



# Best Boss Policy Paper



Erasmus+

# BEST BOSS POLICY PAPER

## Recommendations to enhance successful company successorship of tourism SME's



[www.bestboss-project.eu](http://www.bestboss-project.eu)

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## Introduction

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. 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<sup>1</sup>. At the same time, the tourism industry is the third largest economic activity and the sector continues to grow<sup>2</sup>.

Through a European Survey, the Best Boss Project has been able to obtain an overview of professional business succession models within Europe's tourism industry as well as appropriate key skills, competences and knowledge for micro and small enterprises managers. Based on these outcomes an assessment procedure for SME's successors in the tourism industry – Best Boss-Inventory (BBI) was developed that responds to the needs of modern company succession procedures.

This paper presents the main outcomes of the European Survey and gives a brief explanation of the Best Boss-Inventory. Challenges are listed as well as recommendations to enhance successful company successorship of tourism SME's. These are actual key-notes provided by the different project partners in which they have reflected on the situation of business successorship in their respective countries. The paper concludes with overall recommendations to policy makers throughout the EU.

Before presenting the outcomes, the paper briefly introduces the reader to the context in which the Best Boss Project was developed.

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<sup>1</sup> ETC (2004): European tourism: facts and figures.

<sup>2</sup> EC (2010): Europe, the world's No 1 tourist destination, p.3.



## 2. Context of Best Boss Project

### 2.1 Importance of SME's in the tourism sector

The micro, Small and Medium sized Enterprises (SME's) play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 28 countries, 88.8 million people are employed (in the non-financial business sector). There are 21.2 million SME's provide 66.8% of total employment with 57.9% of total value added generated equivalent to 28% of EU GDP representing 99.8% of all enterprises. There are five key economic sectors which account for 78% of all SME's in the EU 28. The same five sectors also account for 71% of the value added created by SME's and 79% of total EU 28 SME employment figure<sup>3</sup>.

The accommodation and food sector is one of these five key economic sectors. The European tourism sector seems to be characterised by the high prevalence of SME's based on the number of employees per enterprise.

SMEs are individually organised and constructed. They appear as strongly heterogeneous objects. Therefore, success and failure of business successions are equally influencing the whole economy and especially the job market: „Each year approximately 400.000 jobs are dependent on the successful business succession.“<sup>4</sup>



<sup>3</sup> The TourismLink Consortium (2012): The European Tourism Market, its structure and the role of ICTs, 2012. Brussels.

<sup>4</sup> Bundesministerium für Wirtschaft und Energie (Hrsg.) (Juli 2015): Mittelstandsbeauftragte Gleicke: Das Lebenswerk in gute Hände legen. Online available: <http://www.bmwi.de/DE/Presse/pressemitteilungen,did=717964.html>.



## 2.2 Best Boss Project Rationale

In Europe and other continents, tourism is one of the largest industries and an important part of the main economy. Furthermore, the tourism sector is capable of creating some 100,000 new jobs per year. Against this background, tourism is embedded in complex structures, multi-dimensional developments and business frameworks determined by global transformations.

But currently European tourism is growing at a lower average-rate than world tourism. It's expected, to lose its position as the world's number one destination in the future, giving way to Asia and the USA. Otherwise we have determined, that staff working in this sector, face low pay and for some, unbelievable working conditions, high staff turnover, a high share of informal employment arrangements and a lack of tourism infrastructure.

All these indicate that, there is now a perceptible shortage in the professional workforce in tourism, and especially the "SME-successors sector" (SMESS). Companies operating in this sector, need to know something about such circumstances.

- They need to understand, that tourism has become a global business with an incalculable number of stakeholders, and with external factors, representing different interests, perspectives, demands and needs.
- At the same time, tourism is subject to external factors such as, economic developments, demographic changes, ecological, educational and labour market policies etc., which are difficult to forecast or influence.
- In this setting, tourism is linked to many risks and it takes a lot of know-how to perform successfully in the long term – this issue is much too often under-estimated or simply unknown.

The international Erasmus+ project Best Boss is one of the various solutions, who deal with the business successorship. Europe's SMEs in the tourism sector urgently need professional support concerning their "Assessment Procedure for SMEs Successors in Tourism Industry". The Best Boss project seeks to overcome this situation by linking both stakeholders - universities and SMEs - in the "Best Boss-Inventory" (BBI) - which was developed and implemented by the partnership and is based on the needs of modern company succession procedures.



The Best Boss project provides the open market and tourism businesses with mutual know-how concerning company succession procedures, 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. In addition, providing recommendations to stakeholders and political decision makers about how to tackle the challenge of successful company succession in Europe.





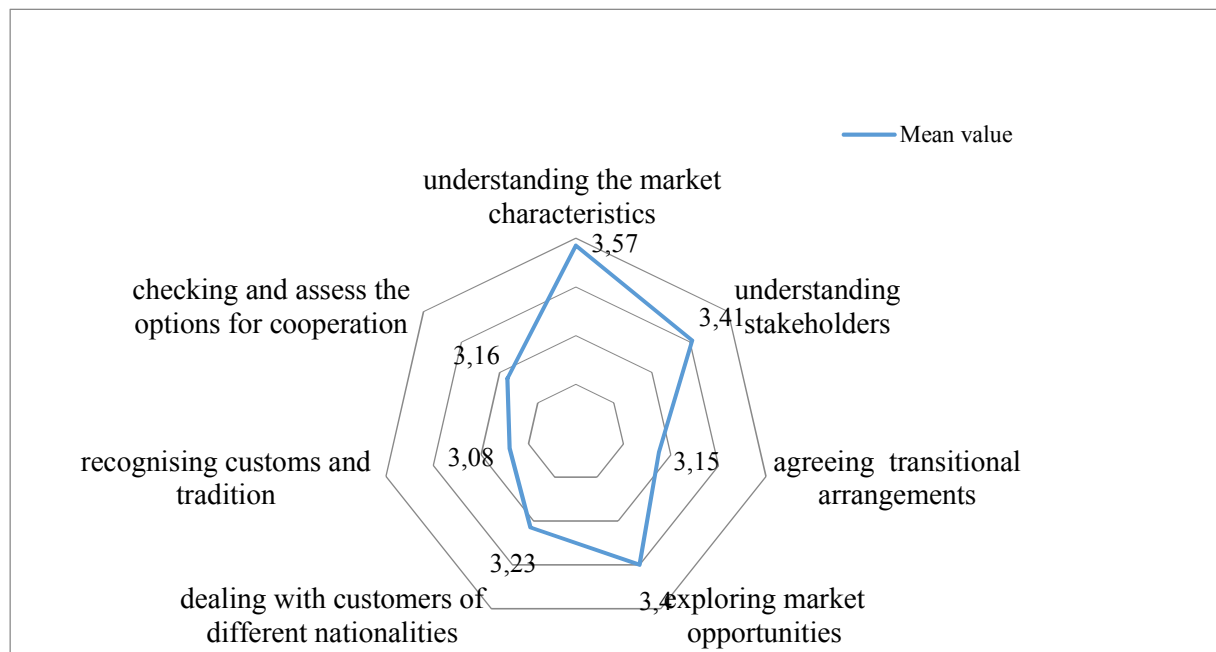
### 3. European Survey – Outcomes

The European Survey consisted of a questionnaire answered between April and May 2015 by current company leaders in tourism (hoteliers, tourist information operators, restaurant leaders, owners of hotels, tourism consulting agencies and other stakeholders who actually can truly assess the business succession situation in this industry. They explained their demands and requirements when it comes down to their business successors. 256 business leaders described their leadership, market knowledge and organisational competences a future successor should have in their eyes and according to their experience.

