



Training materials

Transition Issues

MENTORCERT project
Work Package 3

Budapest, 2019



Table of Contents

Introduction and learning objectives	3
Overview of the sector	5
Case studies.....	13
I. Strategic planning	13
Long Case	13
Strategic planning in AB2000 Ltd with Balanced Scorecard and Strategic Map.....	13
Short Case.....	19
Strategic planning at Darnóhús.....	19
II. Value creation models.....	21
Long Case	21
Strategic renewal of the DUDITS Hotels Ltd. with the Pimento Map	21
Short Case.....	30
Market Expansion or Market Exploitation? That is the Question.....	30
III. Understanding the ecosystem	33
Long Case	33
Succession planning at the WindScreen Ltd	33
Short Case.....	38
Company growth at the LocalMeat Ltd.....	38
IV. Futures	40
Long Case	40
Product development at the RealDream Ltd.	40
Short Case.....	44
Renewal of the service portfolio at the SoftPay Ltd.....	44
References and additional resources	46
Transition Issues – Sector Overview	46
Methods.....	47



Introduction and learning objectives

These training materials have been prepared for the MentorCert Project. They aim to help business mentors or potential business mentors acquire knowledge and skills associated with the development of knowledge in specific business sectors. They are to be used as a resource to underpin the development of (1) project related e-learning materials (2) Face to face training.

Aim of the materials

The aim of the materials is to support business mentors and potential business mentors to achieve the 'hard' skills identified in the MentorCert skills card and outlined in the table below

Learning outcome
To understand options available to identify the scale and scope of the sector
To be able to identify relevant value creation models and apply at least one in a relevant sector context
To understand options available to map the sector eco-system and to apply at least one
Hypothesize about the future of the sector

Structure of the training materials

The training materials are ordered in the following way:

- A brief introduction to the Transition Issues
- Examples of techniques that can be applied in the sector to achieve the learning outcomes (e-learning materials) (including case studies)
- Short case studies to be used in face to face teaching and learning
- Further references and resources

The training materials contain eight case studies to encourage work-related learning.

Long cases (to be used in the on-line training materials)

- AB2000 Ltd. (1) – Strategic planning in AB2000 Ltd with Balanced Scorecard and Strategic Map
- DUDITS Hotels Ltd. (2) – Strategic renewal of the DUDITS Hotels Ltd. with the Pimento Map
- WindScreen Ltd. (3) – Succession planning at the WindScreen Ltd.



- RealDream Ltd. (4) – Product development at the RealDream Ltd.

Short cases (to be used in face-to-face training)

- Darnóhús – Funkció Ltd. (5) – Strategic planning at Darnóhús
- Metallurgia Ltd. (6) – Market Expansion or Market Exploitation? That is the Question
- LocalMeat Ltd. (7) – Company growth at the LocalMeat Ltd.
- SoftPay Ltd. (8) – Renewal of the service portfolio at the SoftPay Ltd.

Time and materials needed

These materials should be used in combination with other resources developed during the MentorCert Project and the TRUST ME project.

- A methodology handbook introducing a selection of thirty two tools and techniques that can be used to identify the scale and scope of the sector, value creation, eco-system mapping and hypothesise about the future of the sector (MentorCert available [here](#))
- A TRUST ME Handbook for trainers available [here](#)

To complete the full e-learning module should take about fifteen hours in total (eight for the methodology module and seven for the Transition Issues module). It will take about 4 hours to complete the face to face element of the training.



Overview of the sector

I. Brief overview of the horizontal issues

During the next decades, thousands of entrepreneurs will retire, usually without formal succession plans, so the next-generation relatives, former employees, or outsiders will assume leadership of these now-mature enterprises, hopefully bringing their own visions and initiatives and becoming, in every sense, re-entrepreneurs. Re-entrepreneurial leaders will encounter challenges that differ radically from those confronted by traditional entrepreneurial leaders. Re-entrepreneurial initiatives should create new visions and missions and should culminate with reimagined and revitalized enterprises. (McEnany-Strutton, 2015). The potential business priorities in European Union based on the KPMG European Family Business Barometer (2017) are the following: educate and train new staff, internationalization and export into new market, attract new talent, improve profitability, became more innovative, increase turnover, diversity more products and services. McEnany and Strutton (2015) based on Schumpeter's innovations theory, developed seven rules for help the transitions process as prospects for successful redirection:

