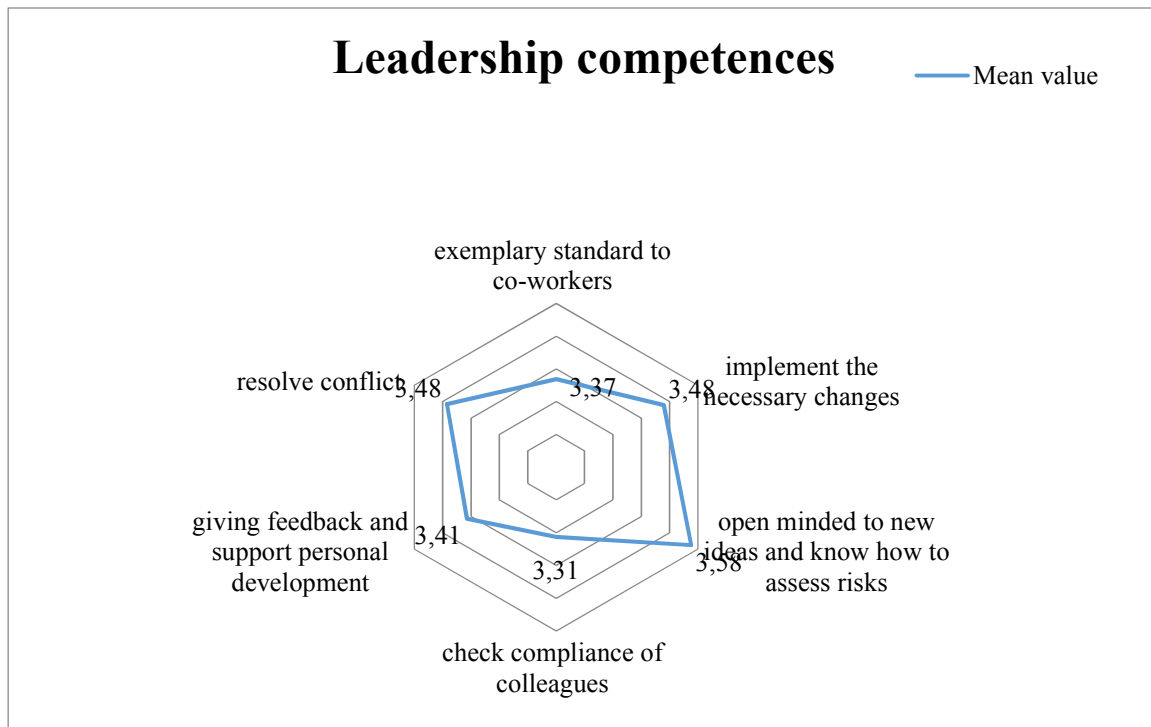


Source: European Research Report.





Figure 4: "Demanded Leadership Competences of Business Successors"



Source: European Research Report.

In each of the three groups of competences, some competences stand out and are hence evaluated by our respondents as most important. We will discuss these more into detail.

**MARKET COMPETENCES**

According to the mean values for each of the seven key characteristics who define the Market Competences, we see that the most important are: understanding the market characteristics, understanding external stakeholders and exploring market opportunities.

**1. There is strong association between management successors and their competency in understanding the market characteristics.**

Globalization becomes a fact that affect in wide range of ways the functionality and results of any organization, regardless of its size or field of activity. The tourism sector is a powerful engine for fostering the globalization process to advance to a higher pace. Acting in a more connected world the owners and managers from the tourism industry must be able to design and implement those strategies and tactics that are going to bring the most added value to their companies.



Under these circumstances the management successors must demonstrate that they are able to have a clear picture of their business environment and they will have such a capital deployment that will allow them not only to survive, but to have a steady development in medium and long term. There is an important challenge as even the smallest tourism entities face the requirements of different customers coming from different places, exposing cultural differences or similarities, but all of them being able to contribute to the companies' welfare.