The European Survey Report provided an overview of professional business succession models within Europe’s tourism industry as well as appropriate key skills, competences and knowledge for micro and small enterprises managers.

Due to the versatile and increased demands that increased dramatically throughout the last years on current executives, the expectations of leaders have been increasing equally regarding their potential successors. As to be seen in figure 1, the most important personal traits a potential successor should have referring to “Market competences” are: “understanding the market characteristics” (3.57), “exploring market opportunities” (3.4) and “understanding stakeholders” (3.41).

Figure 1: "Most important Market Competences for successors"

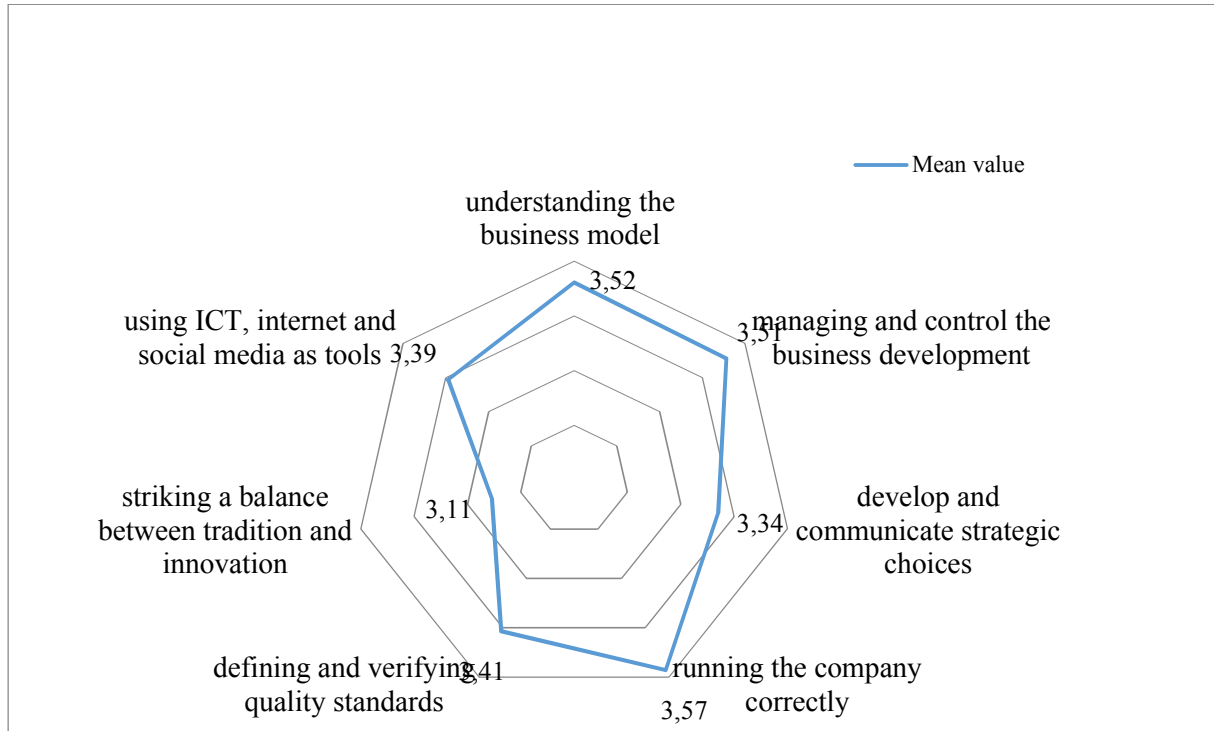


Source: Krajncan, M.; Bajzeli, B.; Tigu, G. et.al. (ed..) (2015): European Research Report. Bukarest. 2015.



Core competences within the organisational behaviour of applicants are: "running the company correctly" (3.57), "understanding the business model" as (3.52) well as "managing and control the business development" (3.51).

Figure 2: "Most important Organisational Competences of successors"

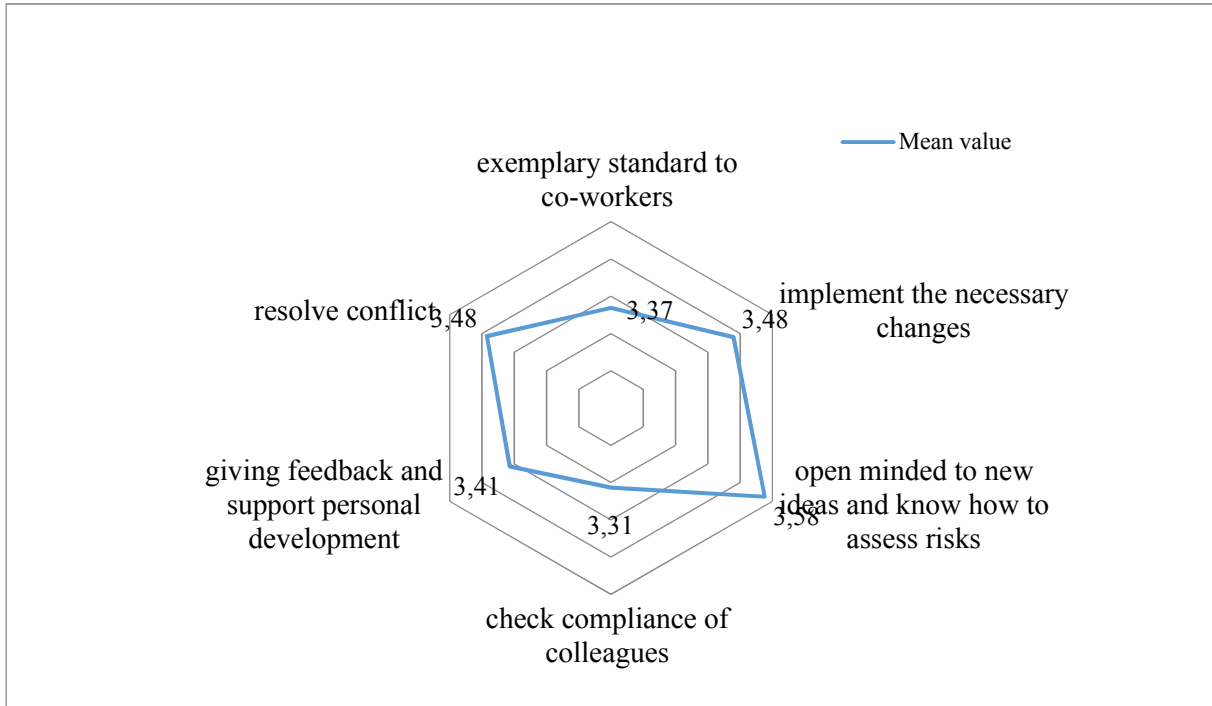


Source: Krajncan, M.; Bajzeli, B.; Tigu, G. et.al. (ed..) (2015): European Research Report. Bukarest. 2015.



