

**SUCCESS...ION - Making Family Business Transfers
successful through Education and Training
Proj.no: 2015-1-BG01-KA202-014247**

**REPORT ON FAMILY BUSINESS MEMBERS' AND
OWNERS' NEEDS IN SPECIALISED SUPPORT FOR
SUCCESSFUL BUSINESS TRANSFERS**

**(in partnership countries Bulgaria, Cyprus, Germany, Greece,
Spain)**

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Project coordinator: Yambol Chamber of Commerce and Industry (Yambol, Bulgaria)

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1. Chapter I

1.1 Introduction

Family businesses are the oldest and most traditional form of conducting business. They are the backbone not only of the private sector, but are supporting entire economies. On a European level family businesses make up more than 60% of all European companies and provide for about 45 % of employment. Given the huge importance of family businesses for the European economy, and as nearly 1/3 of all enterprises in the EU are expected to face succession or transfer of ownership until 2020, there is an urgent need to provide family businesses with more effective and more targeted support to better manage the issues of business transfer and succession.

The present Report on family business members' / owners' needs in specialised support and training for successful business transfers summarizes the research work that has been conducted by project partners in the frame of Intellectual Output 2 of project SUCCESSION - Making Family Business Transfers successful through Education and Training Proj.no: 2015-1-BG01-KA202-014247. The project and the research itself were co-funded by the Erasmus + Programme of the European Commission. The extensive research work was conducted during the period June – July 2017 in the project countries - Bulgaria, Cyprus, Germany, Greece and Spain. The research stands as a continuation of the desk research work that was conducted by project partners in the frame of Intellectual Output 1: Report on state-of-the art in family business succession

1.2 Aims and objectives of the report

The present report is documenting the findings of the research and analysis that was carried out in project countries on the available support, training needs and general perception of family business members' /owners' in regards to planning and executing successful transfers of their business either to intra- or extra-family successors. The research work was implemented through a quantitative (online survey) and a qualitative (open interviews/discussions) with representatives of the main target group – family business members/owners/employees. Furthermore, the report aims to provide a more comprehensive understanding of the needs of the target groups related to family business transfer and succession, as well as to ensure the quality of the main project results such as:

- IO4: Methodology and guidelines for the development of “Family business succession and transfer: A companion for business advisors”;
- IO5: Family business succession and transfer: A companion for business advisors;
- IO6: Methodological guidelines for the technical development of “Anticipating family business succession: An animated guide for transferors and successors”;
- IO7: Anticipating family business succession: An animated guide for transferors and successors;

In general, the results of the research process more or less confirm the findings of the desk research that was implemented in the frame of IO1 of the project but it adds additional perspective on how family business look upon succession and how informed they are on the importance of planning for this process in the various partnering countries.



1.3 General information

The research process in all partner countries was based on common *Methodological Guidelines* that were developed by Association Business Information and Consulting Center – Sandanski.

According to the approved work plan and application form the research process in consortium countries was implemented as follows:

- In Bulgaria: Lead partner – Association BICC – Sandanski; Supporting partners: Yambol Chamber of Commerce and Industry; South-west University “Neofit Rilski” Blagoevgrad;
- In Cyprus: RNDO Ltd.;
- In Germany: Universität Trier;
- In Greece: Lead partner – Militos S.A.; Supporting partners: Social Enterprise Knowl for Education & Lifelong Learning; North Tree Education & Consulating;
- In Spain: Fundación General Universidad de Granada Empresa;

Following the Methodological guidelines, the research process in partner countries was implemented through the following stages:

Stage 1: Research and survey methodology, guidelines and tools

The IO leader Association BICC – Sandanski developed the overall research methodology and tools (quantitative online survey questionnaires and qualitative open interview guidelines), as well as reporting guidelines needed for proper implementation of the tasks according the project requirements and achievement of the prospected results. Following an extensive period of discussion, approval and adaptation of the tools which actively involved all project partners they were agreed and finalized. A significant contribution to the development of the tools, based on their rich experience on the topic was provided by Universität Trier.

Stage 2: Translation/adaptation and digitalization of research tools

Project partners translated and adapted the quantitative questionnaires and qualitative interview/open discussion guides to consortium languages. The ready online questionnaire content was provided to Project partner 7: R&DO Limited – Cyprus for digitalization and uploading onto the survey platform SurveyMonkey™ for online distribution. Each partner tested the online questionnaire and provided feedback on both contents and survey logic in their own language. Following the translation, adaption and digitalization of research tools each partner received a link to the online survey. Dissemination of online survey among pre-selected members of the main target group was responsibility of each partner. In countries where more than one partner was operating, the coordinator was responsible for defining and distributing deliverables and roles in relation to both the quantitative and qualitative phases of the research (e.g. dissemination methods, minimum number of respondents and interviewed members of the target groups, reporting guidelines, etc.).

Stage 3: Online survey

The online survey was implemented with the main objective to obtain concrete measurable data related to the specific issues that family business members / owners face when they consider or come to a stage for conducting a successful business transfer. The online survey was implemented through the distribution of online questionnaires developed on the survey platform Survey Monkey™.

The online survey was implemented in the period June – July 2016 through the distribution of online questionnaires developed on the survey platform Survey Monkey™ in all consortium countries. Each partner distributed the survey link along with a brief disclaimer and an invitation for participation to their extensive network of SMEs and business support organizations. Each organization posted a link to the survey in their regular monthly newsletters, bulletins as well as on their social media networks. The survey was promoted in other media channels such as regional radio station during thematic business related broadcasts.

A total of **134 respondents participated** at the online survey during a period of one month (July 2016) as the initial goal of a minimum of respondents was **100 participants**.

Stage 4: Interviews

In order to gain more in-depth, subtle and rather qualitative feedback on the attitude of family business owners / members towards family business transfers, as well as to identify the non-technical aspects and dynamics which come into play when a family enterprise reaches a phase when succession and transfer is evident open interviews with representative of family entrepreneurs were conducted in participating countries based on the pre-developed and approved interview guidelines.

In most countries, open interviews began before online survey due to the delay in the translation and digitalization of research tools. During the period June – July 2016 project partners in all consortium countries implemented a total of **36 interviews and open discussions with members of the main target group**. Most of the interviews were conducted in **person or by Skype**.

2. Chapter II

2.1 Summary of results of the research process

The present chapter presents the results of both the quantitative survey on family businesses and the qualitative interviews conducted with family business members. For the quantitative survey there are graphic charts of results, accompanied by comments, highlighting interesting data on attitudes and opinions of business owners on various aspects of succession in each country. For the interviews, results are provided as a summary that follows the questions included in the interview template that was used by project partners in the research process.

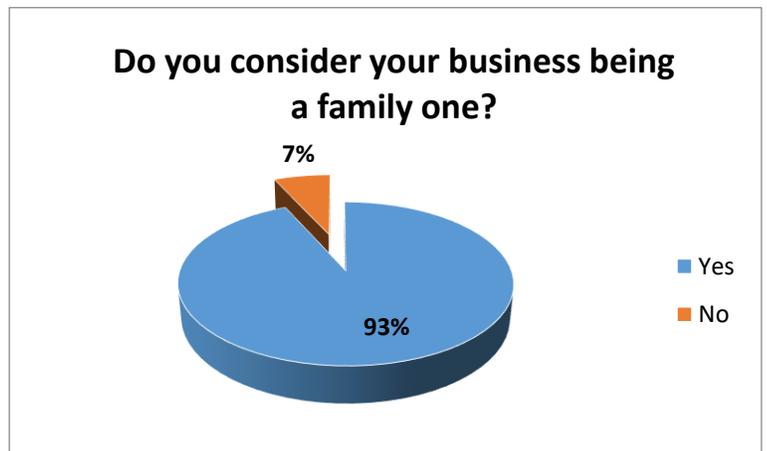
The overall summary and conclusions of research results are presented in Chapter III (General Summary and Conclusions) of the present report. The research tools – online questionnaires and interview guidelines are provided as annexes to the present report.

2.2 Online surveys

The online survey of family business owners was implemented in the period June - July 2017 with the joint efforts all project partners. A total of **134 respondents** participated at the online survey. Below is provided a summary of the results based on the structure of the online questionnaire and the questions that were asked. The results are provided in % as each question is accompanied by a brief summary that highlights both individual (country based) and general findings.

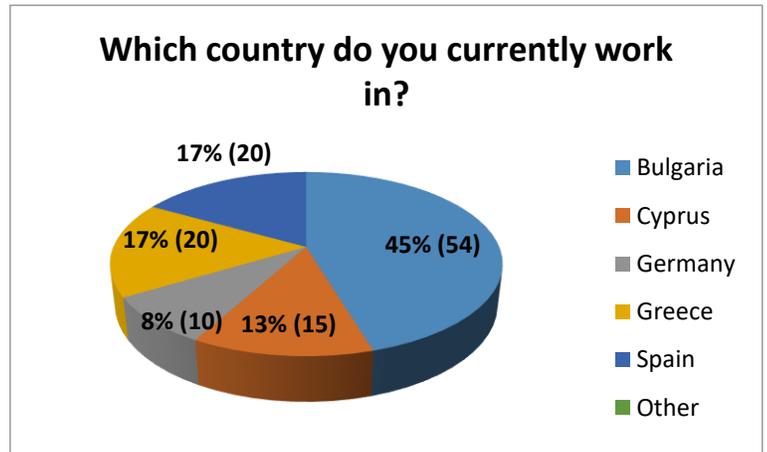
1.1. Do you consider your business being a family one?

The results here represent the safe-switch that was incorporated in the survey logic through this introductory question. It allowed for businesses that do not consider themselves as being family owned to automatically skip the entire survey. In some countries due to the fact that the questionnaire was distributed to a large number of potential respondents we observe that not all of them consider their business as a family owned. **Nevertheless, the majority (93% or 125 respondents) answered positively to the introductory question.**



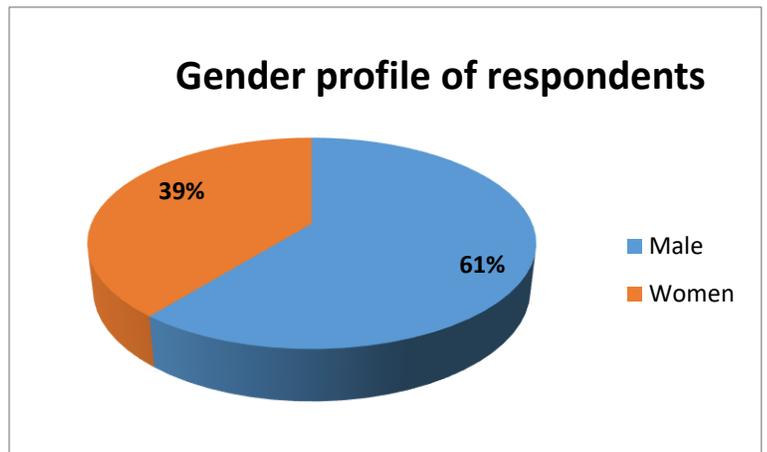
1.2. Which country do you currently work in?

The graphic represents the distribution of respondents between participating countries. **The majority of respondents were from Bulgaria (54 participants).** The higher number of participants in the survey indicates that a lot of family businesses are becoming more aware of the succession process, especially in countries like Bulgaria, where succession is an issue which is yet to emerge on most businesses' agenda.