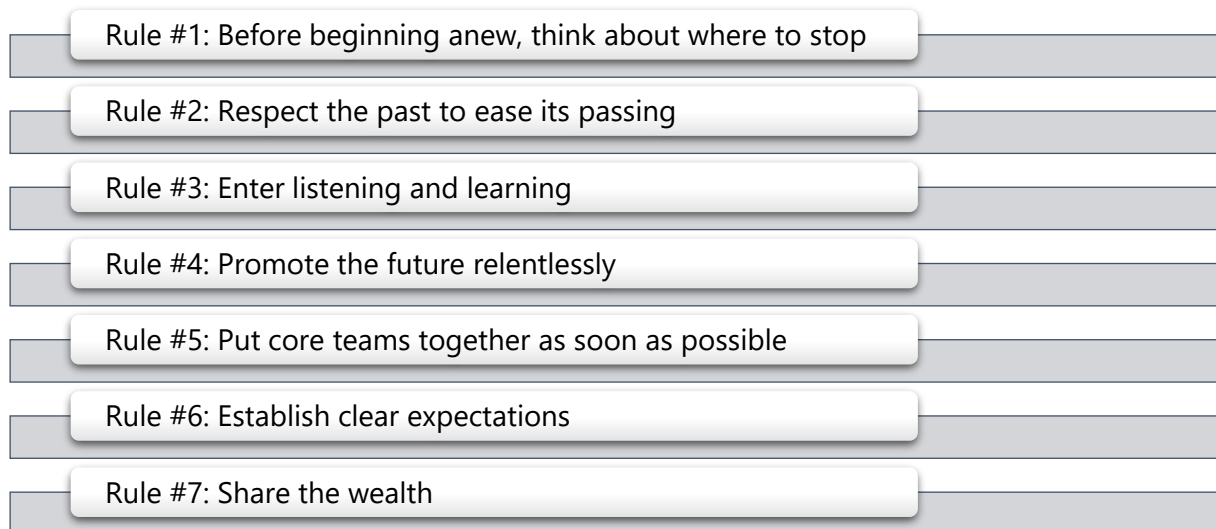


Figure 1: Seven rules to manage a successful transition and a revitalized enterprise

Source: own compilation based on McEnany – Strutton, 2015, pp. 405-408.

The main milestones and tasks in a transition process are the following:

1. Understand the main challenges of the organization: making a new digital ecosystem and business model, the effort of the digitalisation and automatization to the main operation. It can be apply the Design thinking, the Business model Canvas, the Pimento Map or the Lean management principles.
2. Have a clearly defined, professional corporate governance system. The means of professionalism such as the managerial accounting and controlling methods applied, and creating the functional and hierarchic corporate structure, applying outer professionals like consultants, mentors, coaches, mediators, applying family corporate governance methods efficiently help the family businesses' sustainable operation. Making the roles clear in the form of succession plan can contribute to minimalizing struggles inside the firm. Creating inner control mechanisms can be an effective solution to enforce the owner's interests or to neglect the principal-agent problem.
3. Establish and plan a strong and structured leadership succession process and the strategic change example by Gestalt cycle (Figure 2).

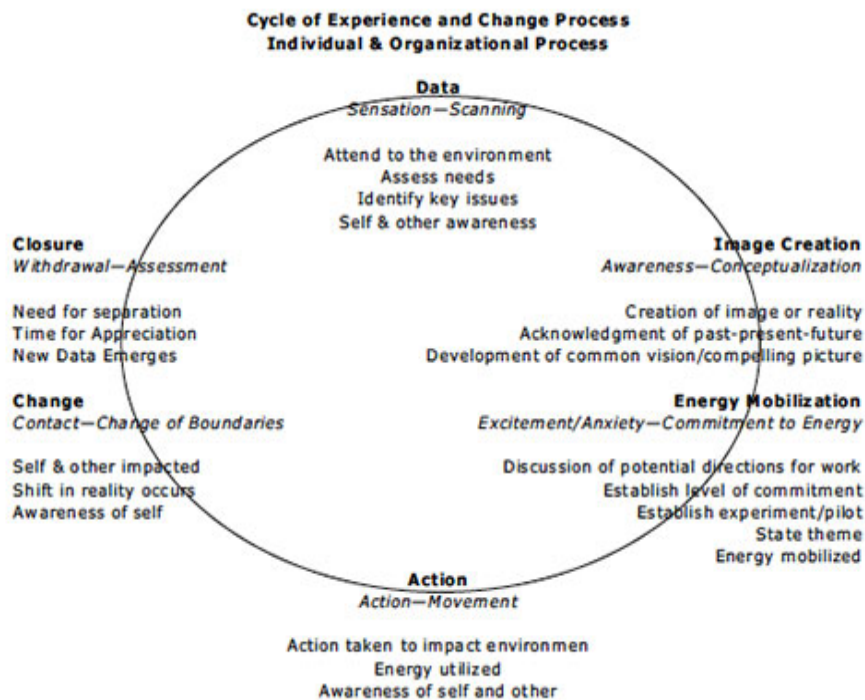


Figure 2: Elements of the Gestalt cycle as an organizational change process

Source: Carter, John D. (2001-2) *Systems: Levels of Intervention. Becoming A Better Intervener Training Manual: Gestalt Institute of Cleveland: Organizations and Systems Development Center, pp. 48-51*