Last but not least leadership competences complete the competence net of business successors, covering abilities like being “open minded to new ideas and know how to assess risks” (3.58), “resolve conflict” (3.48) as well as “implement the necessary changes” (3.48)<sup>5</sup>.

Figure 3: "Most important Leadership Competences of successors"



Source: Krajncan, M.; Bajzeli, B.; Tigü, G. et.al. (ed..) (2015): European Research Report. Bukarest. 2015.

Linked to the abilities which were proven as most important within the European Survey, we see a strong need for successors with foresight combined with strategic and methodological ways of thinking. These features now must be found in the prospective successor. In empirical research, there is no “golden way” to get a hold of soft skills. Hard facts, such as gender, age or previous career steps are easy to be ascertained. Yet, candidates either do not know or are not able to assess their ability of “decision-making” or “understanding others”. For this reason, the partnership has to find a way to actually measure competences that cannot be measured directly, but being expressed indirectly.

The understanding of market characteristics on the first sight is nothing more than the result of a basic understanding of the economy and the market activities themselves.

<sup>5</sup> Krajncan, M.; Bajzeli, B.; Tigü, G. et.al. (ed..) (2015): European Research Report. Bukarest. 2015.



This belongs to profound professional knowledge and is all the more easily assessable. Still, participants have to show that they are able to actually understand another's person feelings (they have to deal with stakeholders apart from their usual customers).

As this is the basis for social competence and social behaviours, we have to measure the cognitive empathy of future business successors in touristic SMEs. "Reading" feelings in the eyes of a counterpart requires the ability to get a hold of one's own feelings. This results in the ability to sense the feelings of others and furthermore it enables to understand these feelings. Therefore, this is part of the BBI Tool 3.

The ability to "understand market conditions" and the "needs of stakeholders" are two of the most important competences a business successor should possess. So, we can only find out about these competences when creating a personality assessment tool as a basis for the competence measuring system. Competences are always linked to the personality, whereas personal behaviours influence competences as well. We are dealing with a self-determined system, linked to each interdependently.

There are several research methods and empirical findings that cover such an approach. Yet, we believe that only a combined version of several tests leads to the best results with highest quality approach. We decided to implement different interrogative formats to prevent an intentional response behaviour as well as to prevent candidates from giving socially desirable responses.

This means, finding out about the personality traits of future successors gives insights into their competence profiles, so as these profiles equally provide information about the personality. With the use of different interrogative formats, we believe to be able to find one golden way of measuring competences for business successors.

The full results of the European Survey can be found in the Research report, available on the Best Boss website (see chapter 8 Further Reading).





## 4. BBI Tool Box – What Is it?

The BEST BOSS assessment procedure and tool box, which is called Best Boss Inventory (BBI), is directly deduced from the European survey's outcomes as well as by using the general knowledge and expertise of the partners. A draft assessment procedure was designed. Through peer review the assessment procedure was evaluated and revised. This way, we developed a comprehensive and furthermore useable tool to be implemented into practice.

Consisting of four tests, the BBI is correlated within itself and validated by the partnership as well as previous test runs. Like this, it is evaluated by relevant stakeholders, representatives of the target groups and external experts. The partnership conducted a pilot phase to test the assessment tool within four European countries (Germany, United Kingdom, Belgium and Romania), implementing this within more than 60 companies. Reflecting their feedback, the partnership could finalise the BBI tool.

BBI Tool 1 and 2 are empirical instruments used for determining several personality categories. Out of a comprehensive list of items and questions, BBI Tools 1 and 2 extract a variety of personality and behavioural traits at first. These are secondly compared to the key success factors of SMEs acting in tourism. These tools are based upon the realisation that references for company successors can directly be inferred from behavioural characteristics of current company leaders. The comparison of the characteristics is the result of empirical determined information classes concerning successful leadership skills and abilities. Generally, BBI Tool 1 and 2 evaluates leaders as certain types, when personal attitudes such as extra or introversion, are matched with basic psychic functions. In total, 64 items are correlated within these 8 factor categories in BBI Tool 1, whereas BBI Tool 2 correlates 80 items in 8 factor categories.

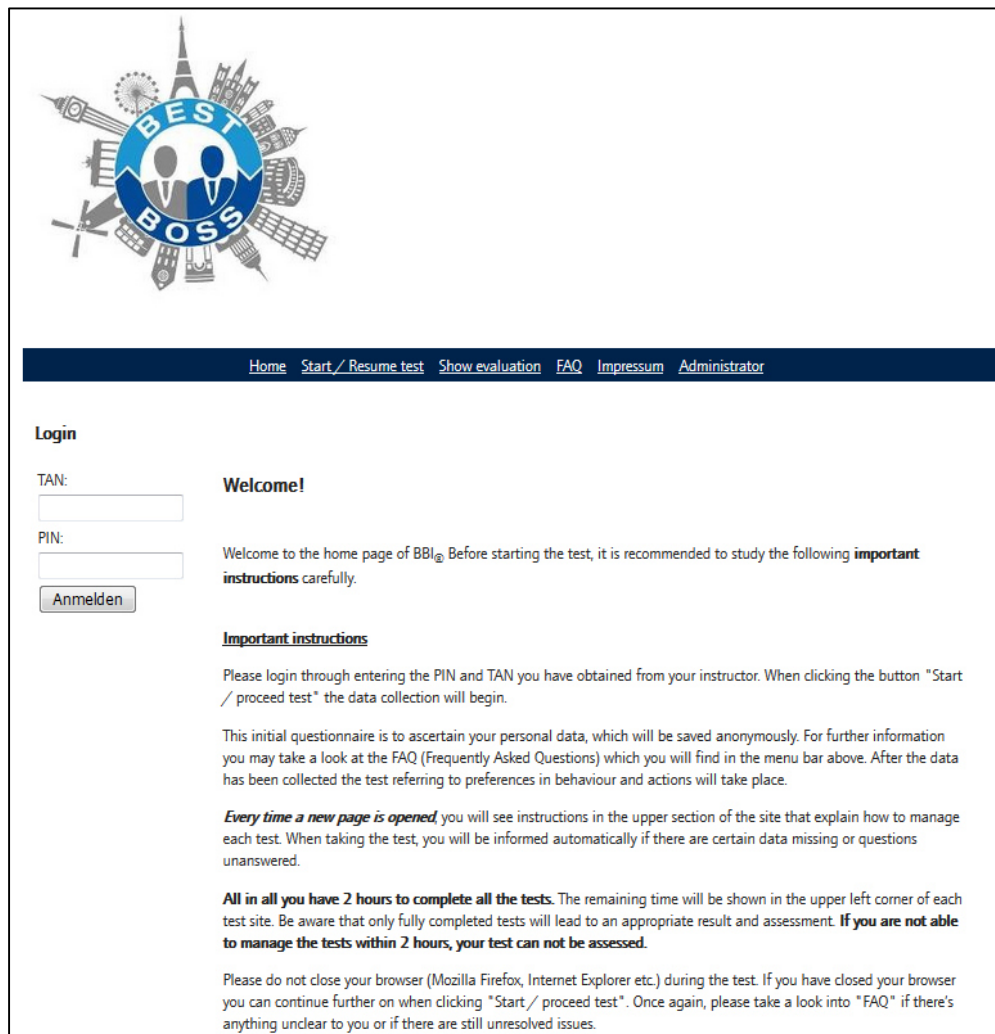
The measurement of cognitive empathy is focused in the third tool of BBI. In this test, the participant is presented with a series of 36 biometrical photographs of the eye-region of the face, and is asked to choose which of four words best describes what the person in the photograph is thinking or feeling. This test was conceived of as a test of how well the participant can put themselves into the mind of the other person, and “tune in” to their mental state. It shall give proof of the ability to attribute mental states to oneself or another person, and this ability is the main way in which people make sense of or predict another person's behaviour.