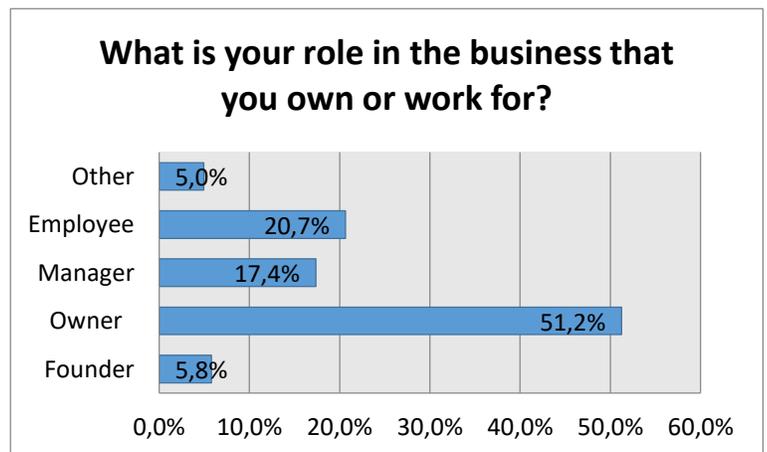
1.3. Gender

There is relatively balanced participation of men and women among the respondents. Nevertheless, in all participating countries most of the respondents in the survey were male. In Greece there was a balanced respondent's mix with respect to gender.



1.4. What is your role in the business that you own or work for?

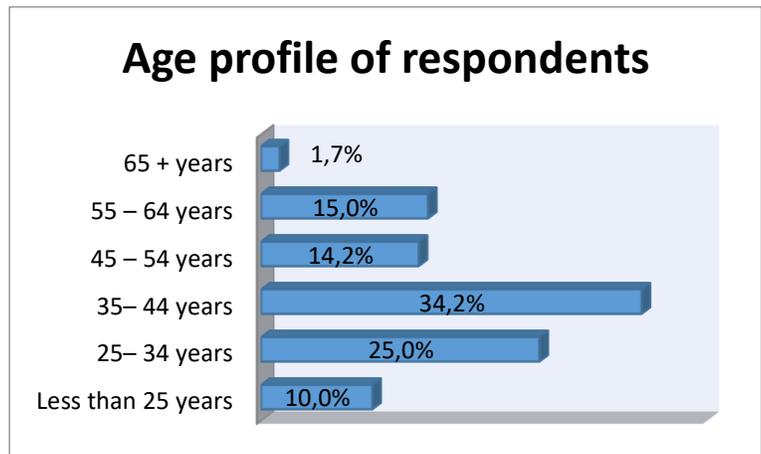
Most respondents were owners of family businesses (51.2%). We can also presume that the respondents that indicated their role as **“Manager”** are also part of the family business as well as a potential successor, especially in Bulgaria where the two-positions are usually taken by the same person. **In Cyprus, 26,7% of respondents were employees.**





1.5. What is your age?

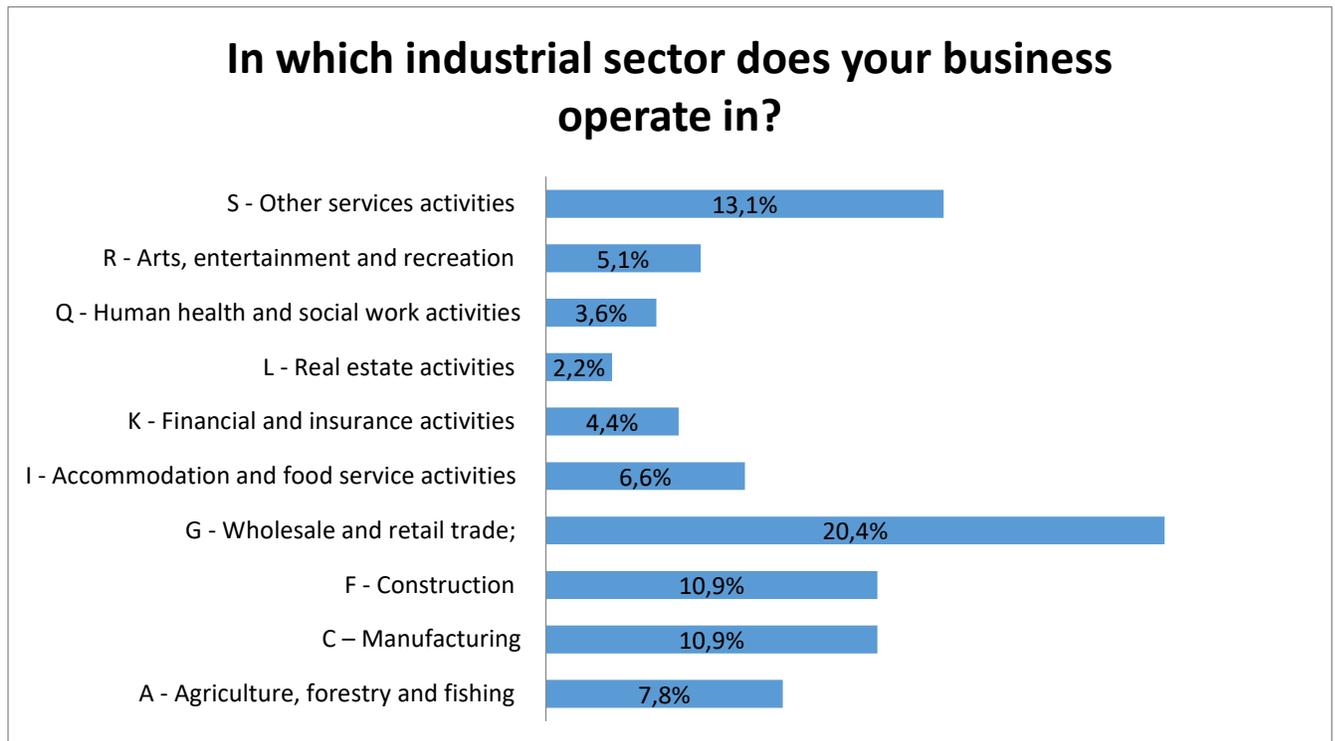
When analysing the results of the survey, it can be seen that most of the respondents (59,2%)% **are between 25 and 44 years of age.** The age group (45 – 64 years) is scoring **29,2%** among respondents.



1.6. In which industrial sector does your business operate in?

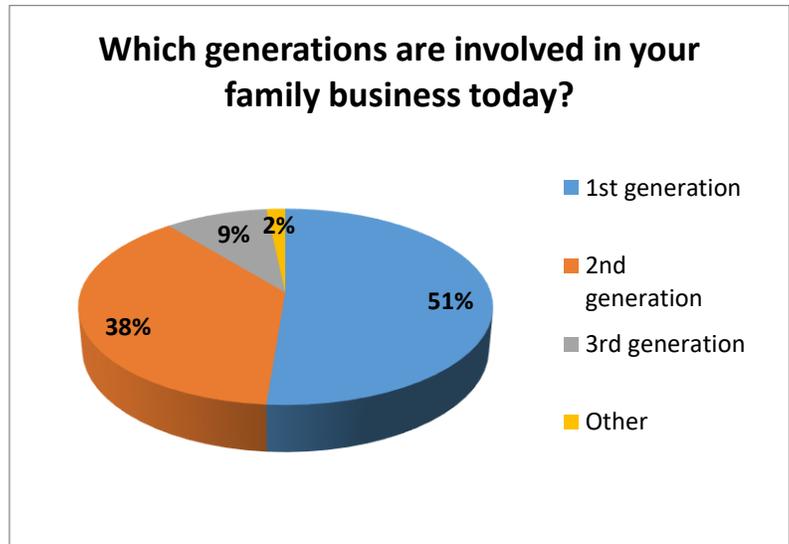
The predominant percentage of respondents (23,6%) **come from the “Wholesale and retail trade sector”**

in all partnering countries, except for **Germany**. **In Spain**, almost half of the surveyed family businesses (45%) worked in the sectors of “Wholesale and retail trade”. **In Greece**, “Manufacturing, construction and health sector” formed 65% of the respondents' answers. **In Bulgaria**, a quarter of the respondents indicated that their family business was operating in the field of the retail trade sector. This was expected due to the fact this economic branch is one of the key industries in the Bulgarian economy (more than 425 000 employers in 2015). In general, the retail trade and the accommodation and food services sectors are the industries where most of the family businesses are operating.



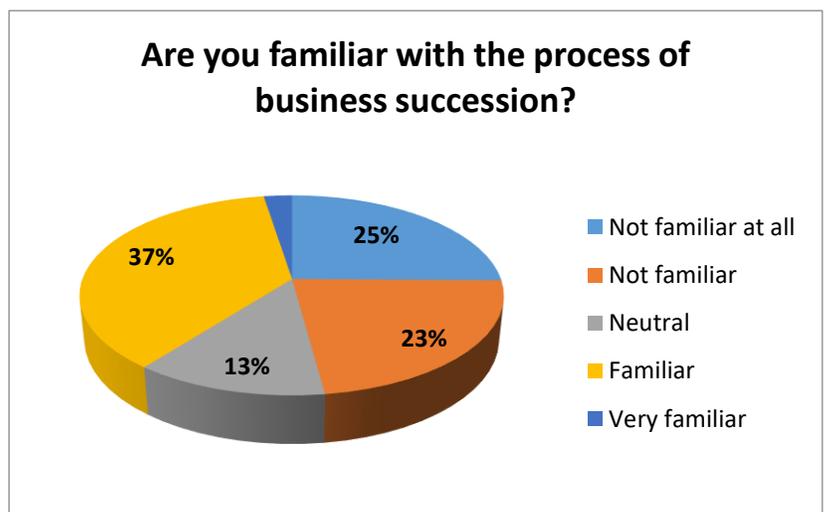
2.1. Which generations are involved in your family business today? (Multiple answers possible)

More than **half of the respondents (51,3%)** indicated that they were **first generation owners** which supports the findings of the **desk research** conducted in project countries. Very few indicated that they were second generation and third generation owned companies, which could be viable only for Germany. **According to survey results, in Germany** family business of the first generation were also the most predominant (50%). Nevertheless 50% of the surveyed family businesses in Germany indicated that they were either in their 2nd, 3rd, 4th and 5th generation of ownership. **In Greece (70%) and Cyprus (57,1%)** there is a sufficient number of 2nd generation business owners as none of the respondents represents a 3rd generation family enterprise. In Spain, 25% of the respondents represented third generation family businesses.