**2. The research emphasizes that the success of management successors is also attributed to their ability to negotiate with the key stakeholders.**

It is vital for the management successors to be able to have a realistic view on the complexity of both internal and external environment in order to be able to make appropriate decisions that are designed to meet the needs of the companies' stakeholders.

Only thorough analysis will allow to tourism companies to focus their operations in those market segments that prove to be profitable in short, medium and long term. By developing the negotiations competencies the management successors will be able to involve the external key stakeholders in stronger partnerships under different forms including the collaborative networks. The strategic objectives of the collaborative networks in the regional and local context are established for medium and long time horizons and can target economic growth, competitiveness, and the potential organizational discovering, developing innovative potential, developing the tourism sector, attracting foreign direct investment and support to tourism SMEs and also bringing social development.

**3. In order to assure the stable development of the company the management successors must be able to explore the market opportunities.**

The tourism companies can survive and develop as long as they are able to identify and take advantage of the market opportunities that are provided. We can easily notice that there is an increasing rate of changes in customers' demands, a tougher competition, a shorter life cycle for services and products and a tremendous exposure to information technology.

A management successor should be able to create mechanisms that are able to be strongly connected to market evolution and to be able to anticipate the dynamics of different factors in order to be able to explore the different windows of opportunities that appear and disappear pretty fast. The management successors are economic and social driven but their objectives are mainly related to the profits levels and this issue place a lot of pressure on them and their teams, regardless of the fact that they address especially to domestic or international market.



## **ORGANISATIONAL COMPETENCES**

According to the mean values for each of the seven key characteristics who define the Organizational competences, we see that the most important are: *running the company correctly, understanding the business model, managing and control the business development.*

### **1. The management successors must be able to running the company correctly.**

The management successors must pay attention to the collaborative approaches in order to be able to answer the policy-making constraints and to assure that all the stakeholders' expectations are met to a high level.

They are achieving a steady development of tourism companies if they succeed to develop strong bridges among key stakeholders, taking advantage of the opportunities offered by juridical, fiscal, economic frameworks.

Proceeding in this way the management successors will offer a healthy environment for the company's employees and collaborators to increase coordination and find innovative answers to market pressures, leading to better economic and social indicators.

### **2. The management successors must be able to understanding the business model.**

Every company has its own architecture encompassed in a business model that has designed by its founders and top managers in order to assure the best fit between market characteristics and company's capabilities.

A quality management structure will direct all the activities and energies towards competitiveness and performance, based on meeting the company's stakeholder's needs. There is no need to say that all the tourism companies are looking for offering customized products and services for their clients in order to have higher levels of satisfaction.

So, the tourism companies seem that they are developing their own business model but they ask from the management successors to be able not only to replicate it, but to develop it, by expanding the existing strategy and networking with a higher participation in the domestic and international market and exploring more profitable segments. In this manner they should take advantage of their core competencies that developed during the time and assure a competitive advantage in the specific market.

It is clear that the ways in which the tourism organizations behave in the close future rely deeply on the management successors capabilities to implement their original business model, but also their own vision in a different market conditions.



### **3. The management successors must be able to managing and control the business development.**

Creating a new start is what is expecting for many times from the management successors in tourism business. However, it proves to be important not only the new impetus that can be provided by passing the authority to new generation, but the way in which the transition is made. That's why the distinctive and complementary competencies of a business successor must associate with those that allow to the new owner or manager to keep a safe climate in company by managing and controlling in a smoothly manner the organization's activities and people.

Of course that the managerial approaches are very much influenced by organizational and market pressures, but the person aspiring to become a management successor will be able to harmonize the demands of this dynamic economic sector that is tourism with the capabilities and resources of his own company.

## **LEADERSHIP COMPETENCES**

According to the mean values for each of the six key characteristics who define the Leadership competences, we see that the most important are: being open minded to new ideas and knowing how to assess risks, implementing the necessary changes, managing and resolving conflict with and between co-workers.