Based on remarkable pre-studies (Freiburger Persönlichkeits-Inventar) our BBI Tool 4 has 10 personality traits that are of utmost importance in research and practical diagnostics. Its objective was getting a best pragmatic construction as possible. With 2 dimensions of personality, comparable with opinions of Hans Jürgen Eysenck, the BBI Tool 4 was completed: Extraversion and Emotionality. All of these resulting 138 items (questions) shall be answered “true” or “not true”. FHM has already used this instrument in an adapted way several times. The scale has proven its functionality and gave evidence of its reliability and validity. Today, 148 standardised items are correlated in these 12 factor categories (10x12+2x14, 11 Redundancies). With the comparative view on the questionnaire “Best Boss Pre-Inventory” (European Survey) we have 20 factors with 92 items in some item-based model of factor analytics as well.

Finally, the BBI was tested on its functionality as well as its validity within the pilot test. After several validations, the tool is now available in all partner’s languages – each partner can choose the language and gets separate accounts to log into the tool. This ensures data privacy as well as it allows the immediate assessment of the BBI test.

Figure 4: "Best Boss Inventory (BBI) Front page"





## 5. Challenges, Recommendations

In this chapter are presented the challenges and recommendations related to business succession of SME's in the tourism sector. These are actual key-notes provided by the different project partners in which they have reflected on the situation of business successorship in their respective countries (Germany, Bulgaria, Romania and UK).

### 5.1 GERMANY

#### CHALLENGES

In total 3.7 million SMEs have been asked how they are planning their business succession. 16% plan their succession until 2017, from which 9% are handing over to relatives and 7% are relying on external candidates. 35% do not have a plan for their succession at this moment, but think they will handle it later on. Surprisingly, the half of all asked SMEs (49%) do not have any plan concerning their future handling of their businesses.<sup>6</sup> Naturally, this can have several reasons, as it might be that company leaders are simply not in the hurry or do not see a necessity to deal with the question of handing over the business. But still, the thoughtful planning of succession is obviously underestimated.

The Federal Ministry for Economic Affairs and Energy started a special campaign called "nexas-Initiative" to sensitise business leaders for their own successorship in 2000.<sup>7</sup> This initiative is used as a platform for business leaders and business successors, yet at this time it is only used as a platform for business leaders and business successors.

*More than 70% of SMEs facing succession in the next five years are not prepared sufficiently for the takeover in case of "emergency".*

#### RECOMMENDATIONS

1. Higher Education Institutes (HEI) are already educating and training future high-potentials and give their best to equip students with necessary knowledge to lead and thereby succeed a business in future. The research results gained within Best Boss shall be used within all HEIs to guarantee a transfer into regular lectures to get a sustainable educational impact.

<sup>6</sup> Bundesministerium für Wirtschaft und Energie (Hrsg.) (o.J.): Unternehmensnachfolge sichern. Berlin. Online available: <http://www.bmwi.de/DE/Themen/Mittelstand/Gruendungen-und-Unternehmensnachfolge/unternehmensnachfolge-sichern.html>.

<sup>7</sup> Cf. Deutsche Unternehmerbörse dub.de GmbH (ed.) (2016): Deutsche Unternehmerbörse. Das Portal für Unternehmer, Gründer und Investoren. Hamburg. Online available: <https://www.dub.de/>.





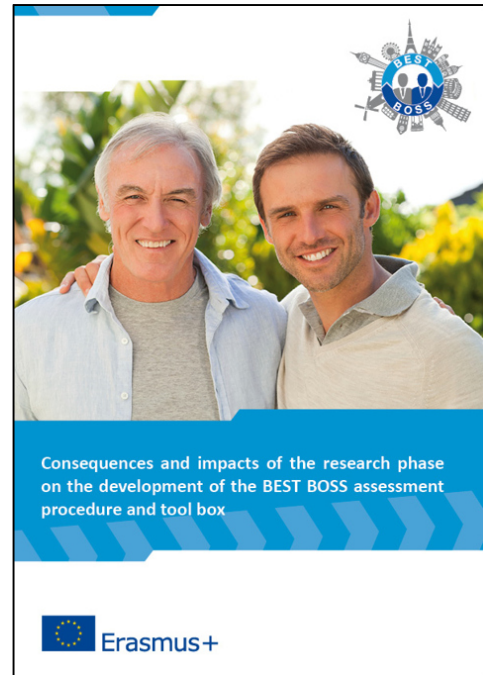
2. First task for political decision makers is the responsibility to actually support and guide the project when acting as multipliers within own committees. This is working all the more effectively as soon as decision makers are using the tool on their own; thereby assisting local companies in the implementation of the BBI. For this, frameworks have to be developed accordingly.
  
3. More than 70% of SMEs facing succession in the next five years are not prepared sufficiently for the takeover in case of “emergency”. Only a systematic settlement for intermediate and long-term business successorship is going to confide potential for economic growth, which can be supported and promoted more efficiently that is, also using public resources. SMEs are individually organised and constructed. They appear as strongly heterogeneous objects. Therefore, success and failure of business successions are equally influencing the whole economy and especially the job market: “Each year approximately 400,000 jobs are dependent on the successful business succession.” To minimise risk of failure, a special pool of potential candidates for business succession in SMEs is necessary and helpful. Yet, a current pool of candidates might emerge rather randomly and might miss a true or valid range of choices. This means, a representative pool of candidates has to be created as it is a necessity to shape the business succession in touristic SMEs successfully.  
Furthermore, such a pool of potential successors and candidates has to be generated and developed through several stakeholders (also resulting from federal ministry, the chambers, associations, HEIs as well as private enterprises) in long-term. Often, this exceeds financial, temporal and economical resources of SMEs, as the succession has to be dealt within or even next to daily business. On the other hand, a successful settlement of business succession also increases the attraction of an employer, as it signals stability, flexibility and interesting tasks for the recruitment of personnel (especially when facing Generation Y and Z).
  