2.2 Are you familiar with the process of business succession?

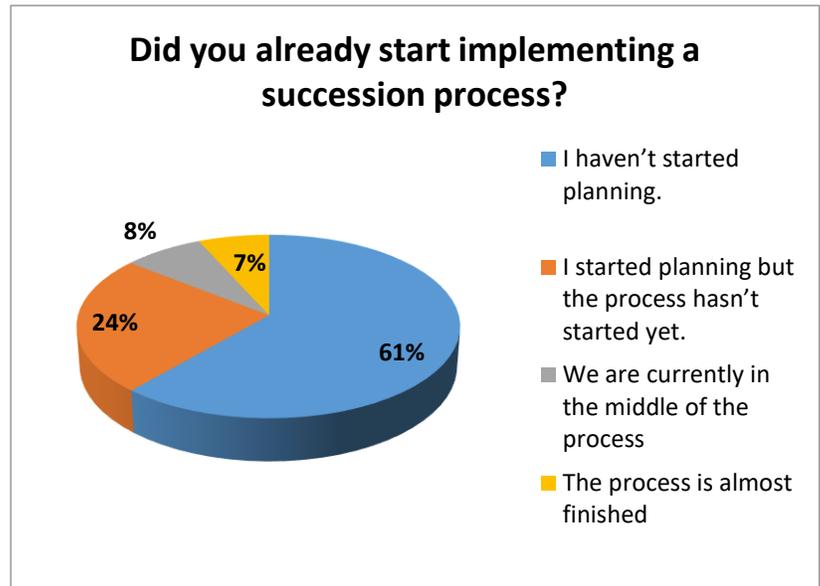
According to survey data only **37% of the respondents** have indicated that they were either **familiar or very familiar with the process of business succession**. **Bulgarian family businesses** were less informed and aware of the process of business succession - only 25% of respondents indicated any knowledge on the topic. **In Greece and Cyprus**, almost half of respondents stated that they were familiar/very familiar with the process of business succession. **In Germany** we have rather controversial results, as almost 70% of the respondents indicated that they were not familiar with the process of succession. **Spanish family businesses**, on the other hand,



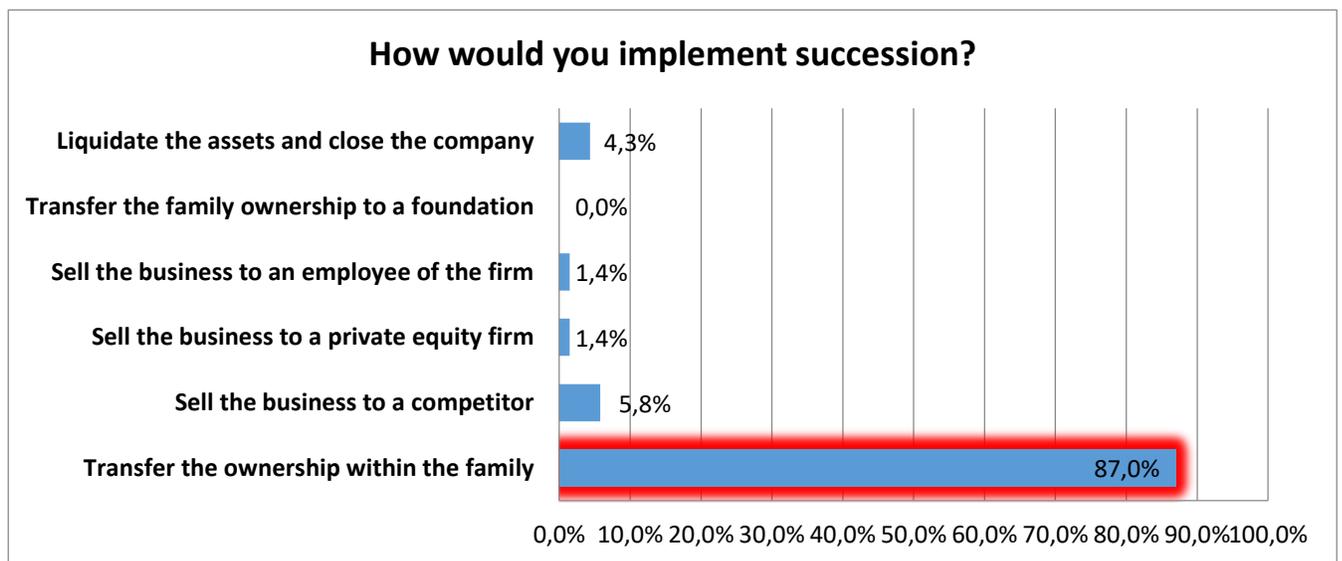
seemed very familiar with the succession process as 65% of respondents indicated that they were well informed and aware of the topic.

2.2.1 Did you already start implementing a succession process?

When compared with the results of the previous question, we find that although family businesses are familiar with the process of succession the majority of them **(61,3%) have not yet started or were planning to start the process of business succession.** In contrast, **only 14,3%** of respondents have declared some kind of experience in succession process as they were either currently in the middle of the process or have finished the process already. Nevertheless, this does not necessarily mean that they went **through a formalized and well-planned succession process.** It is very likely, as indicated in the results of the desk research and the interviews with family business owners, that this process happened on its own or in the event of emergency situation.



2.2.2 If you have considered such a succession transfer how would you implement it?



According to the majority (87%) of family businesses that took part in the survey when considering succession, the most preferable form would be to keep the ownership within the family. **In addition, most Bulgarian and Greek family business owners** completely disagreed of transferring the company to an outsider, such as a competitor, private equity firm, competitor or an external investor. **In general, merely 7,2% of the respondents** considered selling the business to a competitor or a private investor / equity firm. None of the respondents indicated the option of transferring the ownership to foundation. Nevertheless, such practice is available only in Germany. **In times of economic decline there were some respondents (4,3%), mostly in Bulgaria, that would consider company liquidation as an alternative to succession.** Such options are usually considered by companies where an appropriate successor is missing or not well motivated to continue family business endeavors.

2.2.3 What are your main concerns with regard to business succession?

As expected and indicated in the qualitative phase of the research the highest concern of family businesses **(73%¹)** when it comes to business succession was the **survival of the company after the transfer**. In addition, family businesses acknowledged the **unstable financial and economic environment (66%)**, as well as the presence **of an appropriate and well-motivated successor (67%)** to take over the family business wheel, as important factors that might have an influence on succession. A large number of business owners do not **consider planning for succession and other family aspects related to succession** as their main concern when it comes to ensuring the successful transfer of their business. This tendency was additionally proved during the desk and qualitative phases of the research that was conducted in all project countries. **In Germany**, respondents seemed most concerned **of financial and economic issues** and less concerned with family traditions when assessing succession outcomes. A rather unexpected result of the online survey indicates that some **44,00 %** of the respondents were concerned and uncertain whether their company **goals and direction will remain unchanged after succession.**

| | 1 not concerned at all | 2 Slightly concerned | 3 Somewhat concerned | 4 Moderately concerned | 5 Highly concerned |
|--------------------------------------|------------------------|----------------------|----------------------|------------------------|--------------------|
| | % | % | % | % | % |
| Lack of plan for succession | 11,8% | 15,5% | 25,5% | 35,5% | 11,8% |
| Selecting an appropriate successor | 14,5% | 12,7% | 15,5% | 26,4% | 30,9% |
| Managing inter-generational conflict | 9,3% | 12,0% | 26,9% | 27,8% | 24,1% |
| Providing | 5,5% | 11,9% | 21,1% | 33,9% | 27,5% |

¹ The percentage was calculated by summing-up scores of column 4 and 5.

| | | | | | |
|---|-------|-------|-------|--------------|--------------|
| adequate training for the successor | | | | | |
| Survival of the company after the transition | 8,3% | 9,2% | 15,6% | 28,4% | 38,5% |
| Interfering with family tradition | 15,0% | 15,9% | 31,8% | 30,8% | 6,5% |
| Financial and economic issues | 7,3% | 6,4% | 25,7% | 45,9% | 14,7% |
| Change of the firm's goals and direction after the succession | 9,2% | 19,3% | 31,2% | 33,9% | 6,4% |

2.3 At present how confident do you feel about managing the process of business succession with regards to the following issues?

The results of the question clearly showed that most of respondents do not feel confident about planning or managing a process of business succession. A large part of the respondents (**39.6%**²) indicated that the survival of their company at present is more important than business succession and they will be considering these issues in the future. Nevertheless, it is important to highlight that almost more than a quarter (**36.1%**) of the respondents indicated that they feel confident and they have a plan for implementing a successful business transfer. A significant number of the respondents (**31,2%**) answered that they do not feel sufficiently prepared in terms of knowledge and skills to implement a business transfer. The number of unprepared family businesses, in terms of knowledge and skills in succession is higher in countries like **Bulgaria, Greece and especially Spain** where it seems that succession represents an issue to be dealt with at a later stage of the company's life.

| | 1 very confident | 2 Quite confident | 3 (neutral) | 4 Slightly confident | 5 not confident at all |
|---|------------------|-------------------|-------------|----------------------|------------------------|
| | % | % | % | % | % |
| I will be considering this in a later stage of my company's lifecycle | 13,0% | 14,8% | 31,5% | 20,4% | 20,4% |
| Survival of our company is more important than succession | 18,3% | 21,1% | 17,4% | 21,1% | 22,0% |
| I am confident and I have a plan for business | 20,4% | 15,7% | 28,7% | 19,4% | 15,7% |

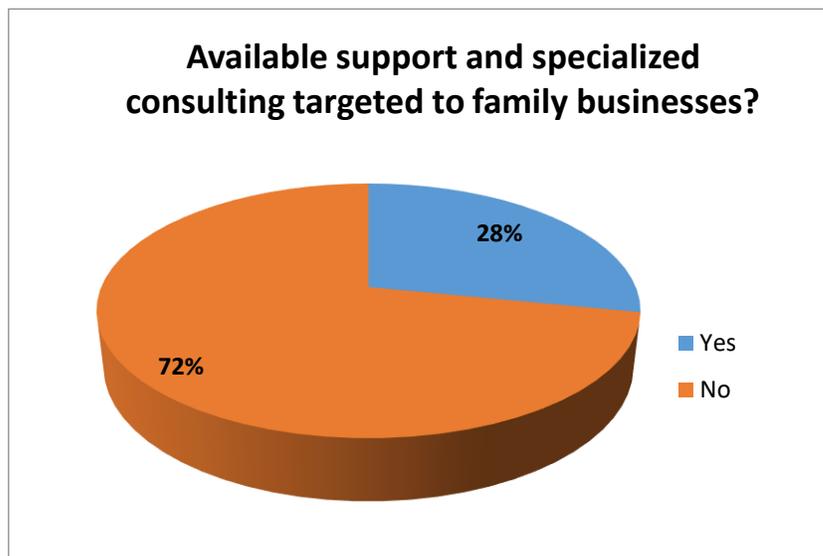
² The percentage was calculated by summing-up scores of column 1 and 2.

| | | | | | |
|---|--------------|--------------|-------|-------|-------|
| succession | | | | | |
| I do not have the knowledge and skills to implement a business transfer but I know I need to begin planning | 18,3% | 12,8% | 30,3% | 16,5% | 22,0% |
| I am ready to begin the process of business succession | 15,7% | 13,9% | 29,6% | 23,1% | 17,6% |

3.1 Are you aware of any firms / institutions in your region that provide support and specialized consulting targeted to family businesses?

The majority of family businesses in Bulgaria, Cyprus, Greece and Spain (**71,2%**) were **not familiar with specialized support structures or organizations** that are focused in providing consultations to family businesses. However, as being well recognized **in Germany (87,5%)**, most family businesses were well aware of organizations and tools that support family entrepreneurship. The results to this question clearly show that there is a clear deficiency in both available organizations and tools that were specifically tailored to the needs of the family businesses in countries such as **Bulgaria and Greece**.

Nevertheless, according to most family business owners that were interviewed in the qualitative phase of the research they were well aware of the existing consulting and business support structures in their region such as chambers of commerce, business incubators, etc.

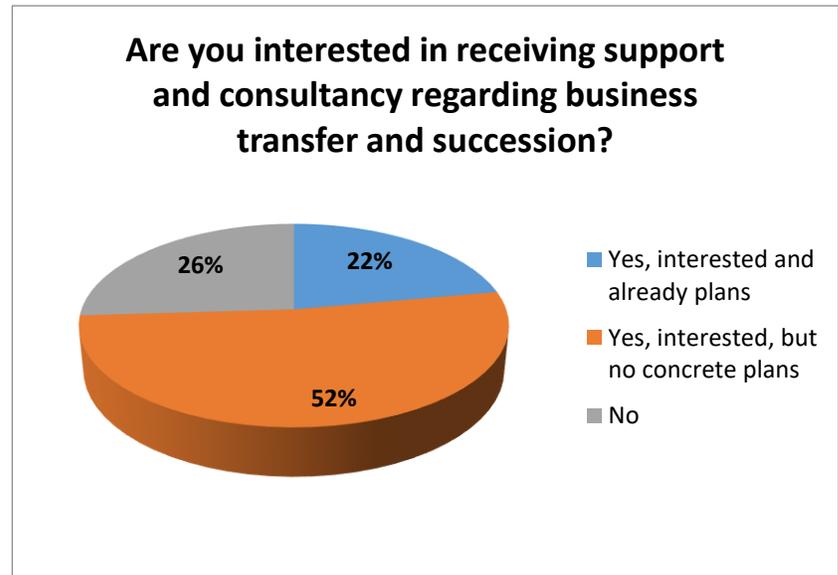


3.2 Have you received support already?

The result of the previous question is further backed-up here as more than **63% of respondents have never received any support on that matter**. In addition, the majority of German family business (62,5%), although well aware of the available support and tools, have not received such support yet. Some **13,5% of respondents indicated that they have never searched or were interested** in obtaining information or advice related specifically to matters of succession.