### **1. The management successors must be able to being open minded to new ideas and knowing how to assess risks.**

The leader of a company should be able to rely on every employee at any time in order to be able to succeed in a highly competitive environment. Acquiring, sharing and exchanging knowledge and information becomes a critical factor for survival and development of the tourism companies, having in mind their particularities.

The management successors in tourism industry are expected to develop a culture of knowledge sharing for fostering the competitive advantage of organizations. A main challenge for them is to extract and formalize the implicit knowledge and to transform it in explicit knowledge that will be available to all or to the most part of the company's employees.

A decentralized decision-making system with a flexible structure will be able only if we have free access and sharing of information that will build up a strong trust climate among the organization's members.



This is a way in which management successors can motivate and reward the employee's initiatives, fostering the innovation to take place throughout the whole organization. In fact, this is the way that the organization can survive and develop, by continuous innovation, but also by assessing in a realistic manner the risks that are associated to different decisions and initiatives, especially associated with the process of change.

## **2. The management successors must be able to implementing the necessary changes.**

The tourism business faces a turbulent environment that places high pressures for the companies operating in this sector for preparing and implementing changes. If we take into consideration that any process of change needs time and asks for support from all members of the organization we can imagine the complexity that the company must overpass.

Under these circumstances, the management successors are asked to reveal that they are able to identify and deal with the opportunities and threats created by a fast changing environment and lead the company to a good and comfortable position in its specific market.

Of course that all these changes should be based on a clear vision of the desired future and the management successors should develop those levers that are able to stimulate the employees' commitment to organization's changes and performances.

## **3. The management successors must be able to managing and resolving conflict with and between co-workers.**

Managing and resolving conflict with and between co-workers represent not easy tasks for any experienced managers due to the multitude of factors that are usually involved. In the respondents opinions we could notice that there is the perception of a growing need for competencies related to the capacity of a leader for harmonizing the different visions and expectations from inside and outside of organization, but in a very peaceful way, able to direct the organization to meet its competitive objectives. Conflict management becomes a more attractive topic for tourism business as the leaders from industry must bring together people with different backgrounds, needs, values and behaviours. Creating collaborative networks inside and outside tourism companies is not an easy task and the fight for different resources as also the need for cooperation requires high capacity of negotiations from the organization's leaders. In this environment the management successors should be able to avoid corporate scandals, fights between different factions from organization, long term tensions or conflicts. They are asked to represent real business models for their co-workers and the other stakeholders and to promote and act with strong principles provided by the business ethics.



## 2.3 Implications of the European Survey for Best Boss Policy Paper

The European survey did identify the knowledge, skills and competences for successful business succession. It has made clear that company successors have to be multi-talented and it has highlighted the competences that are key to successfully taking over a business. Times have changed a lot and successors need to be fitter than ever.

In the policy paper we want to draw policy maker's attention to the actual challenge that tourism SME's in the EU face when it comes to company succession.

Taking into account the fact that the vast majority of companies operate without any Human Resource Development (HRD) and successor strategies and are faced with too few opportunities available for professional training and knowledge about best directed assessment of company successors, it is clear that institutions of VET and HE have an important role to play. Through the European Survey we now know what areas of competences needs their special attention, and why.

The European Survey has resulted in the development of the BBI Assessment procedure and tool box (see Guidelines I) of which policy makers and stakeholders should be made aware and are invited to think about how to disseminate, but also how assessment procedures can be improved over time.

Below we detail further the content of each of the above-mentioned topics.

## 3 Content of the Best Boss Policy Paper

Through the BEST BOSS policy paper we aim to achieve the best possible impact at the infrastructure and policy levels. We want to ensure that others can also benefit from our experiences and results achieved during this project.

The Policy Paper will focus on:

- The problem of unsatisfactory business succession prevails in all EU Member States and reinforces the need to:
  - o Raise general awareness about the problem of company succession: who are the relevant stakeholders and what actions need to be initiated within the next 5 to 10 years?