4. Carefully managing of the finance, cultural, socio-emotional components of the integration process is very important, because the transition is one of the most important processes of a business's life cycle due to its substantive effect on the firm's strategy, culture, goals, values, structure, staff, and survivability (Ahlers et al, 2014).

II. Analysis

The transition as a process

The transition-planning process has two main goals:

- (1) the selection of the successor, which includes setting criteria or defining a pool of possible candidates;
- (2) the preparation for the transfer of management control as well as ownership shares from an older to a younger generation (Sharma et al., 2003).

Numerous examples around the world show that succession is also a challenging process that many businesses struggle with (Mussolino - Calabro, 2014), in particular with defining the right timing, finding the right successor, and managing the transition process in a fortunate way (Sharma, 2004). Three key elements of the process are the follow: a leader (who hands over the leadership role), a successor (who takes over the role), and a mechanism (by which the transition takes place) (Davis, 1982).

The generational transition usually passes off without formal or informal transition plan.

We have to take stock of the four important phases of the transition planning process (Murray, 2003):

- (1) The trigger phase,
- (2) The preparation phase,
- (3) The selection phase, and
- (4) The training phase.

The first step in transition planning is an incumbent's readiness to hand over the business. This is often initiated by a trigger (Murray, 2003), which consider one's own exit from a business can be a result of developmental pressures such as age or health, internal forces



**ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification**

such as family, a predestined succession candidate, company management, or external pressure for a change, for example, from accountants or customers (Gersick et al, 1999).

One important aspect of succession readiness is an incumbent's willingness to hand over the business (Brun de Pontet et al, 2007).

The leading tasks in this phase are the following (Le Breton- Miller et al., 2004):

- Creating an initial vision of how the business should operate in the future,
- Clarifying the goals, rules, and guidelines that every internal stakeholder must follow during the succession process,
- Defining the time plan and upstanding the milestones.

The third phase includes three major tasks such as:

- Defining the pool of candidates, criteria for and rules of selection,
- Creating the communication plan, which can share news about the succession to stakeholders (such as employees, suppliers, or customers), and
- Making guidelines for the successor's future training.

In the training phase, when the successor has been chosen, the transition process enters the training phase, in which he or she is trained and prepared for new role. Therefore the quality of the incumbent–successor relationship is important because those commitments have a positive effect on transition planning and successor training (Lansberg - Astrachan, 1994).

The influencing factors of the success in the transition process are based on the international literature:

Fit between successor's career interests and the business; acceptance of individual roles successor and propensity of the successor to take over; trust in successor's abilities and intentions; incumbent's interest outside the business, propensity of the incumbent to step aside; presence of an active advisory board, extent of succession planning; expected payoffs from the business; agreement to continue the business (Sharma et al, 2003).



Alternative succession routes in family firms can be:

- internal generational succession without succession planning (due to atypical family events),
- interim- or gap-management,
- trust,
- merger,
- the sale to a third party,
- the management buy-out [MBO] or buy-in [MBI],
- liquidation or close-down.

The relationship between professionalization and the successful transition

Professionalization is the process through which professional managers become part of the firm at the management or ownership level by entails the adequate formal training and education of individuals as so called professional managers (Songini, 2006).

Professionalization and succession processes may occur during the various phases of the organization life cycle. Based on Greiner life cycle model (1972) we can explore the evolution of management control systems throughout a firm's life cycle. More studies have defined the management accounting as a common language which is capable of transferring organizational knowledge during processes of coordination and integration within and across the firm's boundaries (Busco et al 2007).

The means of professionalism such as the managerial accounting and controlling methods applied, and creating the functional and hierarchic corporate structure, family members' training, applying outer professionals like consultants, mentors, coaches, mediators, applying family corporate governance methods efficiently help the family businesses' sustainable operation. Making the roles clear in the form of succession plan, will, family constitution can contribute to power struggles inside the family.

The descendants' conscious education, training can also lead to prevent conflicts if because of the parental direction each potential successor in the family business can prove his abilities in the area matching his qualification. Creating inner control mechanisms can be an effective solution to enforce the owner's interests or to neglect the principal-agent problem. For this, however, it is necessary for the family to have self-control, and add informal corrections in favour of advancing the company's interests.