3.3 Are you interested in receiving support and consultancy regarding business transfer and succession?

A positive trend of increased interest towards receiving support and advice in terms of business succession is evident as **74% of respondents** are interested in receiving such specialized consulting service at a certain point of time. In Germany (83,5%) and Bulgaria (84.1%) most family businesses are particularly interested in receiving support in succession related issues. **Nevertheless, only 22% of family businesses that took part in the survey have concrete plans on that matter.**



3.4 What are the most important skills and competences that are needed in the family business succession process?

This is a very important question which lies at the core of the **research phase of the project as it aims to understand what skills and competences are preferred by family businesses when it comes to business succession and transferring of ownership.** In general respondents seem to either agree or strongly agree with most of the provided skills and competences. Nevertheless, the highest number of respondents consider that identifying the **business (90,4^{3%}) related strengths and weaknesses, and planning skills (87,4%)** are the most important skills for the achievement of a successful succession process. In Greece, as well as in other countries, an interesting fact, which came out of the survey, was **that the importance of technical skills (legal, tax issues) was neutrally approached** by the respondents. This clearly indicates that family business owners are well aware of the importance of planning, in particular with respect to succession and transfer.

Based on those results it could be concluded that in general family business owners clearly understand the dynamics of family firms and how persons and attitudes are crucially involved in the succession process. However, they had a blurred idea on which skills should be the subject of a targeted support and intervention. Therefore, in many countries we find that respondents have equally rated most of the skills.

³ The percentage was calculated by summing-up scores of column 4 and 5.

| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
|---|---------------------|------------|--|--------------|------------------|
| | % | % | % | % | % |
| Identifying family related strengths and weaknesses | 0,0% | 1,9% | 20,2% | 50,0% | 27,9% |
| Identifying business related strengths and weaknesses | 0,0% | 0,0% | 9,6% | 48,1% | 42,3% |
| Planning skills | 0,0% | 1,0% | 11,7% | 45,6% | 41,7% |
| Managing family conflicts | 1,9% | 2,9% | 17,5% | 40,8% | 36,9% |
| Project management skills | 4,9% | 1,9% | 12,6% | 52,4% | 28,2% |
| Soft skills (such as understanding and solving emotional conflicts) | 3,8% | 2,9% | 11,5% | 45,2% | 36,5% |
| Technical skills (such as legal, tax and financial skills) | 3,8% | 2,9% | 18,3% | 43,3% | 31,7% |

3.5 What would be your preferable learning tools in succession issues?

Respondents seem to find most of the indicated learning tools as appropriate when it comes to improving their skills in terms of business succession. Nevertheless, the **individual coaching/mentoring (71,3%⁴)** and **networking (67%)** score the highest of all tools. In addition, **case studies**, as being perceived by most family business owners as practical examples, were also preferred by respondents (**66,3%**).

Another important tendency is the lack of interest of business owners towards the traditional face-to-face workshops and other traditional learning methods (e.g. formal courses, hard copy textbooks and printed materials). The later was further supported by family business owners during the open interviews who considered non-physical presence related training methods as more suitable for family business owners. Nevertheless, most German family business owners tend to disapprove online learning as a suitable tool for improving skills and knowledge on a certain topic.

| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
|--|---------------------|------------|--|---------|------------------|
| | % | % | % | % | % |

⁴ The percentage was calculated by summing-up scores of column 4 and 5.



| | | | | | |
|--|------|-------|-------|--------------|--------------|
| E-Learning / Online learning | 7,7% | 12,5% | 32,7% | 33,7% | 13,5% |
| Individual coaching / mentoring | 0,0% | 3,0% | 25,7% | 47,5% | 23,8% |
| Case studies | 1,0% | 5,9% | 26,7% | 35,6% | 30,7% |
| Networking | 1,9% | 3,9% | 27,2% | 53,4% | 13,6% |
| Blended training programmes | 2,9% | 6,9% | 43,1% | 40,2% | 6,9% |
| Workshops | 1,0% | 6,7% | 36,5% | 45,2% | 10,6% |
| Formal courses | 2,9% | 18,6% | 30,4% | 33,3% | 14,7% |
| Self-test / self-assessment / quizzes | 1,9% | 9,7% | 32,0% | 38,8% | 17,5% |
| Hard copy textbooks and printed material | 4,9% | 8,8% | 30,4% | 43,1% | 12,7% |

3.6 What are the most important skills and competences of a potential successor?

Again most respondents consider **all skills as very important and suitable for the potential successors**. Nevertheless, according to respondents their potential successor should possess the following skills: **1) Assuming responsibility and taking risk (89,2%)⁵; 2) Decision making skills (87,5%); 3) Understanding of customers' needs (86,5%)**. When analyzing data, we could infer that the potential successor should be a person that is **not afraid of taking risks**, but make abstemious decisions based on a **thorough analysis** of the present situation in the business. Therefore, it is important for the potential successor to have excellent knowledge of the business and understanding of the needs of the company's customers base. However, in each country we find different core values and respected skills. **For example, in Germany**, family business owners would value **commitment** as an important skill. **Spanish and Cyprian family businesses** considered that **team work competences and the understanding of customers' demands** are the most important skills and competences of a potential successor. **Bulgarian family entrepreneurs** would value skills related to **responsibilities and taking risks**. **In Greece**, family owned enterprises would consider **leadership** as the most important skill for surviving in the harsh economic environment that resulted from the devastating financial breakdown of Greek markets and economy.

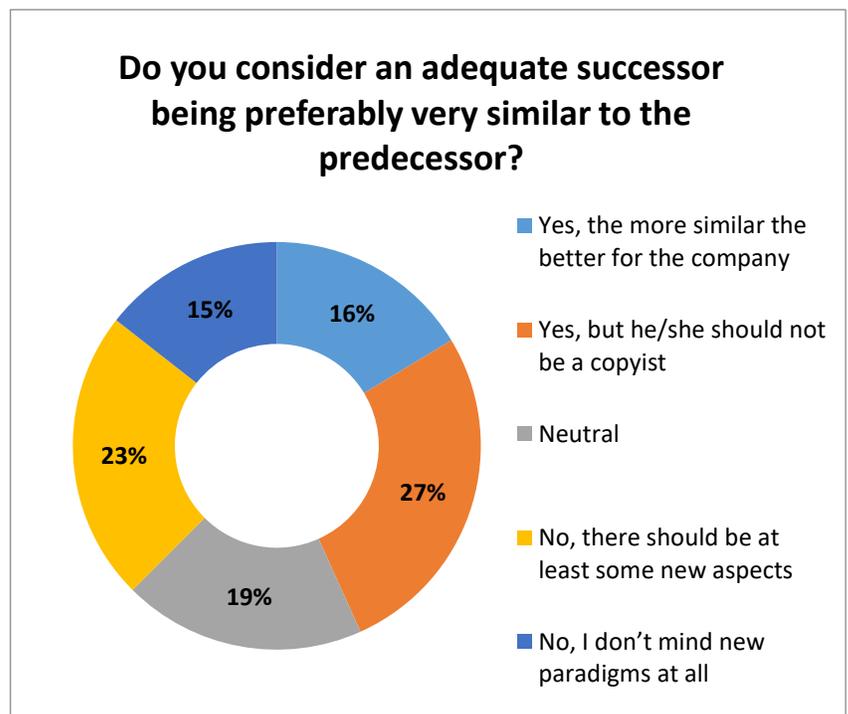
| | | | | | |
|--|---------------------|------------|--|---------|------------------|
| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
| | % | % | % | % | % |

⁵ The percentage was calculated by summing-up scores of column 4 and 5.

| | | | | | |
|---|------|------|-------|--------------|--------------|
| Leadership skills | 1,9% | 1,0% | 12,5% | 49,0% | 35,6% |
| Decision making skills | 1,0% | 1,0% | 10,6% | 33,7% | 53,8% |
| Assuming responsibility and taking risk | 1,0% | 0,0% | 9,8% | 36,3% | 52,9% |
| Communication and negotiation skills | 1,9% | 1,9% | 12,5% | 47,1% | 36,5% |
| Team work competences | 1,0% | 1,0% | 17,3% | 41,3% | 39,4% |
| Excellent knowledge of the present business | 1,0% | 1,9% | 17,3% | 43,3% | 36,5% |
| Understanding of customers' needs | 1,0% | 0,0% | 12,5% | 48,1% | 38,5% |
| Strategic planning | 1,9% | 1,0% | 19,2% | 39,4% | 38,5% |
| Commitment | 1,0% | 1,0% | 13,5% | 34,6% | 50,0% |
| Other | | | | | |

3.7 Do you consider an adequate successor being preferably very similar to the predecessor?

Respondents were divided in their responses to the question as 43,3% declared that **the successor should be “similar” to the predecessor**, however not a **“true copy”** in any case (26,9%). In contrast, some **37.8%** of all respondents answered that it is important for the successor to have new skills and to bring new aspects and perspectives to the family business management and vision for development.

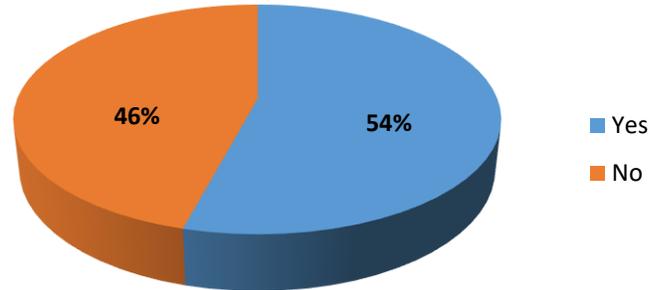


The closing section of the questionnaire aimed to gain more information from respondents on their particular interest in the activities of the project. **Most of the respondents (54,1%)** stated that would like to receive more information about the results of the project.

However, **only 45 respondents out of 134 participants in the survey have provided a valid email address** and will be automatically subscribed to news and updates related to the project implementation.

In some countries such as **Greece and Spain**, by being overwhelmed with information and training opportunities, most family businesses were reluctant to give out their contact details.

Further cooperation with the project





2.3 Interviews

A total of 37 interviews were conducted by project partners in all project countries (Bulgaria, Cyprus, Germany, Greece and Spain) in the period June - July 2016. Most of the interviews were conducted in person following a preliminary agreement between the interviewer and the interviewees. All participants in the interviews were pre-selected family business owners/members that poses/operate companies operating in rural areas except for Greece, where most interviewees were from the metropolitan area of Athens. Each interview followed an example template for open discussion that was utilized by all project partners in the research process.

In general, most business owners that were interviewed in the frame of the research were representatives of small family-owned businesses which come from various economic sectors such as tourism, light manufacturing industry, ICT, textile production, pharmaceuticals, retail trade, etc. For the most part, during the interviews, participants were eager to provide their names, company names, business positions and contact details. However, there were some participants that preferred to remain anonymous, especially in Greece and Spain.

Most interviewees were either owners or managers of a family business, as only a small portion of them were actually employees. Most participants provided their email data and expressed willingness to further cooperate and be informed on the progress and outcomes of the project.

The introductory part of each interview aimed to gain more information on the background of the family business owner / member and his/her experience in running and managing a family business.

1. General profile of family businesses.

The majority of interviewees were representatives of micro and small family owned companies that operated in the most predominant industry sectors in the participating countries such as tourism, services, retail trade and light industry.