4. Politicians should understand the process of business successorship as part of their regional economic promotion, which is increasing in its importance. Therefore, adaptable working conditions and structures regulated by public law should be accomplished. This pools already existing activities of all stakeholders more efficiently. It is meant to establish and promote sustainable use of a regional data base in combination with a regional “SME-business succession panel”. Here, best practices of business succession in SMEs shall be shown and analysed. Ultimately, the panel should be linked to EU-platforms, to support the globalisation process of regional SMEs further on. It is thereby similar to the “SME-panel” associated by the credit institute of reconstruction (KfW) in 2014.





This can be improved further through implementing a regional version in each federal state. Objective is the combination of economic growth with economic promotion using the instrument of “Business succession”. Like this, the panel becomes an institutional approach of the combination of both sectors (economics and science), in which all factors are combined.

5. The BBI reveals strengths as well as weaknesses of candidates; yet, it does not support the development of business successors further on. This could be an approach for an ongoing project, in which candidates should be trained and educated ideally for the position they are going to take over. Therefore, this could result in a new project or, as already mentioned, an independent study offer. It can be affiliated to the universities and HEIs who are already involved within the Best Boss project, but is open to anyone. A consistent curriculum might be an optimal connection to the finalised Best Boss project. Like this, the applicant can be accompanied continuously and prepared individually for the business succession. Then, the study course might become the optimal way to facilitate leadership and behavioural competences.



6. Alternatively, there is the possibility to arrange and develop further education and training programme, like a seminar for potential business successors. Right here, a consistent curriculum is necessary as well. It can be planned for 3 days, in which candidates are trained individually for the challenges of leading a company. Therefore, basis and support can be the finished test of BBI. Beyond the analysis of strengths and weaknesses, the seminar can be used to encourage them for the position to be taken further on. Like this, the questionnaire and also the format of the questions used in the BBI can be adapted equally to enable a pre-post comparison.



7. On a related note within these approaches might be a survey among students, enrolled in universities or HEIs, on a regional, national and European level. Key question still is, how to increase attractiveness of business successorship itself. What is more attractive: Corporate acquisition or business succession? The survey can be characterised by the following key questions:
  - Are start-ups more attractive for students than succession of companies?
  - How attractive are SMEs, especially in the tourism sector, for Generation Y and Z?
  - Who wants to take on responsibilities as a company leader?
  - How can business succession become attractive?
  
8. Referring to the topical specialisation, the project group comes up with further ideas for development and improvement of the tool, too. As a first step, the sole use of BBI for the tourism-sector. Yet, other branches and industries are suffering from the same situation as well, desperately seeking for right business successors. The BBI can be modified to be used within other business sectors and industries as well. There is a chance that universal instrument might be developed, being general in its structure. To prevent this, the BBI should be modified and further specialised for other sectors to still keep its individuality.
  
9. There is another aspect to be considered: in tourism, there is also a situation which is worse than choosing the right successor. As sometimes, it happens that there are no applicants to choose from. Often linked to this is the surrender of company leaders as they cannot find any candidate to take over the business. “More than one third of company leaders struggle to find suitable successors. The demographic change and the shortage of skilled workers in addition to a lack of potential successors are going to intensify this problem. The entrepreneurial autonomy has to be offering attractive perspectives for qualified people. Still, within this topic, there are new chances arising for expanding companies through merger and acquisitions.

For instance, in skilled crafts and trades, mostly micro-sized companies are existing, consisting of business leader and up to 2 craftsmen maximum. They are not attractive for candidates to take over the business, yet when merging with other similar companies, a complete new structure results in a far bigger company. Already employed staff can now once more become potential candidates within the newly formed company. This also might go well in tourism. Here, BBI can support, although situation is much more different than in the other cases. This is not a typical case of business successorship but a take-over of a completely new arranged business. This means, there lies further potential for development of the BBI and supporting studies as well.



Finally, the refugee policy can be drawn into account, too. On one hand, refugees are a worthy resource for companies to find business successors; on the other hand they can become business founders as well. In both cases, BBI is suitable to measure competences and personality structures, although further studies are necessary once more to guarantee the optimal integration of these people.

## 5.2 BULGARIA

### CHALLENGES

1. Tourism enterprises are not always aware of the existing employment and training programmes which moreover do not always respond to the needs of the sector
2. Touristic family companies use for their activity mostly local suppliers and therefore contribute to the economic growth and enhance the prosperity of the region they are operating. The accommodation industry employs a high proportion of young workers, and a significantly higher level of part-time, seasonal and casual labour than in other tourism sectors, placing accommodation employers at heightened risk of repeated high labour turnover necessitating increased costs due to on-going recruitment and important additional training efforts.
3. The workers concern relates to growing employment insecurity. This can result from frequent and rapid ownership changes mainly focused on short-term performance-driven demands

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*“Touristic family companies contribute to the economic growth and enhance the prosperity of the region they are operating”*

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### RECOMMENDATIONS TO POLICY MAKERS

1. Stimulate the direct link between the small touristic enterprises and the education which will keep them constantly informed about the actual practices for good business management. Create conditions for implementing the in-company training and increase the number of apprentices.



Encourage the continuous dialogue between employers, VET Providers, job seekers and national/regional authorities aiming at improving the effectiveness of measures and programmes for employment and training; Foster an exchange of best practice with regard to how vocational training systems could provide the best possible environment for family businesses to invest in apprenticeships;

2. Promote family-business-specific education in business transfers, governance structures, owner strategies and innovation strategy which would contribute to their long-term success, especially in terms of business transfer;
3. Authorities should strengthen entrepreneurship education and family-business-specific management training;
4. Tourism offers opportunities for employment for persons entering the labour market for the first time or having difficulties in finding employment elsewhere. Thus tourism plays a role in providing opportunities for low-skilled workers and workers with little or low qualification in general, ethnic minority groups and migrants, unemployed youth, long-term unemployed, as well as women with family responsibilities who can take only part-time jobs. Also, these types of job opportunities are an important supplemental income component for retired people and others who are experiencing work transitions. The authorities should create favourable conditions for investment in the human resources, such as tax preferences, simplification of procedures for reporting of projects related to hiring unemployed, ensuring funds for development, etc.;
5. Most of the family businesses are strongly rooted in a particular location and thus also create and maintain jobs in rural and less-favoured areas, contributing to the fight against the process of ageing and depopulation by which many areas in the EU are affected. Municipalities/Regional administrations should provide the necessary infrastructure in order to ensure the competitiveness, renewal, growth and sustainability of such businesses, in particular micro-entities and start-ups. This is to facilitate cross-sectoral and cross-border collaboration, thus helping them to grow and globalise;
6. Encourage the exchange of information, know-how and good practices at national/cross border/European level;





## RECOMMENDATIONS TO FAMILY BUSINESS/REPRESENTATIVE EMPLOYER'S ORGANISATIONS

1. Employers should be encouraged to reiterate the importance of social dialogue within the sector, enhance training programmes and skills development, promote sustainability and decent work, improve working conditions (including working time and wages), and measures in favour of SMEs and youth employment;
2. Enhance the family businesses' contribution to innovation by promoting their participation in private-public partnerships and clusters by fostering their collaboration with research institutions
3. Implement EU-funded training schemes for small business entrepreneurs, which allow family business owners to adapt their companies to a fast-changing environment driven by increasing global economic integration, the appearance of new technologies and a focus on a greener economy;
4. Promote a culture of equal rights for men and women which fosters female entrepreneurship in family businesses, including in leadership positions;
5. Support the European Network of Female Entrepreneurship Ambassadors and the European Network of Mentors for Women Entrepreneurs in order to raise their profile.