Outcomes and effects of the transition

The transition is a three-phase process, which includes an ending, a neutral zone, and a new beginning (Bridges, 2003); where the ending is characterized as letting go of old assumptions and behaviours. Based on Bridges (2003) the neutral zone is the core of the transition and is characterized by the replacement of old behaviours with new. Effective transition takes courage, patience and fortitude. The new beginning is just that, with new skills and a new outlook on the way forward. The individuals and teams need to go through all of the phases to make a successful transition. The most organizations ignore the ending, pay little attention to the neutral zone and expect the new beginning to simply happen. This inattention is one of the main reasons why many organization change initiatives are prolonged.

The end of this transition process can be a great possibility to learn and forgetting. The firm can forget the bad behaviour pattern and can apply new methods, new business perspectives, new partnership etc.

The transition can give it a chance to

- review the business activities,
- do major developments,
- change multi-element of marketing strategy,
- expand to other industries or modify the existing range with minor changes,
- using new technologies opening new markets and launching a related product lines,
- open new markets,
- make a so-called digital strategy,
- connect to networks,
- increase the private equity and finance the growth,
- start the process of internationalization and professionalization,
- become a public company with diffused ownership,
- run by a professional manager.

III. Best practices of answering to the challenges

Rothwell (2009) identified ten trends and fifteen characteristic in the area of the effective succession planning and management. They are the following:



10 trend in succession planning and management	15 characteristics element in effective transition management
1. The need for speed.	1. Top Management Participation and Support
2. A buyer's market for skills.	2. Needs-Driven with External Benchmarking
3. Reduced loyalty among employers and workers.	3. Focused on accelerating the development of individuals with verified advancement potential.
4. The importance of intellectual capital and knowledge management.	4. Dedicated Responsibility
5. The importance of values, ethics, and competencies.	5. Succession Planning and Management Extends to All Levels
6. More software to support succession.	6. A Systematic Approach
7. The growing activism of the board of directors.	7. Comparison of Present Performance and Future Potential
8. Growing awareness of similarities and differences in succession issues globally.	8. Clarification of High-Level Replacement Needs
9. Growing awareness of the similarities and differences of succession programs.	9. Specific Developmental Programs Established and Conducted
10. Managing a special issue: CEO succession	10. An Obligation to Identify and Prepare Successors
	11. Developmental Programs Establish Familiarity with Who, What, When, Where, Why, and How
	12. Developmental Experiences Encourage Critical Questioning
	13. Succession Planning Emphasizes the Qualities Necessary to Surpass Movement to the Next Higher-Level Job
	14. High Potentials Work While Developing
	15. Formal Mentoring Emphasized

Table 1: Trends and elements of the effective succession planning and management

Source: own compilation based on Rothwell, 2009, pp. 51-63.



IV. Lessons for the curriculum development

The literature highlights several elements in firm succession process, example the personnel characteristics of the main actors: incumbent and successor, example the incumbent’s attitude toward debt, the incumbent’s financial knowledge, the incumbent’s risk propensity and the incumbent’s experience with debt (Koropp et al, 2013).

Furthermore there are several business and environmental factor, which we have to manage or control. The core internal and external elements (business and macro-economic factors) of the transitions process can be illustrated by Figure 3:

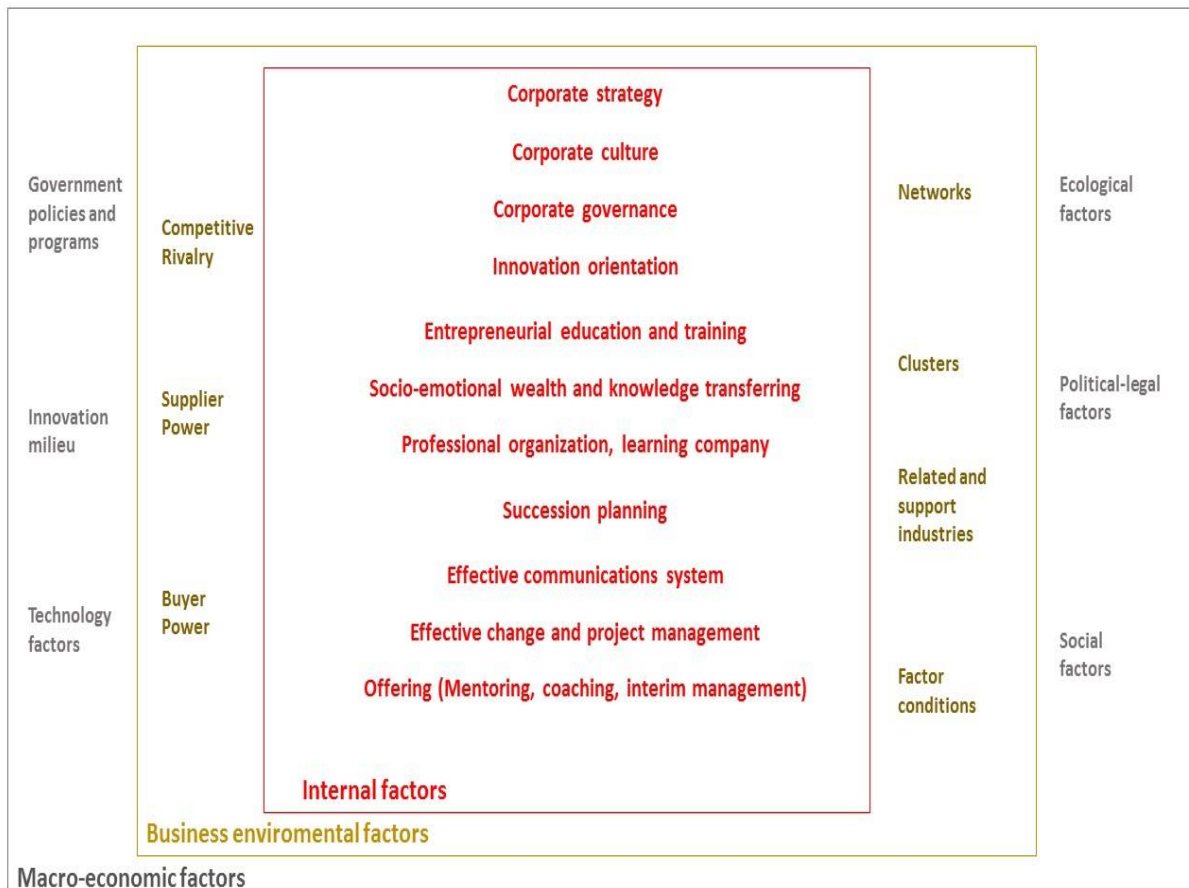


Figure 3: Factors of successful succession management

Source: own compilation



Case studies

to the selected Hard Skills of the MentorCert Skill Card

I. Strategic planning

Long Case

Strategic planning in AB2000 Ltd with Balanced Scorecard and Strategic Map

General information concerning the firm

AB2000 Ltd was established in 1987 by Bence Antal in Kecskemét. The company was mainly involved in traditional iron and steel trade. The hydraulics field was introduced into the company's profile in 1990, while in 1995 the company expanded to include the fields of special metal alloys and the development of industrial computers. Currently, their main field of activities are engineering consulting and sales of industrial automation components. The company is currently managed by the founder and his son – Bendegúz Antal. The 62-year-old father, who is a mechanic, is withdrawing into the background to hand over managerial tasks to his 36-year-old son, who holds degrees in mechatronic engineering and MBA. The founder formulated the following vision for the next 5-year strategic period:

AB2000 is to become a leading component supplier and system solution supplier in Central-Eastern-Europe.

The mission of the company: We wish to provide our customers with system solutions and technologies with which they can compete in the global arena. We consider our customers, suppliers, and employees to be our most important resources, on whom we can base our long-term success.

The company has a linear organizational structure that the founder would like to keep in the future, too because thus the company can respond quickly to customer needs and market changes. The company offers the products of more than 30 suppliers on the Hungarian market, however more than 80% of the company's annual revenue is generated by the products of 10 suppliers, and 50% of the revenue comes from the products of the five largest suppliers.



**ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification**

The most dynamic expansion can be witnessed in the fields of damping technology, motion technology and safety technology, while there is a decline in traditional motion technology and pneumatics.

Based on experience and the above, it can be ascertained that 2 to 3 years is needed following the appearance of a newly developed product to be introduced on the market after which a 5 to 7-year obsolescence period can be expected, which can be extended by 2 to 3 years with technological development.

In addition to strategic planning, the enterprise is also working hard on the generation handover process, and by combining the two challenges they are trying to exploit synergies. Despite generational differences, the corporate strategic planning process is jointly pursued, with the help of a mentor. The founder and his potential successor set the goal of defining the corporate strategic target system and its visualisation in the form of a so-called strategic map to identify interconnections. To do this, a thorough situational analysis was carried out, the business model of the company was analysed, macro- and micro-environment analysis was carried out in cooperation with the managers of the company, and the positive and negative, external and internal factors of the operation were reviewed with the help of the SWOT analysis.