The family history of the participating businesses ranged from 1st to 5th generation of ownership. As expected most of the family businesses **in Cyprus, Greece and Spain** were run either by the 2nd generation or 1st and 2nd generation co-existed. Very few were in their third generation of ownership. **In Bulgaria**, most companies currently stood in the period of transition / succession between 1st and 2nd generation. **In Germany**, interviewees represented family businesses with ownership ranging from 2nd to 5th generation.

In general, the results here more or less add to the overall picture that was drawn through the desk research and the online survey as most family businesses in those five countries are of first generation, very few are second generation and third generation owned companies, which could be viable only for Germany.



2. Main factors that make a family business successful.

According to most interviewees, the fundamentals for a successful family business were the strong relations, as well as the mutual understanding and trust between family members.

In Germany for example, the most important asset of family businesses was the trust of customers which were considered the main driver of success of family businesses in Germany. Family businesses tend to rely on the constant communication and open relations with both customers and employees in contrast to investor owned or large international businesses. Nevertheless, many business owners of older generations agreed that there was a tendency of decreasing trust due to market centralization and succession problems within families.

Another very important asset that was highlighted by family business owners in all surveyed countries was the importance of commitment of each family business owner that in general resulted from the emotional attachment to their companies. Another important asset that was shared by interviewees in Greece was the constant access to a pool of supporters within the family or extended family (e.g. persons who might not be formally involved in the business but support it in one or the other way). One important aspect that was commonly shared by interviewees as a main prerequisite for a successful family business was the effort to keep family and business affairs apart, not allowing as much as possible the one field or sphere to intervene with the other.

In terms of personal qualities and character features respondents highlighted loyalty, commitment, motivation and willingness to acquire new skills and knowledge. Interviewees agreed that a successful family business owner/manager is one that has excellent knowledge and practical experience of the business area in which the company is operating. The same goes to the potential successors as they should have grown-up involved in the business in order to have the desire and passion to pursue and continue family traditions.

3. Main barriers that hinder the development of a family business.

Based on the interviewees' responses we can distinguish two separate groups of factors that hinder the development of family business in general – internal (ones that are related to the family and the business itself) and external (local, regional and national economic environment, political and administrative development, crisis and turbulences on international level etc.).

In terms of the external challenges in most countries it was the unstable economic and political environment that had the strongest influence on the development of most family owned enterprises. During the interviews participants shared that family businesses, as being rather small and community bound are particularly vulnerable to economic turbulences. In terms of additional external business factors most owners and managers agreed that the limited financial resources, assets and the strong competition additionally hindered the existence and expansion of family enterprises. Some interviewees pointed out the banking and financial services sector as not being flexible enough in providing loans and grants to family owned enterprises.

In terms of internal business factors and challenges we find different opinions among family businesses in the countries that participated at the research.



In Bulgaria, almost all interviewed family enterprises pointed out the intra-family relations (e.g. lack of mutual understanding between family members; rivalry especially when there are several potential successors; the misunderstanding between family members on goals and visions of the business) as being the key issue and the main challenge in managing a family business. Another main issue that was shared among all interviewees was the lack of a potential successor. In general family businesses in Bulgaria agreed that emotional aspects of managing a family business and conflicts arising in the way, represented a challenge that needs to be tackled not only in regards to succession but also in everyday business life.

In Cyprus, interviewed family business owners stressed on the ability to distinguish between the common good and personal interests. If a family business is to be successful one, it was crucial that all decisions with respect to business expansion, human resources management, major changes in scope or company profile/philosophy ("what we stand for") were weighed against the common good of the family.

Some important internal business challenges that were brought forward by family businesses **in Germany** included the issues which resulted of the lack of new growth possibilities and adopting to technological changes. In terms of succession, German family businesses also struggle with the lack of a suitable and fit successor. In most cases children oftentimes do not want to follow their parents' footsteps. Therefore, it was difficult for family businesses to find other ways of succession. Some fear that they would lose their good reputation if they make public, that there were no successors for the family business. Others were anxious that the ideals of their company would not be valued by an external successor, etc.

Greek family businesses would highlight a common issue of mixing **family affairs with business ones** as a main cause that might jeopardize a family business. This issue is often resulting from unclear allocation of tasks and responsibilities, especially when a clear model of who does what and gets what is missing.

In both Greece and Bulgaria, family business managers, especially of the younger generations talk about the generation gap. It was most commonly related by interviewees to "different dreams" or "suppressed dreams" when parents (1st generation) push the succession of the business to their off-spring (2nd generation) without having a deep and sincere discussion throughout the years. Some respondents seemed to understand and handle this issue. Others however, deemed the succession within the family as "natural" phenomenon.

When analyzing the responses of interviews **in Spain** we found that Spanish family businesses identified that one of the main internal business related challenges was the lack of time for training and updating their skills according to market demands. The lack of adequate training systems for the development of managerial or social skills implies often to unexploited opportunities which might influence greatly any family business. In terms of succession, most Spanish family businesses would also consider the lack of appropriate successor as the most important puzzle that they would have to solve. This further reinforces the general impression that was gained through the various stages of the present research that most family businesses lack planning skills in terms of managing the succession process.

In general, in all countries, except for Germany we observe a tendency of encapsulation of most family businesses. Most family owned smaller businesses, beyond the advice in very concrete and specific financial and administrative aspects, do not trust or count on



external collaborators that can support and guide them in key businesses decisions (such as development and commercialization of new products, business extension, etc.). The lack of professionalism, mainly due to the owners' fear for losing control of the company is, in many cases, counterproductive to growth.

4. Main challenges that the family business will have to face in the next 5 years.

Most of the challenges that were identified by interviewees coincided with the main issues that are currently on the agenda of most of the businesses. Most challenges were resulted from the economic decline in the past 5 years that influenced family businesses the most. At further levels, but in close connection with the aspects above, especially in Greece and Bulgaria, the competition from big companies and corporations (especially in the tourism and retail food sectors) as well as cheap imports from China has also been mentioned as a challenge. In summary, here are the main challenges that family owners foresee for their businesses in the next 5 years:

- Ensuring business growth;
- Tackling and surviving competitiveness;
- Planning and keeping market shares in a period of severe competitiveness;
- Surviving and adapting to the constant changes in the regulatory framework and administrative burden;
- Keeping up with the ever-increasing market and quality standards;
- Going international;

In general, only a small part of family businesses when asked about their main business challenges and concerns for the next five years would consider succession, or the challenge of next generation taking full control of the businesses, as an important issue to be solved.

An overall conclusion, identified during the interviews in Greece, but also applicable for the rest of the countries, was the uncertainty to plan for anything longer than a very limited time period ahead, in other words, the inability to plan for the mid- and long-term, including for succession. A good example to illustrate the current state of the majority of family businesses that participated in the research was the expression of an interviewee of Bulgaria who shared that "I think that our main challenge is to survive every single year. It is too difficult to plan too far ahead in the small business.", or "I will cross the succession bridge when I come to it".

The second part of the interviews focused on examining the general attitudes of family business owners towards the process of family business transfer and succession.

2.1 Level of awareness of the business succession process.

The next set of questions aimed to gather some general comments and input of family business owners on business succession and how they would approach it. In all countries, except for Bulgaria, most family business owners were familiar with the process of succession, as they have experienced it in one way or the other. Nevertheless, no concrete statements were provided on how the process was implemented (e.g. planning procedure, implementation, involvement of external assistance, outcomes, etc.). **In Spain**, although



most of the interviewees represented second generation companies, the succession course was implemented in rather urgent character (as result of an accident or health problem of owners) and, therefore, as an event and not as a process.

In contrast, most Bulgarian family businesses were either not familiar or only familiar to a certain extent with the process of business succession and transfer. The same results were obtained in the frame of the desk research and the online survey in Bulgaria. Lack of succession awareness is rather predictable due to the fact that most of Bulgarian companies are currently in the process of transition between 1st and 2nd generation of ownership and management. Of the business owners who have studied the succession process most agreed that there is not a formal method or a step-by-step guide available on how to implement the process.

2.2 Currents state of family businesses in regards to planning and implementing a succession process.

In regards to succession, most interviewees would prefer the company to remain under the ownership and management of the family. Therefore, some family business owners in **Cyprus** highlighted the importance of convincing their children (potential successors) into pursuing an education that would correspond to the main profile and interests of the family business. This is an aspect that should be further explored (both its positive and negative aspects) as part of formal and informal planning for business succession. **German family business** owners further elaborated on the topic. According to their perspective a successor within the family should receive practical training at the business and receive a higher education in the field of administration and management, or other industry-specific subjects. Following the completion of education potential successors should specialize in another company (preferably not more than two years).

There were certain cases where business transfer was important for certain businesses but their owners lack the knowledge and skills on how to plan and manage the succession process itself. In general, most participants in the interviews shared that currently the next generation is part of the business either as part of the management or even as an employee. In some cases, business owners did not plan nor cared for succession because they consider their potential successors as not interested and motivated enough to continue the family business. **In Greece, Spain and somewhat in Bulgaria**, there have been cases where the transfer has already been implemented, but mostly without any concrete planning beyond the technical and financial aspects. **In Germany**, all interviewed family business owners were utilizing the services of external consultants mostly in relation to taking over strictly financial, legal and tax related issues that result in the course of the succession process.

2.3 Main factors that family businesses should take into account when considering succession.

Choosing the right successor is the most important factor that was mentioned by interviewees. However, as highlighted beforehand some companies have come to the conclusion that their potential successors were not going to continue the family business due to the fact that they have no particular interests or willingness to work in the sector



where the business is operating. This is very common in the field of agriculture where family traditions are very often questioned by younger generations. Therefore, very often the biggest worries in terms of succession, as highlighted by interviewees were centered on the willingness, motivation and interest of the next generation to engage and continue the family business. As we concluded above, the generation gap resulted from the structure of today's society and the access to information was also highlighted as additional factor. Naturally, the second most important factor were the intra-family relations, as entrepreneurs pointed out that they would prefer to plan and implement the succession in such a way, that nobody in the family will feel deprived or neglected in the process. Therefore, family businesses clearly understand that apart from all the paperwork when it comes to family business there are always emotions and psychology involved. All interviewees shared that in managing family business owners should carefully assess the commitment and interest of their potential successor in order to find out if they are willing to continue family business traditions. In the process of planning and implementing succession one should avoid conflicts and involve all family's members in the process in order to make it as transparent as possible.

The importance of correct timing and long-term planning was also stressed by most family business owners that were interviewed in the course of the research. According to the practical experience in succession process of German family businesses the appropriate time for considering succession has come when the predecessor turns 50 the latest.

Last but not least, clarifying roles during the planning and after the transfer (roles of successor, transferor and the rest of the members involved in the business) were also crucial for ensuring the survival and sustainability of the family business after the business transfer is completed.

2.4 Main fears of the family business owner that considers succession.

"Will my successor be able to sustain and continue successfully my business" and "Will intra-family relations remain the same and not change for the worst" are some of the statements that interviewees brought forward during the discussions. Understandingly, the day after succession is an uncharted territory to most family businesses. One of the main fears related to succession that almost all interviewees shared with the research team was related to the company's survival and sustainability after the succession process has been completed. A large number of interviewed family business owners shared the common fear of their company losing its path and vision.

In Bulgaria for example, family business owners were scared of forcing their children (successors) to take over the family business. They would like to see them pursuing the family business with a passion and not to take it as an obligation. Again there is a lot of psychology involved as family business traditions in Bulgaria are rather novel and most of the businesses are currently facing a transition between 1st and 2nd generation of ownership. Therefore, again most interviewees shared their fears related to the interest, motivation and involvement of the next generation. The individualism of the business founders and sometimes their lack of accepting someone else (including someone in the family) of being capable of outperforming them is another characteristic feature of family business that has arisen during the qualitative phase of the research.