- Describe benchmarks to be reached within the next years at the local, regional, national and European levels for supporting micro and small-sized enterprises in overcoming their problems with finding effective company successors
- Deduce the outcome of the project for Europe's strategies and policies concerning successful company succession procedures as a precondition for prosperous economic development in the tourism sector
- The lack of appropriate university business cooperation for providing the open market and business companies with mutual know-how concerning company succession procedures. Currently the vast majority of companies operate without any Human Resource Development (HRD) and successor strategies and are faced with too few opportunities available for professional training and knowledge about best directed assessment of company successors:
  - How can institutions of VET (vocational education and training) and HE (higher education) contribute to successful business succession? Higher Education Institutions (HEI), such as the universities in the project, have the potential and know-how to develop and implement professional assessment procedures for enterprise successors and HRD concepts.
  - Increasing internationalization represents one of the main objectives in HE/VET Institutions. Seeking for new ways of international communication and development in professional disciplines, comprehensive exchange covering research results and possibilities to support each other worldwide are key aspects of growing internationalization.
- The development of BBI Assessment procedure and toolbox is only the beginning:
  - What would be suggestions and recommendations for further research and development work needed to be done concerning the problem of business succession?



## 4 Conclusion

Through the policy paper we want to raise awareness, of the low level of Europe's succession assessments traditions and standards in the tourism sector. With this paper the partners also want to share their experience and findings with others and, most important, they want to initiate crucial developments and changes for better psychological, economic and political standards in the home countries of all partners.

It is important to note that especially for companies within the tourism sector the results of this project will be of concern. Most of them belong to SMEs considering the limits of their workforce, turnover and the concentration of capital. Although the project is therefore mainly aiming at tourism and hospitality industries, the results will be useful for SMEs in general as well.



## Partnership of Best Boss



**AT:** European Network for Transfer and Exploitation of EU Project Results (E.N.T.E.R.), Mr Michael Schwaiger ([office@enter-network.eu](mailto:office@enter-network.eu)), [www.enter-network.eu](http://www.enter-network.eu)



**BE:** ViaVia Tourism Academy, Mrs. Dorien De Troy ([dorien@vvta.be](mailto:dorien@vvta.be)), [www.viaviatourismacademy.com](http://www.viaviatourismacademy.com)



**BG:** Chamber of Commerce and Industry – Dobrich, Mrs. Reneta Palova ([rpalova@cci.dobrich.net](mailto:rpalova@cci.dobrich.net))



Staatlich anerkannte, private  
**Fachhochschule des Mittelstands (FHM)**

**DE:** FHM Schwerin - University of Applied Sciences, Mr. Torsten Fischer ([fischer@fh-mittelstand.de](mailto:fischer@fh-mittelstand.de)), [www.fh-mittelstand.de](http://www.fh-mittelstand.de)



**DE:** mbi Mecklenburger Bildungsinstitut GmbH, Mr. Manfred Hartz ([m.hartz@nachfolge-mv.de](mailto:m.hartz@nachfolge-mv.de)), [www.nachfolge-mv.de](http://www.nachfolge-mv.de)



Grŵp  
**Llandrillo Menai**

**UK:** Grwp Llandrillo Menai, Wales, Mr. Shyam Patiar ([patiar1s@gllm.ac.uk](mailto:patiar1s@gllm.ac.uk)), [www.gllm.ac.uk](http://www.gllm.ac.uk)



**RO:** Bucharest University of Economic Studies, Mrs. Gabriela Tigu ([gabriela.tigu@ase.ro](mailto:gabriela.tigu@ase.ro)), [www.ase.ro](http://www.ase.ro)



**SI:** University of Primorska, Faculty of Education, Mr. Mitja Krajncan ([info@upr.si](mailto:info@upr.si)), [www.upr.si](http://www.upr.si)