## RECOMMENDATIONS TO VOCATIONAL AND EDUCATIONAL TRAINING INSTITUTES

1. Setting up a credit transfer system in VET and opportunities for inclusion in the dual system for acquisition of knowledge, skills and competences needed at the workplace and answering to the touristic business' requirements;
2. Implement European/national programmes for mobility of students and workers. "Europeans account for nearly a quarter of all internationally mobile students and mobility in Europe, and the number of international students in Europe increased by 114% from 2000 to 2010. Mobility within the Eurozone also got a big boost [in 2014] with the EU's approval of a major expansion of the Erasmus Programme (now Erasmus+)"<sup>8</sup>;
3. Developing flexible vocational training programs and manuals for entrepreneurship, marketing and management for acquisition of organisational abilities to running the company correctly, to understanding the business model, to managing and control the business development, as well as Market Competences, the most important are: understanding the market characteristics, understanding external stakeholders and exploring market opportunities;

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<sup>8</sup> ICEF GmbH (2014): Summing up international student mobility in 2014. Bonn. Online available: <http://monitor.icef.com/2014/02/summing-up-international-student-mobility-in-2014/>.



4. Stimulate specific education for entrepreneurship and business family culture. 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. So, the acquisition of leadership competences such as 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 is significant;
5. Foresee more practical education in the training programmes and introduce flexible forms for work based learning as an opportunity for better specialisation during the teaching process;
6. Renew periodically the training programme aiming at including the new trends in the development of the touristic business;
7. Create closer links between education and business so they are able to adequately answer labour market needs.

### 5.3 SLOVENIA

#### CHALLENGES

1. Company owners perceive their existing style of governance and management of the company as the only appropriate one and simultaneously they are afraid of introducing changes, they are wary of them.
2. Specifically for family-businesses, conflicts represent an obstacle for further successful development or succession as they have their roots in intergenerational relations.<sup>9</sup>
3. Research indicates entrepreneurs do not have a proper idea of the complexity of the succession process and that they are not sufficiently aware of the significance of succession—the temporal component of timely planning also being extremely important.<sup>10</sup>

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*“Entrepreneurs do not have a proper idea of the complexity of the succession process”*

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<sup>9</sup> Novak, M. (2014) Succession opportunities in family business Pro-avto Novak, Erika Novak s.p.. Univerza v Mariboru: Ekonomsko poslovna fakulteta

<sup>10</sup> Ahej, M. (2009). Succession planing in small and medium enterprises in Slovenia. Univerza v Mariboru: Ekonomsko poslovna fakulteta



## RECOMMENDATIONS

1. Company owners ought to be made aware about the need of changes that represent compliance with trends and response to the needs of the market. Examples of good practice should be presented to them on concrete cases.
2. In addition to formal education, non-formal training through various specific training programmes following current trends is important. Chambers of Commerce and Industry in collaboration with the relevant ministries should have adequate overview of current trends within tourist industry and offer successors corresponding training in this area.
3. With the support of BBI tools, successors of companies can determine their own competences or any deficits. This will enable them to respond correspondingly in the sense of further education and training that should be provided by educational institutions (formal education) or Chamber of Commerce and Industry in the form of courses, conferences, education programmes ...
4. Importance of the psychological aspect of takeover of the business such as, the roles of historically and culturally conditioned intergeneration relationship which carry certain characteristics of the environment.
5. For successful implementation of succession process timely and appropriate planning is important. In transmitting the knowledge of these topics educational institutions that cover this area should play a prominent role. Here there are also opportunities for the development of non-formal education programmes or counselling topics.

## 5.4 ROMANIA

The evolution of SME's sector is not an isolated process. It is integrated in the overall development of a society and economy. On the other hand the SME's prove to represent a backbone in creating welfare and stability for a country. Having all these aspects in mind we can easily note that the decision makers should have clear policies for identifying and bringing together those economic and social partners that can impact the development of SME's.

When we talk about the partners for SME's we think especially, but not exclusively to higher education institutions, consulting & training companies, research organisations, NGO's etc. That means organisation that come to complete the traditional relationships between companies, or between companies and public administration.



## CHALLENGES

1. The succession topic can be very challenging in designing and researching such a field as it proved for Best Boss project.
2. It is noticeable that there is still a pretty large gap between SME's and universities and other types of research institutions
3. One of the main issues that SME's face is that of developing and retaining talents

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*“There is still a pretty large gap between SME's and universities”*

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## RECOMMENDATIONS

1. Development within the universities of special programmes or modules dedicated to entrepreneurship or SME's management

Higher education institutions have a huge intellectual capital that is available for exploring and transferring, from the professors to students and all other categories of trainees who are interested in their professional development.

The universities have a key role in educating the young generation, providing them not only with knowledge, but shaping attitudes and personalities for a dynamic society. It is relevant for SME's sector to have special academic programmes that focus on their specificity and challenges.

That means that the students can familiarise since the beginning of their study with the characteristics of SME's, to understand their problems, but also the opportunities of being an entrepreneur or working within SME's.

2. Creating research centres within the universities that are focusing on SME's or have special departments that deals with SME's

These research centres that can be created within the universities bring together professors, doctoral students, master students, bachelors and other categories of personnel that could find different subject of interest in SME's sector for their research activities.





Moreover, such research centres can prove complementary to the academic programmes, practical approaches to the specialists interested in entrepreneurship or to the students eager to go deeper in understanding the functionality of these types of organisations.

The systemic research, doubled by an international exposure, validate the necessity and impact that such approach can have to the healthy development of the SME's sector.

3. Creating an institutional framework for transferring the research results from universities to SME's sector

The policy decision makers must take into consideration that there is a lot of research that is carried out by universities under different forms. It is essential that the results of this research is able to reach the organisations and people that really need them. And SME's can represent a major beneficiary of such know-how transfer.

A closer relationship among them will determine a consolidation of knowledge within the SME's, with a better management for these organisations that would allow them to assure a higher rate of survival, but also their steady development.

4. Involving specialists from universities in commissions, panels or teams that deal with policies design and implementation

Many professors are experts in their field of expertise. They have extensive knowledge about business, economic environment, consultancy and training. Such a treasure should be seriously taken into account when the decision makers start the process of designing new policies for SME's sector.

The academic specialists can work for different structures or autonomous bodies and bring a lot of value to different kind of analysis, projecting strategies or evaluating opportunities for building up bridges among different institutions and organisations.

5. Establishing pools of development or clusters where universities play a clear role

Pools of development or clusters represent geographical areas where the SME's can concentrate and make use of their own capabilities in a collective way. Within such organisational settings, the universities can play a key role in providing to SME's a valuable expertise as well as a wide range of services.



Working together in specialised geographical areas allow the SME's to increase their interaction, to understand better each other, to properly design and operate their value chain, to negotiate in better terms with their stakeholders.