Sometimes external factors were also identified as common sources of anxiety for most family business owners. **In Cyprus**, interviewed business owners were concerned that new trends in the labor market and the entrepreneurial context in general, were currently favoring the selling of the company (e.g. or merge thereof). Selling the business might be beneficial in terms of economic gain, but it also might have a negative impact in terms of interfering with family traditions and well-being. According to the succession experiences of **German family business** owners, even with the proper training there was no guarantee that succession would succeed. Therefore, a substantial amount of patience, understanding, and support should be provided in order to provide successors with some comfort in their initial business endeavors.

2.5 Current level of confidence of family business owners in regards to succession.

Again as in previous questions, **except for Bulgaria**, most of the interviewed family business owners stated that they felt quite confident about succession. However, two aspects have been explored depending on the presence or absence of prior experience with succession. Some respondents had experienced a transfer in the past and therefore were quite confident with their knowledge and skills in terms of succession. Those who lacked such experience felt rather insecure about the entire process. In Bulgaria, as most businesses were not experienced in succession, understandingly they were also unaware of the succession process itself. Most interviewed business owners knew that succession will happen at a certain point but were unaware of the specifics and dynamics that would be involved, as well as what will be at stake when time comes for transferring the ownership to the next generation. Therefore, as being less aware of the process most of the interviewees in Bulgaria feel very unconfident at present when asked if they are prepared and ready for succession. Furthermore, they tend to separate preparedness into emotional and purely technical as the latter being related to paperwork and formalities. The emotional aspect is again related to the leadership profile of the typical family business owner in Bulgaria which reflects in every aspect of business management. The leadership profile of business owners is also stated as a very common concern among family businesses in terms of implementing an intra-family business transfer. The fact that the owners think they have stronger leadership qualities than the potential successors appears frequently in the interviews. The respondents describe themselves as more intuitive and entrepreneurial persons. The main challenge is to manage this evolution in the leadership model and to build a more corporate or group leadership and less individualistic as it is currently in the family business.

The third part of the interviews aimed to study the level of awareness of family businesses on the available specific support, as well as on their training needs in regards to succession.

3.1 The most common sources of skills, knowledge and competences.

Managing a family-owned business involves a lot of effort and personal commitment of each family member. Therefore, the practical experience is one of the most commonly acknowledged sources of new skills and knowledge by family businesses. Most interviewees have combined in-house training with formal education and have participated regularly in industry-specific workshops/meetings.



However, in general most of the interviewed entrepreneurs have acquired their skills through participation in vocational trainings, master classes, workshops and other training initiatives. In this regards entrepreneurs would grade vocational training initiatives in their region very high in terms of quality and content. The importance of face-to-face training and events is also measured by the fact that they represent an opportunity for networking and collaboration with entrepreneurs in the city, the region, the country or even abroad. Only **Bulgarian family businesses** seemed to consider online learning as an efficient tool for training and learning purposes. According to them, running a family business requires a lot of personal commitment and very often free time is scarce. Therefore, trainings should be available outside working hours in order not to interfere with business operations. In contrast, **German family businesses** were very much against online learning as a sufficient source of skills and knowledge but more as a tool for raising the general awareness of family entrepreneurs on the subject of succession, as well as for motivating them for early planning. Additionally, entrepreneurs preferred to learn from experience and did not like lecturing in a classroom environment. When asked about training in terms of succession most suggested that they would like to learn from case studies and experiences of other entrepreneurs that have gone through the process. In any case all training activities should be concise, on the topic, less-time consuming, allow for networking and best practice exchange. Furthermore, entrepreneurs would like to know more of the succession process itself (e.g. how to plan early; the dynamics and family aspects that are involved; etc.) and not as much for the technical and purely legislative facets related to succession. For the latter, external experts and consultants could be employed. In general, the majority of family businesses stated that they have not acquired training in this specific aspect and they are unaware of courses or training activities in this topic. In spite of the increasing number of training content, literature, handbooks and programmes fostered by specialized consultancies or education/training centers, there was much to be done in order to translate those tools from academia to business language.

3.2 Current level of interest and openness of family business in engaging in training initiatives related to business transfer and succession.

The general opinion of interviewees is that businesses are not familiar with the process of succession and therefore it is difficult to assess their interest to such a topic. However, the majority of interviewed family businesses believed that a training focused on succession would be very welcomed by family businesses. Nevertheless, what was important for most interviewees was that the training content should not focus much on academia and theory, but to provide a more direct and practical approach including case studies and true stories. In addition, a training in succession should not be focusing strictly on the tax, legal or financial aspects of the of the business transfer process, as most such services could be provided by qualified external experts and consultants in the area. Furthermore, trainings should be developed from the point of view of the people involved in the family business (e.g. focused on improving their motivation, commitment, leadership abilities, etc.).

3.3 Personal interest and willingness to participate in training initiatives related to business transfer and succession.



We find respondents divided in terms of openness and interest towards engaging in training activities related to succession as a large part of them understand succession as a process which is not yet part of their business agenda. They consider succession more as something that will happen overtime and on its own, and not as a well-planned and organized process.

In Germany for example, most family businesses that took part in the interviews have already participated or are currently participating in such initiatives. In addition, they shared that they were in constant contact with business advisors in terms of solving succession issues.

In Bulgaria, there was a good number of entrepreneurs that would be very interested in improving their limited knowledge and skills in the area of business transfer and succession.

In Greece, most of the respondents were opened to training activities, provided that this would be feasible in terms of time.

In Spain, most of respondents would be interested in participating in such trainings only if they were organized in a way so that time and costs are compensated to a certain extent. Yet, Spanish family business owners would still prefer classroom training through formal courses and workshops, rather than e-learning or distance learning. Bulgarian, Greek and Cypriot family business owners on the other hand, tend to prefer online learning as it will save them time and resources.

3.4 Current level of awareness of family businesses on the available support mechanisms / options in each region / country related to providing support and development of skills and knowledge in regards to family businesses, business transfer and succession

In general, most family businesses were not familiar with the available support mechanisms, organizations and tools that were specialized in providing support to family business on various issues including business transfer and succession.

In Bulgaria, most family businesses were utilizing the services of experienced business consultants mainly in the field of project management, funding and loan acquisition, accounting, finance, etc. As far as strictly family businesses or succession are concerned, there were no existing support mechanisms or structures that were recognized or identified by participants in the interviews.

In Cyprus, the University in Lefkosia is dealing through some departments with the issue of family businesses in general and family business succession in particular. They have organized interesting events and seminars on the topic. In addition, every year an important family business related event has been organized by an institution that represents and safeguards the interests of family businesses in Cyprus. In the frame of this event there are many interesting presentations and workshops in support of family businesses that are taking place.

In Germany, all interviewed family businesses, regardless of their size and industry profile, were well aware of the support possibilities provided by notable institutions like IHK⁶ and HWK⁷ as well as of the advisory provided by specialized consultants.

⁶ Industrie- und Handelskammer (Chamber of commerce and industry);

⁷ Handwerkskammer (Chamber of Handcrafters);



In Greece, there were some initiatives which were funded or partially supported by national or EU grant programmes, that dealt mostly with financial, tax, and legal aspects related to succession.

In Spain, the majority of respondents represented small, community-bound businesses. As such they were unaware of the available support mechanisms in the field of succession. However, the Santander Chair of Family Business at the University of Granada has been frequently organizing dissemination and training activities related to succession and family protocol.

In general businesses were well aware of the existing consulting and business support structures in their region such as chambers of commerce, business incubators, etc. However, there is a lack of popular instruments targeted to the needs of the family businesses, as well as training initiatives that provide capacity development opportunities on topics that are strictly related to family businesses (e.g. succession).

The final set of questions aimed to gain more information on what would be the most *crucial and valuable skills and competences that a family entrepreneur would require in order to successfully manage and develop his/her own business, as well as to effectively plan and execute a family business transfer.*

4.1 Specific skills and competences for developing and ensuring sustainability of a family business.

In general, most entrepreneurs shared a similar opinion and preference in relation to skills and knowledge that would define a person as a well prepared entrepreneur or a manager. The majority of respondents mentioned skills such as leadership, self-confidence, ability to take risks, motivation and confidence. In addition, creativity in terms of knowing how to turn a good idea into an even better products or a service was also stated as a key skill. Expanding the business, according to interviewees, represented a quite different story, as it took networking and negotiation skills. Another important entrepreneurial feature that was brought forward by interviewees was the presence of communication skills (e.g. being able to talk with employees and build confidence at business partners). Furthermore, in the family business context, certain (soft) skills like managing human interaction especially among within the family and relatives were considered as an important entrepreneurial asset. Each of the interviewed business representatives highlighted the importance of being an expert in the area of the business. In general, family businesses agree that in addition to the general professional and personal qualities a successful family business owner should be an entrepreneur above all. As such he/she should be able to take risks, asses and adapt to market trends and be able to overcome everyday issues that arise in the process of business management.

4.2 The most preferable training content when it comes to managing a family business.

In order to better manage their businesses family entrepreneurs would like to engage in training activities that will enable them to better identify their businesses' strong and weak aspects. Again, a training in negotiation and communication skills related to better communicating and working with people (e.g. co-workers, employees, family members, accountants, customers, competitors, etc.) was also highlighted as a preferred training topic. In contrast, family businesses in **Germany** would like to receive more support or trainings in hard skills (e.g. financial, legal and tax matters) in order to become better managers of their family businesses.

In Greece, the most preferred training tools were seminars and workshops, mainly due to their short-term character and the targeted subjects.

In Spain, according to most family businesses trainings should focus on tools and strategies that were related to solving and managing family conflicts. In addition, especially for businesses in their second and third generation of ownership, it would be suitable to enhance human resources management skills. In general, as mentioned above leadership skills are crucial for managing and expanding a business. Therefore, it will be efficient to develop competences and skills that will aid the transition from individualistic leadership, which is focusing on one person within the family business, to a more corporate type of leadership, when company management is shared between several members of the family and/or external collaborators.

4.3 Most important skills and competences that one needs to acquire when it comes to planning and implementing a family business transfer/succession

The final question was divided in two parts. The first one aimed to find out more about what were the most important skills and competences that a family business owner should possess in order to plan and implement a business transfer/succession. Here most entrepreneurs pointed out that a family business owner in terms of succession should:

- Have excellent knowledge on the legal environment related to succession;
- Carefully assess the qualities and abilities of their potential successors;
- Manage inter-family relations;
- Have the motivation to implement the transfer;
- Have the willingness to let go;
- Build an environment that fosters communication;
- Assess the interest of prospect successors;
- Be open-minded and able to think beyond the family for succession alternatives;

The interviewees shared a similar opinion that when succession is concerned a successful entrepreneur should be able to plan and manage the process. An entrepreneur that has the right leadership skills should therefore support and mentor instead of giving orders. As far as psychology was involved **Bulgarian and Greek family business owners** should overcome a common stereotype of having a son as their heir. A large part of the interviewed companies pointed out that it is very important to carefully manage family relations and communication within the family. Therefore, the importance of soft skills was also highlighted by a large number of interviewees. Sometimes separating family relations



and emotions from business ones represents a big challenge. In regards to formalities and paperwork needed for implementing a transfer or succession, businesses agreed that the services of professional advisors and experts should be employed.