The main conclusions of the macro-environmental analysis were:

- The political environment in Hungary can be labelled stable at present, and tax policy is also stable.
- The volume of industrial output has increased steadily over the past five years, with export sales playing an increasingly important role in industrial performance.
- The demographic situation in Hungary continues with the negative tendencies, while emigration seems to be decreasing. The educational level of the population has been improving. The most popular fields of study are economics and management, while technical sciences come second.
- The industrial fields the company is connected to is experiencing increasingly high levels of automation and robotization, and Industry 4.0 is playing an increasing role in vehicle manufacturing.
- The export of the Hungarian economy is influenced by changes in the environmental regulations concerning the automotive industry.

The following points were highlighted as a result of the analysis of the internal operation of the company:



**ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification**

- Major customer groups and their share of the turnover: precision industrial measuring machine manufacturers (50%), custom-made industrial machine manufacturers (30%), manufacturing factories (supply of industrial parts) (20%).
- The company's strengths: on-site installation support, "just in time" delivery.
- Areas to be developed by the company: expansion of channels, system of customer relations, updating the web site, online presence.

Based on the above, Bendegúz highlighted the following strategic goals for his father:

"Goals connected to customers and communication with customers:

- Designating a dedicated sales engineer contact person to improve contact with key customers and developing a weekly contact practice,
- Making use of Facebook, LinkedIn, and YouTube to reach the younger generations,
- Introducing a newsletter service to promote new products,
- Organizing technical trainings, thematic workshops for priority clients.

"This can contribute to an increase in market share, an increase in the number of retained customers, and the acquisition of new customers."

The father, with his technical background, had doubts about his son's ideas, he thought these things were just using up company money, with little or no return. His son continued to list strategic goals, including other areas of operation.

"Employee competence is in line with expectations, but their development needs to be continually ensured and they should endeavour to work together as a team. Managers need to communicate with employees a lot, always giving the employees a clear picture of the goals. So far, strategic goals have not been communicated by the management to the employees, and this must be changed in the future. In the future, strategic focus should be on the employees, i.e. an attractive workplace should be created for the employees.

Based on the analysis of the financial statements, profitability is adequate, both ROE (Return on Equity) and ROS (Return on Sales) are above the industry average. A 1 percentage point improvement in the case of both indicators is a realistic expectation. Intervention is, however, required in the operation fields. For one thing new products introduction should be improved and the time span of making offers should be



decreased. These would require IT investments, which, unfortunately, are also costly, but return is almost certain.”

The recommendation of the mentor

The founder expressed mounting doubts about what he had heard. The rather autocratic father found it difficult to accept his son's initiatives. The mentor made the following suggestion:

“Arrange the strategic goals into a system. Strategic goals are usually viewed from four perspectives in the Balanced Scorecard framework. Start with the financial dimension, which is most important for the father, then collect customer goals, then expectations for the development of operational processes, and finally the goals of employee development and training. The next step is to define an indicator for them, and it would also be useful to determine what specific steps should be taken to achieve the goals.

Once these are done, the strategic goals defined for the four perspectives are indicated in a bubble each and linked by arrows to mark the points of interconnections. This is called a strategic map that can visualize the system of strategic goals, showing the causal relationships.”

Problem solution with Balanced Scorecard and Strategic Map

Following strategic discussions, father and son returned with the following results a week after the mentoring meeting:

In the context of the financial dimension, the following goals have been agreed on:

Strategic goals	Indicators	Current value	Expected value	Steps to take
Improving profitability	ROE	27%	28%	Employ a cost controller Introduction of a monthly management report Foreign exchange services to exploit exchange rate gains
Improving liquidity	Supplier runtime	21 days	30 days	Supplier negotiations, partner meetings
Improving export performance	Share of export revenue in sales	20%	25%	Appearances at embassy events and trade fairs



ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification

The second issue concerned customer dimension goals and actions, with the owners determining the followings:

Strategic goals	Indicators	Current value	Expected value	Steps to take
Increase rates of retained customers	Proportion of retained customers (Proportion of those ordering in 2 consecutive business years)	80%	84%	Developing a personal contact system
Acquiring new customers	Share of new customers in net sales	10%	15%	Enhance Marketing Work (Customer Visits, Database Marketing) Facebook, Instagram, YouTube presence

The following goals have been set by the managers in terms of the how issue, i.e. the direction of development of operational processes:

Strategic goals	Indicators	Current value	Expected value	Steps to take
Product portfolio update	Number of new products annually	1-2 new products	4-5 new products	Participation in international trade shows and forums
Reduction of lead times	Offer time (number of hours from request to making the offer)	48 hours	36 hours	Optimizing internal processes IT developments
Improved logistics performance	Delivery accuracy	92%	93%	Proper regulation of suppliers IT development

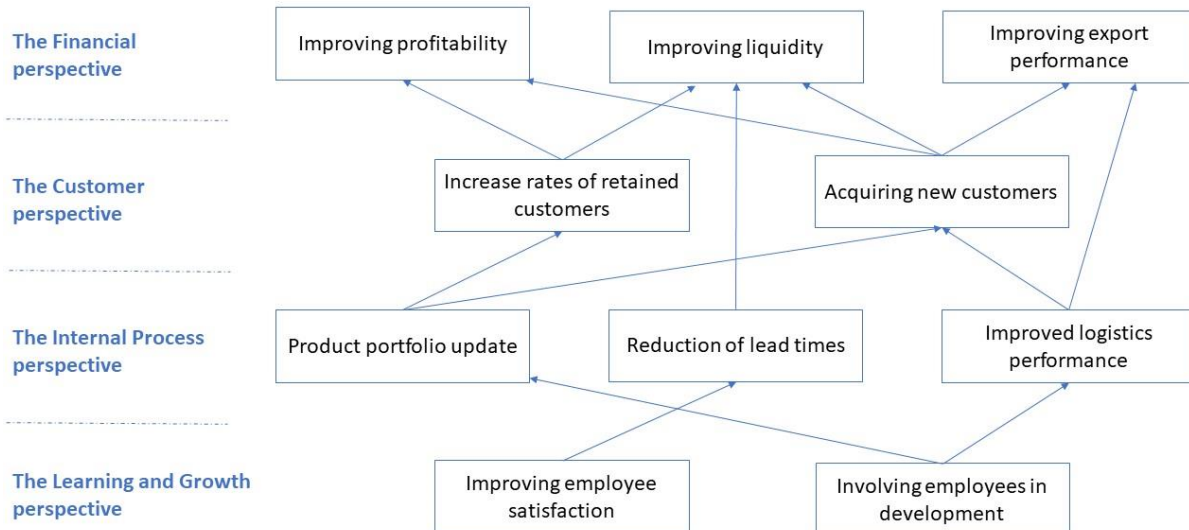


**ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification**

The last strategic perspective was that of learning and development, i.e. workforce competence development. The following goals and steps have been determined in this context:

Strategic goals	Indicators	Current value	Expected value	Steps to take
Improving employee satisfaction	Fluctuation	10%	5%	Professional trainings Team building trainings Team work
Involving employees in development	Number of implemented ideas of development by employees	1	5	Updating the motivation and benefit system

In the next phase of the discussion, the father took out a roll of paper, the strategic map visualizing the determined set of goals as well as the interrelationships among them:





Short Case

Strategic planning at Darnóhús

General information concerning the firm and the family

Funkció Kft is the enterprise of the Kovács family. The meat processing plant of Funkció Kft has been producing various meat products since 1995, which are marketed under the name "DarnóHús from Szigetköz". Initially, the enterprise launched 15 to 20 products in some of the small shops in the nearby settlements. Responding to demands, the company has continuously developed its capacity, production technology, staff and product range.

The company's meat products are now sold in about 500 shops in Hungary. The products can be found from small towns to big cities alike. Partners include independent convenience stores, domestic retail chains, food wholesalers, governmental organisations, hospitals, industrial kitchens, and catering units, and some products can even be found at the Tesco department store. 60 percent of the meat purchased by the company is processed into meat products while the rest is sold as carcass meat. The product range includes carcass meat, cold cuts, red and dry meat products, smoked goods, Mangalitza and low-fat products. It is important to emphasize that the products of the company are made of high-quality raw material and the production takes place in the HACCP system under the supervision of an official veterinarian. The company obtained the ISO certification in 2006 to strengthen the trust of current and future customers. On average, 50 people work in the plant, mostly locals or from neighbouring settlements, which helps maintain the retention power of small villages.

The plant of the enterprise is also a training site and is a model factory of the Faculty of Agricultural and Food Sciences of Széchenyi István University. Striving to produce foods that do not only attract customers because of their taste, but also meet the expectations of a health-conscious diet is part of the company's business policy. The company also aims to make its products using the least possible number of additives.