It also increases the pool for recruiting potential successors for SME's as the activities and evolution of different companies and inside experts are well known and can be easily be monitored and evaluated.



#### 6. Fostering a culture of learning and innovation

The succession within SME's is a process that has to deal with many variables. Some of the most important as resulted from the European Research carried out within the Best Boss project refer to competencies of the potential successors in terms of knowing well the specific market, but also to be open mind and able to implement the necessary changes.

It is clear that all these aspects can be learnt and developed if the SME's understand the importance of continuous training for their human resources and if they are supported in investing in their own people.

#### 7. Diversifying sources of funding and ways to access the financial capital by SME's

The policy decision makers should pay attention to the limited possibilities that SME's sector has in terms of attracting and retaining different skilled categories of personnel.

A practical solution is to be offered to SME's different funding schemes for selecting, employing, training and keeping talented people. The same issue is related to other important problems of SME's as the lack of funding for investment or for R&D.



## 5.5 UNITED KINGDOM

### CHALLENGES

A third of Brits working for SMEs felt the company would not survive the month if the founder left on short notice, according to recent research by Network ROI.

Sean Elliot, managing director of Network ROI, said: “We carried out a business continuity and succession planning survey to get a better understanding of attitudes towards these issues within the UK small business community. The results showed that business continuity is an area that requires a greater deal of investment and understanding, especially within the SME space.”

This was highlighted by an Aviva survey back in 2011, which found that 50 per cent of SMEs did not have a business continuity or disaster recovery plan in place. Some 16 per cent felt there was no business requirement to have a plan.

In 2015, Continuity Central also conducted a survey asking business continuity professionals why disaster recovery or continuity was not perceived as a priority for companies. Some 35.6 per cent of Brits claimed a lack of budget, funds and resources were to blame, while 16 per cent suggested it was a lack of top management commitment.

Other cited challenges included a lack of business support, low priority given when compared to other deliverables, staffing difficulties and lack of time.

The problem urgently demands activities such as:

- intensive awareness raising and lobbying work concerning this problem
- development of innovative succession procedures (including assessment tool)
- promotion of management/ownership-specific training and education
- proactive support and guidance for businesses for their timely and professional planning of company succession (EC/DG Enterprise & Industry, 2009: Final Report of the Expert Group: Overview of Family-Business-Related Issues, p25).

### RECOMMENDATIONS

The recommendations from the UK consider the SME’s survival from a wider perspective listing conditions to facilitate the running of an SME, and therefore contributing to an increase of interest for SME succession. The following recommendations were put forward.

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*Succession  
planning:  
Half of UK SMEs  
would fail if the  
founder suddenly  
left.*

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### 1. Management Capabilities

Subsidised Consultancy and Training Services: There is a general consensus that the competitiveness of an individual SME is strongly related to the “quality” of its owner / manager. Quality in this context is strongly related to the human capital of the individual. This can be influenced by formal education, training and experiential learning.

It has been observed that the formal educational qualifications of individual’s management SME’s are inferior to those managing larger companies. In addition, the probability of obtaining formal training is significantly less by SME managers than large enterprises.

### 2. Information Networks for SME’s

Information is key to the competitive advantage of SME’s which is likely to increase in the future. In some countries, the government is extending the scale of electronic commerce with a particular focus on SME’s.

### 3. Technology

The technology diffusion initiatives and services can be improved through the use of best practice, whether at the overall policy level or the service delivery level. There are five factors which should be considered: Ensuring Quality Control; Focussing in Customers; Upgrading the Innovative Capacity of Firms; Integrating the National Innovation Systems; Building Evaluation and Assessment

### 4. Business environment

The legislative system should be drafted ensuring the most cost effective means of compliance of legal requirements by SME’s.

### 5. Financing

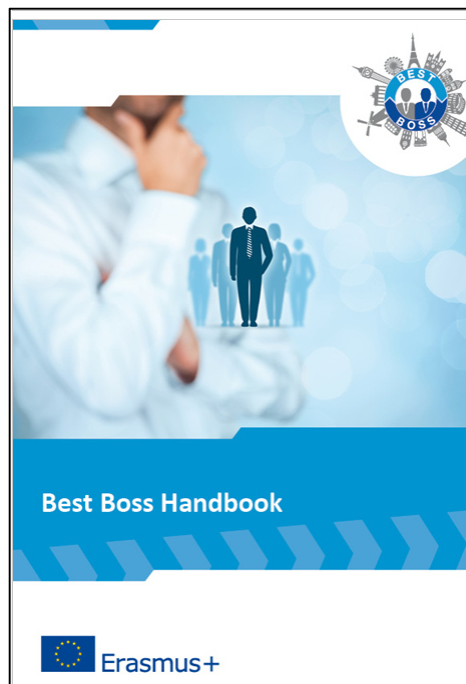
- Role of Government in Financing SME’s: The government should complement and encourage the development of private-capital industry, including enhancing the skills of people involved in undertaking this task.



- Loan Guarantee Schemes: In UK, the government has introduced a loan guarantee scheme which means a percentage of the loan is guaranteed by the state, which is 70-85% with the interest rate premium of 1.5%. This ensures that in the event of default, the loss to the financial institution is only a proportion of the sum at risk.

### 6. Access to markets

- International Markets: The government need to implement policies which focus on easing the access to international markets for SME's. However, the SME's also have lack of access to human resources, external markets and technology.
- Public Procurement: Governments themselves ate an important market place for SME's, yet SME owners view them as a difficult customer. This tension reflects attitudinal and cultural differences. From the government point of view, SME's have poorer administrative procedures, whereas SME's view government to be slow and bureaucratic.





## 6. Conclusions – overall policy recommendations

The Best Boss Project, through the European Survey, development and piloting of BBI and the key-notes of the different project partners, has highlighted the areas where action is needed to enhance successful company succession of tourism SME's. The areas are presented below, along with policy recommendations for each one of them.

### 6.1 Awareness-raising

SME's account for 60% of all European companies, and success and failure of business successions are equally influencing the whole economy and especially the job market. The problem of unsatisfactory business succession prevails in all EU Member States. Firstly companies, especially SME's, find less and less aspiring people to whom the management of the businesses can be passed over faithfully. Secondly, a considerable amount of SME's do not have a plan for their succession, as much as 50% in Germany and UK, as recent research has shown.

#### **Recommendations:**

1. Fostering a culture of learning and innovation. As the European Survey has shown, one of the most important variables in the process of company succession are the competencies of the potential successors. The policies that address succession in the SME's sector should have a distinct chapter for continuous training and development of their human resources.
2. Development of a nationwide network of potential or interested successors: a representative pool of potential successors and candidates has to be generated and developed through several stakeholders (including ministries, chambers of commerce, associations, HEIs as well as private enterprises). The establishment of regional pools of development or clusters, where SME's in specialised geographical areas work together, can increase the pool for recruiting potential successors for SME's.
3. Politicians should understand the process of business succession as part of their regional economic promotion. For example, through the creation of regional "SME-business succession panels" where practices of business succession in SMEs are shown, analysed and shared.
4. Company owners ought to be made aware about the need of changes that represent compliance with trends and response to the needs of the market.