The second part of the question related to the desired profile (in terms of skills and knowledge) of the potential successor. According to respondents, it was very important that the successor, besides having the specialized training in the business area, felt motivated and committed enough for the success of the family company. The successors should be prepared for this position even before the process of succession was initiated. According to the majority of respondents the ideal successor should have the following profile:

In terms of skills:

- Leadership;
- Decision making;
- Flexibility;
- Creativity;
- Responsibility;
- Negotiation skills;
- Strategic planning;
- Marketing and advertising skills;

In terms of knowledge:

- Excellent knowledge of the actual status of the company and the environment where it operates;
- Excellent awareness on the key aspects of the industry or sector in which the business operates;
- Has good educational background;

In terms of professional profile:

- Has experience working for another company (not the family business);
- Has already worked for the family business as an employee;
- Has motivation to undertake the management of the company;
- Is able to commit time and resources for self-preparation;
- Be creative and innovative;
- Has motivation and commitments of continuing family traditions,

In general interviewees agreed that the most suitable successor would be a person from the family that took the best of his/her predecessors and have combined it with new and modern skills that will ensure the survival and sustainability of the family business. In addition, the successor's vision for business development should follow the family traditions and values.

3. Chapter III

General summary and conclusions

As identified during the desk phase of the research, the European legislative framework used in different countries is imperfect and deficient. Hardly any consideration of family businesses can be found across most European countries. In some of the project countries, **the term “family business” is mentioned in different regulations without any clarification as to its definition.**

A clear **differentiation exists between Western and Eastern (Balkan) European countries** in the aspect of available support and level of development of family businesses. As it was summarized at the desk research, the states in **Cyprus, Greece and Bulgaria** don't seem to actively support family businesses in a structured and special way and more importantly addressing the issue of succession, as family businesses are treated as SMEs in general in those countries, while in **Spain and Germany** the family companies are given some tax privileges in favor of business property.

The present chapter presents in summary some of the main findings that were documented as a result of the research on family business members' / owners' needs in specialised support and training for successful business transfers. The main findings of the present report (IO2) could be cross-fertilized with the main conclusions resulted from the Report on Business Advisors' needs in Specialized Knowledge for Family Business Transfer Consulting (IO3) in order to provide the basis for the development of methodological guidance and training content that will provide both theoretical and practical guidance on succession issues for family businesses and business consultants.

The quantitative part of the research **included 134 (one hundred and thirty-four) representatives of family businesses operating in the researched countries** that were surveyed online. The qualitative interviews were implemented with **36 (thirty-six family businesses)** as most of the family businesses were interviewed face-to-face or online via Skype.

The majority of interviewees were representatives of **micro and small family owned companies** that operated in the most predominant industry sectors in the participating countries such as **tourism, services, retail trade and light industry.**

The family history of the participating businesses ranged from **1st to 5th generation** of ownership. As expected most of the family businesses in **Cyprus, Greece and Spain** were run either by the **2nd generation** or **1st and 2nd generation co-existed.** Very few were in **their third generation of ownership.** In Bulgaria, most of the companies currently stood in the period of transition / succession between **1st and 2nd generation.** In **Germany,** interviewees represented family businesses with ownership ranging from **2nd to 5th generation.** In general, the results here more or less add to the overall picture that was drawn through the desk research and the online survey as **most of the family businesses in those five countries are of**



first generation, very few are second generation and third generation owned companies, which could be viable only for Germany and Spain, to a certain extent.

According to research data, the fundamentals of a successful family business are pillared over strong relations, as well as mutual understanding and trust between family members. Family businesses related their success to **constant communication and open relations** with both customers and employees in contrast to investor owned or large international businesses. Nevertheless, many business owners of the older generation agreed that there was a tendency of decreasing trust due to market centralization and succession problems within families. **Family entrepreneurs across the surveyed countries shared a common perception that** if a person is to be a successful family entrepreneur he/she should employ **loyalty, commitment, motivation and willingness to acquire new skills and knowledge.**

Family business owners across the surveyed countries agreed that a successful family business owner/manager is one that has **excellent knowledge and practical experience of the business area in which the company is operating.**

In terms of what were the **most common issues and barriers that family business across Europe were facing,** the majority of family entrepreneurs would distinguish two separate groups of factors that hinder the development of family business in general – **internal (ones that are related to the family and the business itself) and external (local, regional and national economic environment, political and administrative development, crisis and turbulences on international level etc.).** Apart from the **unstable economic and political environment** family business members would highlight the **intra-family relations** (e.g. lack of **mutual understanding between family members; rivalry especially when there are several potential successors; the misunderstanding between family members on goals and visions of the business; the generation gap**) as some of the most important challenges in managing a family business. Another very important issue that is becoming more and more **common in countries such as Germany, Greece and Bulgaria** was the **lack of an appropriate successor.**

When asked **what would be the biggest challenges that your business would have to face in the next five years,** family businesses across Europe accounted the aftermath and the resulting challenges of the **economic decline over the past 5 years. In addition, especially in Greece and Bulgaria, the competition from big companies** and corporations (especially in the tourism and retail food sectors) as well as **cheap imports from China** has also been mentioned as a challenge that would be more evident over the next five years. In general, only few family businesses **considered succession, or the challenge of next generation taking full control of the businesses,** as an important issue to be solved over the next 5 years. **The uncertainty to plan for anything longer than a very limited time period ahead,** in other words, the inability to plan for the **mid- and long-term,** including succession represents a challenge that needs to be tackled appropriately by family business owners. A good example to illustrate the current state of the **majority of family businesses** was the expression of an interviewee of Bulgaria who shared that **“I think that our main challenge is to survive every single year. It is too difficult to plan too far ahead in the small business.”, or “I will cross the succession bridge when I come to it”.**



The process of succession is perceived, understood and handled differently according to family businesses in the researched countries. When considering awareness on the benefits of early succession planning we observe the following tendency. In all countries, except for Bulgaria, most family business owners **were familiar with the process of succession**, as they have **experienced it in one way or the other**. However, very few family businesses would be able to provide **concrete statements and recommendations on how the process was implemented (e.g. planning procedure, implementation, involvement of external assistance, outcomes, etc.)**. For example, in Spain, most succession courses were implemented with rather **urgent character (as result of an accident or health problem of owners)** and, therefore, **as an event and not as a process**.

In Bulgaria, succession remains a taboo, as **most Bulgarian family businesses were either not familiar or only familiar to a certain extent with the process of business succession and transfer**. Lack of succession awareness is rather predictable due to the fact that most of Bulgarian companies are currently in the process of transition between 1st and 2nd generation of ownership and management.

When considering succession most family businesses would be anxious **about survival of the company after the transfer**. In addition, family business owners seemed most concerned of **financial and economic issues and less concerned with family traditions** when assessing succession outcomes.

In general, all family business that took part in the research shared a common opinion and were very strict on **keeping the ownership and management of the company within the family**. Therefore, for most companies that have chosen the path of succession the most important issue that would come to mind will be the choosing of an appropriate successor. In many cases this task proves to be very difficult, time consuming and emotionally "dangerous" as long as family values were at stake. There was a clear state of awareness of almost all interviewees that one should carefully assess the **commitment and interest of their potential successor** in order to find out if they are willing to continue the family business traditions.

Most of family business owners stated that they **felt quite confident about succession**. However most of them would still rate the survival of their company as being **more important than business succession**. Understandingly, **the day after succession is an uncharted territory** to most family businesses. One of the main fears related to succession was related to the **company's survival and sustainability after the succession process is completed**. A large number of interviewed family business owners shared the common fear of **their company losing its path and vision**. In general, the number of unprepared family businesses, in terms of knowledge and skills in succession was higher in **countries like Bulgaria, Greece and Spain**, to a certain extent, where it seems that succession represents an issue to be dealt with at a **later stage of the company's life**. Very often, the biggest worries in terms of succession were centered on the **willingness, motivation and interest of the next generation** to engage and continue the family business. Furthermore, the **generation gap** resulted from the structure of today's society and the access to information was also highlighted as additional factor. Naturally, the second most important factor were the **intra-family relations**, as entrepreneurs pointed out that they would prefer to plan and implement the succession in such a way, that nobody in the **family will feel deprived or**

neglected in the process. Very often a family business would ask himself “**Will my successor be able to sustain and continue successfully my business**” and “**Will intra-family relations remain the same and not change for the worst**”.

Managing a family-owned business involves a lot of effort and personal commitment of each family member. Therefore, the practical experience is one of the most commonly **acknowledged sources of new skills and knowledge by family businesses.** However, in general most of the interviewed entrepreneurs generally acquire skills through participation in vocational trainings, master classes, workshops and other training initiatives. In this regards entrepreneurs grade vocational training initiatives in their region very high in terms of quality and content. Only Bulgarian family businesses seemed to consider **online learning** as an efficient tool for training and learning purposes. **In general, the majority of family businesses** stated that they have not acquired training in succession and they were unaware of courses or training activities in this topic. In spite of the increasing number of training content, literature, handbooks and programmes fostered by specialized consultancies or education/training centers, there is still much to be done in order to **translate those tools from academia to business language.**

Family business owners believe that when **succession is concerned a successful entrepreneur should be able to plan and manage the process.** An entrepreneur that has the right **leadership skills should therefore support and mentor instead of giving orders.** As far as psychology was involved **Bulgarian and Greek family business** owners should overcome the stereotype of **having a son as their heir.** In addition, it is very important to carefully manage family relations and communication within the family. Therefore, the importance of **soft skills** was generally acknowledged by most family business owners. Sometimes separating **family relations and emotions from the business represents a big challenge.** In regards to formalities and paperwork needed for implementing a transfer or succession, family businesses prefer to employ the services of professional advisors and experts.

In general, for most family businesses it was very important that the successor, besides having the specialized training in the business area, felt motivated and committed enough for the growth and development of the company. The successors should be prepared for this position even before the process of succession was initiated.

According to family business owners **the most suitable successor would be a person from the family that took the best of his/her predecessors, but also possessed new and modern skills that will ensure the survival and sustainability of the family business.** In addition, the successor's vision for business development should follow the family traditions and values.

In general, in all countries, except for Germany we observe a tendency of a sort of encapsulation of most family businesses. Most family owned smaller businesses, beyond the advice in very concrete and specific financial and administrative aspects, do not trust or count on external collaborators that can support and guide them in key businesses decisions (such as development and commercialization of new products, business extension, etc.). The lack of professionalism, mainly due to the owners' fear for losing control of the company is, in many cases, counterproductive to growth. Nevertheless, what

was important for most family businesses was that the **training content should not focus much on academia and theory, but to provide a more direct and practical approach including mentoring, case studies and true stories.** In addition, a training in succession should not be focusing strictly on the tax, legal or financial aspects of the of the business transfer process, as most such services could be provided by qualified external experts and consultants in the area. Furthermore, trainings should be developed **from the point of view of the people involved in the family business (e.g. focuses on improving their motivation, commitment, leadership abilities, etc.).**

4. ANNEXES

Annex 1: Quantitative research tool (Online survey questionnaire)

**SUCCESS...ION - Making Family Business Transfers successful
 through Education and Training
 Proj.no: 2015-1-BG01-KA202-014247**

| | | | |
|------------------------|--|--|--|
| Document Title: | | Online Survey Form and Questions for Family Business Owners / Members | |
| Date of Issue | 22.02.2016 | | |
| Author(s) | Plamen Todorov | | |
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| 6 | 05.05.2016 | Plamen Todorov, María del Carmen Osuna López, Ani Atanasova |

Dear Participants,

This survey forms part of the European project *Success...ion* which is **co-funded by the European Commission**, under the Erasmus + Programme, and is implemented by a consortium of nine partners in Bulgaria, Spain, Greece, Cyprus and Germany.

The project will collect, analyse and use the survey data with the aim to identify the specific needs that a family business owners / members would require in terms of specialized support or training for planning and implementing a successful business transfer.

By participating in this online survey, you provide us with invaluable data on your needs of specialized support and training for planning and executing a successful business transfer to either intra-or extra-family successors.

The survey includes **18 multiple choice questions and will take you no more than 10 minutes to complete**. All information will be treated confidentially and no personal data or information will be disclosed or be otherwise used except for research purposes.

This survey, and the project as a whole, will be even more successful if you assist us in identifying more family business owners/members who would like to participate by just forwarding this link which provides access to the online questionnaire.

You can also visit our website at: <http://succession-project.eu/> and like us on Facebook: [Succession in Family Business](#)

Thank you!

The SUCCESSION PROJECT CONSORTIUM



PART 1: PERSONAL INFORMATION

(Please provide us with more information on the company / business that you own / are employed in)

1.1. Do you consider your business being a family one?

- Yes
- No

1.2. Which country do you currently work in?

- Bulgaria
- Cyprus
- Germany
- Greece
- Spain
- Other (Please specify):_____

1.3. Gender

- Male
- Female

1.4. What is your role in the business that you own or work for? (Multiple answers possible)

- Founder
- Owner
- Manager
- Employee
- Other (Please specify):_____

1.5. What is your age?

- Less than 25 years;
- 25 – 34 years;
- 35 – 44 years;
- 45 – 54 years;
- 55 – 64 years;
- 65 + years;

1.6. In which industrial sector does your business operate in?

(Please choose of the list below)

- A - Agriculture, forestry and fishing
- B - Mining and quarrying
- C – Manufacturing
- D - Electricity, gas, steam and air conditioning supply



- E - Water supply; sewerage; waste management and remediation activities
- F - Construction
- G - Wholesale and retail trade; repair of motor vehicles and motorcycles
- H - Transporting and storage
- I - Accommodation and food service activities
- J - Information and communication
- K - Financial and insurance activities
- L - Real estate activities
- M - Professional, scientific and technical activities
- N - Administrative and support service activities
- O - Public administration and defence; compulsory social security
- P - Education
- Q - Human health and social work activities
- R - Arts, entertainment and recreation
- S - Other services activities
- T - Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use
- U - Activities of extraterritorial organisations and bodies

PART 2: SUCCESSION PROCESS

2.1. Which generations are involved in your family business today? (multiple answers possible)

- 1st generation;
- 2nd generation;
- 3rd generation;
- Other (Please specify): _____

2.2 Are you familiar with the process of business succession?

- Not familiar at all
- Not familiar
- Neutral
- Familiar
- Very familiar

2.2.1 Did you already start implementing a succession process?

- I haven't started planning.
- I started planning but the process hasn't started yet.
- We are currently in the middle of the process
- The process is almost finished



2.2.2 If you have considered such a succession transfer how would you implement it?

- Transfer the ownership within the family;
- Sell the business to a competitor;
- Sell the business to a private equity firm;
- Sell the business to an employee of the firm;
- Transfer the family ownership to a foundation;
- Liquidate the assets and close the company.

2.2.3 What are your main concerns with regard to business succession?

(Please rate each of the statements below)

| | 1 not concerned at all | 2 Slightly concerned | 3 Somewhat concerned | 4 Moderately concerned | Highly concerned |
|---|------------------------|----------------------|----------------------|------------------------|------------------|
| Lack of plan for succession | | | | | |
| Selecting an appropriate successor | | | | | |
| Managing inter-generational conflict | | | | | |
| Providing adequate training for the successor | | | | | |
| Survival of the company after the transition | | | | | |
| Interfering with family tradition | | | | | |
| Financial and economic issues | | | | | |
| Change of the firm's goals and direction after the succession | | | | | |
| Other, please specify | | | | | |



2.3 At present how confident do you feel about managing the process of business succession with regards to the following issues?

(Please rate each of the statements below)

| | 1 very confident | 2 Quite confident | 3 (neutral) | 4 Slightly confident | 5 not confident at all |
|---|------------------|-------------------|-------------|----------------------|------------------------|
| I will be considering this in a later stage of my company's lifecycle | | | | | |
| Survival of our company is more important than succession | | | | | |
| I am confident and I have a plan for business succession | | | | | |
| I do not have the knowledge and skills to implement a business transfer but I know I need to begin planning | | | | | |
| I am ready to begin the process of business succession | | | | | |
| Other, please specify | | | | | |

PART 3: SUPPORT AND TRAINING NEEDS IN SUCCESSION ISSUES

3.1 Are you aware of any firms / institutions in your region that provide support and specialized consulting targeted to family businesses?

- Yes
- No
- Other, please specify

3.2 Have you received support already?

- Yes
- No
- Never searched or was interested

3.3 Are you interested in receiving support and consultancy regarding business transfer and succession?

- Yes, interested and already plans
- Yes, interested, but no concrete plans
- No



3.4 What do you consider the most important skills and competences that are needed in the family business succession process?

(Please rate each of the statements below)

| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
|---|------------------------|---------------|---|------------|---------------------|
| Identifying family related strengths and weaknesses | | | | | |
| Identifying business related strengths and weaknesses | | | | | |
| Planning skills | | | | | |
| Managing family conflicts | | | | | |
| Project management skills | | | | | |
| Soft skills (such as understanding and solving emotional conflicts) | | | | | |
| Technical skills (such as legal, tax and financial skills) | | | | | |
| Other, please specify | | | | | |

3.5 What would be your preferable learning tools in succession issues?

(Please rate each of the statements below)

| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
|--|------------------------|---------------|---|------------|---------------------|
| E-Learning / Online learning | | | | | |
| Individual coaching / mentoring | | | | | |
| Case studies | | | | | |
| Networking | | | | | |
| Blended training programmes | | | | | |
| Workshops | | | | | |
| Formal courses | | | | | |
| Self-test / self-assessment / quizzes | | | | | |
| Hard copy textbooks and printed material | | | | | |
| Other, please specify | | | | | |



3.6 What are the most important skills and competences of a potential successor?

(Please rate each of the statements below)

| | 1 Strongly disagree | 2 Disagree | 3 Neither agree nor disagree (neutral) | 4 Agree | 5 Strongly agree |
|---|------------------------|---------------|---|------------|---------------------|
| Leadership skills | | | | | |
| Decision making skills | | | | | |
| Assuming responsibility and taking risk | | | | | |
| Communication and negotiation skills | | | | | |
| Team work competences | | | | | |
| Excellent knowledge of the present business | | | | | |
| Understanding of customers' needs | | | | | |
| Strategic planning | | | | | |
| Commitment | | | | | |
| Other, please specify | | | | | |

3.7 Do you consider an adequate successor being preferably very similar to the predecessor?

- Yes, the more similar the better for the company.
- Yes, but he/she should not be a copyist.
- Neutral.
- No, there should be at least some new aspects.
- No, I don't mind new paradigms at all.

PART 4: FURTHER COOPERATION

Would you be interested in further cooperation with the project "Succession" and content which will be developed and/or receiving further information on its outcomes?

- Yes
- No

If yes, please provide us with a valid e-mail address:

Thank you for participating in project "Succession" survey!

More information at: <http://succession-project.eu/>

Join and like us on Facebook: [Succession in Family Business](#)

This project has been funded with support from the European Commission. This survey reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Annex 2: Qualitative research tool (Open interviews / discussions guidelines)

SUCCESS...ION - Making Family Business Transfers successful through Education and Training Proj.no: 2015-1-BG01-KA202-014247

| | | | |
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| Document Title: | Interviews / Open discussions for family business owners / members | | |
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| Author(s) | Plamen Todorov | | |
| Contributors | Kalina Avramova, Zhivko Ivanov | | |
| Contact name | Plamen Todorov | | |
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| Version No | Date | Revised by |
| 1 | | |
| 2 | | |
| 3 | | |
| Etc | | |

Interview contents and guidelines

Dear participants,

The following interview represents a part of a research that is underway in the frame of the European project “Succession” which is co-funded by the European Commission under the Erasmus + Framework Programme. The project is implemented by a consortium of nine partners of Bulgaria, Germany, Greece, Cyprus, and Spain.

The purpose of the research and the interview is to find out more about the attitude of family business owners / members towards family business transfers, as well as to identify the non-technical aspects and perceptions of family businesses upon reaching a phase when succession and transfer are considered.

In addition, the research will seek to identify and define the competences and skills that family business entrepreneurs need, including specialized support and training when they consider planning and implementing a business transfer.

Based on the research outcomes specialized learning contents and material for family business owners and member will be developed which will support them in the process of planning and implementing a successful business transfer in their family businesses.

The interview itself features **a total of 16 open questions and will take you not more than 20 minutes to complete**. As regards to confidentiality rest assured since no personal data or information will be disclosed or be otherwise utilized except for research purposes.

If you have additional question in regards to the information and scope of the research part of the interview or the project as a whole, please do not hesitate to contact us.

Thank you!

The SUCCESSION PROJECT CONSORTIUM

INTERVIEW GUIDE AND CONTENTS – TEMPLATE

General information

| | |
|---|--|
| Name of the interviewee | |
| Company / Organization | |
| Title / Position | |
| Email | |
| Date and time of Interview | |
| Location of the interview (e.g online, Skype, face-to-face, via email, etc.) | |
| Name of the interviewer | |

A. Respondent background and experience in running / participating in family business.

(Background of the family business owner / member and experience in running and managing a family business)

| | |
|--|--|
| 1. Please provide a brief profile of the family business that you own / participate in. | |
| 2. What are the main factors that you consider making a family business successful? | |
| 3. What are the main factors / barriers that hinder the development of the family businesses? | |
| 4. What will be the main challenges that your family business will have to face in the next 5 years? | |



B. Attitude towards family business transfers and how family business members go about it.

(General comments on business succession and how a family entrepreneur would approach the issues related to business transfer and succession)

| | |
|---|--|
| 1. Are you aware of the process of business transfers and succession? | |
| 2. Have you planned for / considered implementing a business transfer within your company? How would you go about it? | |
| 3. According to your understanding what will be the main factors when considering business transfer and succession? | |
| 4. What are your greatest apprehensions when considering a business transfer and succession? | |
| 5. How confident do you feel about business transfer / succession? | |

C. The specific support and training needs that family business members / owners need.

(Specific support and training needs that family business members / owners need – open set of questions (motivation and interest towards engaging such activities))

| | |
|--|--|
| 1. How in general entrepreneurs in your area acquire skills, knowledge and competences (e.g. through formal education, vocational/professional courses, online learning, etc.)? What is your personal preference when it comes | |
|--|--|



| | |
|---|--|
| to training / learning? | |
| 2. In general are family entrepreneurs in your country interested (or not) to engage in training activities related to business transfer and succession? | |
| 3. At present what is your interest and willingness to engage in a training activities related to business transfer and succession? | |
| 4. Are you aware of available support mechanisms / options in your region to support and develop your skills and competences regarding family businesses, business transfer and succession? | |

D. The knowledge/ skills/ attitudes needed by family business owners / members to sustain and grow their business and the role of business consultants in this process.

(Crucial and most valuable skills and competences to effectively plan and execute a family business transfer)

| | |
|---|--|
| 1. In your experience what, knowledge, skills and competences do entrepreneurs need to possess in order to sustain and grow their business? | |
| 2. What is most preferable training content when it comes to managing your family business? | |
| 3. Based on your personal preferences and experience what are the most important skills and | |



| | |
|--|--|
| <p>competences that one needs to acquire when it comes to planning and implementing a family business transfer/succession?</p> | |
|--|--|

CLOSING QUESTIONS AND OPEN DISCUSSION

| | |
|--|---|
| <p>1. In case a face-to-face or an open discussion via Skype is taking place please close the interview with the following wrap – up statements:</p> <ul style="list-style-type: none"> - Summarize the key issue raised and key points made and explaining what actions will be taken as a result of their feedback, and how this will be communicated. - Inviting to participate in project “Succession” activities, sharing project links and contacts. - Thanking participant/s for their time and input. | <ul style="list-style-type: none"> - Do you have any suggestions or recommendations to add to the issues and topics that were discussed in the frame of the interview? - Based on your personal experience in running a family business what would you recommend other family entrepreneurs when managing their business and implementing a business transfer |
|--|---|

Thank you for your time and participation!

The Succession Project Consortia

www.succession-project.eu