5. Encourage the exchange of information, know-how and good practices with regards to business successorship at national/European level – the establishment by the different project partners of national and transnational networks dedicated to the issue would be a start.

## 6.2 Enhance the potential of cooperation between science and economy

There is a 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. Higher Education Institutions (HEI) or Vocational Education and Training Institutes (VET), such as the universities and colleges in the Best Boss Project, have the potential and know-how to develop and implement professional assessment procedures for enterprise successors and HRD concepts. How can institutions of VET (vocational education and training) and HE (higher education) further contribute to successful business succession?

### **Recommendations:**

1. Sharing research results of Best Boss with HEI's for transfer into regular lectures, study courses or seminars. Focus should lie on the core leadership, market and organisational competences for business successors that were identified through the European Survey.
2. Encourage the continuous dialogue between employers, HEI & VET Providers, job seekers and national/regional authorities aiming at improving the effectiveness of measures and programmes for employment training and creating conditions for in-company training through apprenticeships and experiential learning as to enhance the capacities of entrepreneurs.
3. Authorities, together with HEI and VET, should strengthen and promote entrepreneurship education and family/small-business-specific management training, especially in terms of business transfer. These should include issues such as ownership, succession, governance and the importance of innovation as a means of reinventing businesses.
4. Creating research centres within the universities that are focusing on SME's or have special departments that deals with SME's - complementary to the academic programmes, offering practical approaches to the specialists interested in entrepreneurship or to the students eager to go deeper in understanding the functionality of these types of organisations, including the challenge of business succession.



5. Creating an institutional framework for transferring research results on business succession from universities to the SME's sector so that the budgets allocated to research will generate positive medium and long term effect in economy and society.

### 6.3 Financial support

A lack of funds and budget are cited as reasons why business continuity and succession are not perceived as a priority for companies. Also, the tourism sector in particular is characterised by micro and small businesses that cannot offer lucrative conditions for potential business successors and thereby might be threatened by withdrawal from business.

#### **Recommendations:**

1. Authorities should create favourable conditions for investment in human resources, such as tax preferences, simplification of procedures for reporting of projects related to hiring unemployed, ensuring funds for development.
2. Offer to SME's different funding schemes for selecting, employing, training and retaining talented people. Adapted funding policies to SME's sector can strengthen these companies and offer a new field of cooperation among them and universities.
3. Loan Guarantee Scheme where the state guarantees a percentage of the loan lowering both the risk of financial institutions in case of default and the obstacle of taking over a business.
4. Governments can provide indirect financial support by creating an enabling business environment for the start-up or succession /continuation of SME's. For example, lowering tax rates, business rate relief for SME properties, simplifying tax rules, increase VAT registration threshold, ensuring cost effective means of compliance of legal requirements, ... .

### 6.4 The development of BBI Assessment procedure and toolbox is only the beginning

What would be the suggestions and recommendations for further action, research and development work concerning the problem of business succession?





**Recommendations:**

1. Establishment of a simple and easy access to the BBI-tool and the Best Boss project results.
2. Develop frameworks through which political decisions makers can assist local companies in the adoption and implementation of the assessment tool, thereby acting as multipliers.
3. The BBI reveals strengths as well as weaknesses of candidates; yet, it does not support the development of business successors further on. A study course or seminar can be developed in which candidates are trained, accompanied and prepared individually for business succession. Therefore, basis and support can be the finished test of BBI.
4. The current BBI has been developed for the tourism sector. Yet, other branches and industries are suffering from the same situation as well, desperately seeking for right business successors. The BBI can be modified to be used within other business sectors and industries as well.





## 7. Further reading

For further reading and consultation of The European Survey Report and the BBI, please refer to the Best Boss website: [www.bestboss-project.eu](http://www.bestboss-project.eu).

Here, you can find the following products that will enlighten the Best Boss project far more in detail:

- [European Research Report](#)  
All details, backgrounds, challenges and the explanation to the European Survey.
- [Guideline I](#)  
Consequences and impacts of the research phase on the development of the BEST BOSS assessment procedure and tool box.
- [Guideline II](#)  
Consequences and impacts of the research phase on the development of the policy paper.
- [BBI Handbook](#)  
Detailed explanation to the background and scientific basis as well as the contextual basis for the Best Boss Inventory (BBI).
- Various [other materials](#) used for dissemination show the process of the project (see Newsletter 1 to 4 for further details). You can also find [contact details of the partnership](#) for further questions.





## 8. Contact

For any further enquiries, you can get in touch with the following contact persons in the respective countries:

<b>Fachhochschule des Mittelstands -</b> University of Applied Sciences Germany	Mrs. Pia Winkler Winkler@fh-mittelstand.de Tel: +49 385 742098-16
<b>mbi Mecklenburger Bildungsinstitut GmbH</b> Germany	Mr. Manfred Hartz m.hartz@nachfolge-mv.de Tel: +49 399 1150275
<b>European Network for Transfer and Exploitation of EU-project Results (E.N.T.E.R.)</b> Austria	Mr. Michael Schwaiger michael.schwaiger@enter-network.eu Tel: +43 316 329005
<b>ViaVia Tourism Academy</b> Belgium	Mr. Steven De Craen steven@vvta.be Tel: +32 15 407 561
<b>Chamber of Commerce and Industry – Dobrich</b> Bulgaria	Mr. Svetlozar Stoyanov sstoyanov@cci.dobrich.net +359 58 601471
<b>University of Primorska - Faculty of Education</b> Slovenia	Mr. Mitja Krajncan Mitja.Krajncan@pef.upr.si +386 5 611 7500
<b>Bucharest University of Economic Studies</b> Romania	Mrs. Gabriela Tigu gabriela.tigu@ase.ro +40 21 3191900 ext. 187
<b>Grŵp Llandrillo Menai – Wales</b> United Kingdom	Dr. Shyam Patiar MBE s.patiar@gllm.ac.uk +44 1492 542 316



## Compiled by the BEST BOSS PROJECT partners:



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

Germany: FHM Schwerin - University of Applied  
Sciences  
[www.fh-mittelstand.de](http://www.fh-mittelstand.de)



Germany: mbi Mecklenburger Bildungsinstitut  
GmbH  
[www.nachfolge-mv.de](http://www.nachfolge-mv.de)



**E.N.T.E.R.**  
European Network for Transfer and Exploitation of EU Project Results

Austria: European Network for Transfer and  
Exploitation of EU-Project Results (E.N.T.E.R.)  
[www.enter-network.eu](http://www.enter-network.eu)



Belgium: ViaVia Tourism Academy  
[www.viaviatourismacademy.com](http://www.viaviatourismacademy.com)



Bulgaria: Chamber of Commerce and Industry –  
Dobrich



Slovenia: University of Primorska, Faculty of  
Education  
[www.upr.si](http://www.upr.si)



Romania: Bucharest University of Economic  
Studies  
[www.ase.ro](http://www.ase.ro)



Grŵp  
**Llandrillo  
Menai**

Great Britain: Grŵp Llandrillo Menai, Wales  
[www.gllm.ac.uk](http://www.gllm.ac.uk)