The peculiar organizational energy inherent in the family entrepreneurial spirit, which is fostered by the harmonious relationship among family members is a two-way relationship. Péter Kovács (Darnóhús) shared the following thoughts about the interaction between family and enterprise: *"In our case family cohesion, thinking together with the family, love and caring for one another have been enhanced by our business. It could have been the other way around, but it made us stronger. There are a lot of common topics concerning the company, and we talk a lot about the benefits. If we were not working together with my brother, our wives, parents and children, communication in the family*



would be much poorer. [...] *The cohesion among family members and managers of the business helps us through the downhills of our journey.*" The ethical and fair treatment of employees is the result of the business spirit characteristic of family enterprises, which applies to Darnóhús as well:

"[...] There are no subordinates here, we are all colleagues."

Table 1. The internal and external stakeholder groups of the company:

Stakeholders	
Internal stakeholders	External stakeholders
Owners	Customers
Family members	Raw material suppliers
Management	Competitors
Employees	Distribution partners
	Authorities, standardization organizations
	Contract Producers
	Bank
	Higher education institutions, vocational schools
	Local community

The problem and the recommendations of the mentor

About 10 years ago, when in the aftermath of the economic crisis the family business was faced with a halt in their growth rate, they confronted the following dilemma: should they stick to family management because maybe they are the obstacles to development, and it would be better to manage the family business in collaboration with a professional CEO?

Péter Kovács asked a mentor to assist in the successful completion of the professionalization process, and he also employed an interim manager who became CEO and operated the business for half a year. Employing a non-family member as CEO is perhaps the biggest risk factor for a family business, thus selection is a particularly exciting issue due to emotional aspect of the process.

You are the mentor! What method(s) should the top management team employ to solve the process of the strategic planning and the evaluating procedure of the strategic goals?



II. Value creation models

Long Case

Strategic renewal of the DUDITS Hotels Ltd. with the Pimento Map

Introduction and the case study

In the present case study, a second-generation family firm is focused on our overview for the presence of the strategic planning and the Pimento Map method in the interaction of family-business dimensions as in living organisation. We highlight the role in the long-term strategic planning in business expectations intergenerational successful operation, and six years after a generation change the succession performance, the impact on the strategic orientations. This further goal of the case study is also to highlight such results of an analyses provided by the Pimento Map.

The Dudits Hotels's founder is Gabor Dudits – whose original education is gardener technician with academic relatives - in 1987 opened a wine bar in his own house, which over the past 29 years became the largest family hotel in Győr (Revesz Hotel and Rosa Spa). Győr, this mellow and colourful town is situated half way between Vienna and Budapest, and hosts a vast array of architectural, cultural and natural treasures. The radial road network of the settlement connects Slovakia from the north, Austria from the west, Lake Balaton from the south and Budapest from the east to the town, the heart of Kisalföld ("The Small Plains"). Győr, Hungary's second richest town in historic buildings outside Budapest has won Europe-award for the protection of the historic buildings, in acknowledgment of the reconstruction of the Baroque city centre.

Based on his attitude the founder, owner is continuous searching potential acquisition (Révfülöp - Martha Villa, Rajka - Rajka Hotel, Szany - La Mamma Pizzeria, Sobor - Szent Hubertus Castle Hotel, which current is Dudits Castle) and he has expanded the family firm. The main characteristics of Family group are summarized in the following table:



Table 1: The main features of case study

The name of business	Dudits H&R Ltd.	Dudits Ltd.
Organizational form	Sibling partnership	
Interviewee	Gábor. Dudits Dr (Managing Director, Owner)	Gergely Leó Dudits (Manager, Owner)
Main activity	Hospitality services	
Foundation	2009	1991
Location	Győr	Sobor
Family ownership	100 %	100%
Owners	2 brothers and 1 sister with equal ownership	
Management	2 brothers	2 brothers
Number of employees (2017)	28 employees	1 employee
Supporting family members	Among the founding members of generations: mother (consultant) The two brothers' wives (accounting, finance, marketing tasks) The older brother's mother in law (restaurant and hotel affairs)	
Contributor generations	2nd generation	
The interviewee's age	37 year	35 year
The interviewee's education	university – lawyer	college – catering
Date of generational change	2012	

Source: own edited

The founder sensed his confident and heavy-duty skill, he recognized the business opportunity and he was willing to all the effort to implement his business ideas. His children remember the following: "Dad got up early, worked hard, loved the people, as a person, his life was an example for us and his work is an example for us." Gabor Dudits, the founder of company, became a good leader he was able to mobilize the workers for the company's vision of a family using his effective communication, and in the early 2000s he was able to set up his business onto a new growth path with further acquisition. In case of Dudits family the Christian roots, the strong family relationship and the strict moral values helped to solve the generational differences dissolution, the effective communication between children and parents, and to clarify the roles helped to evaluate

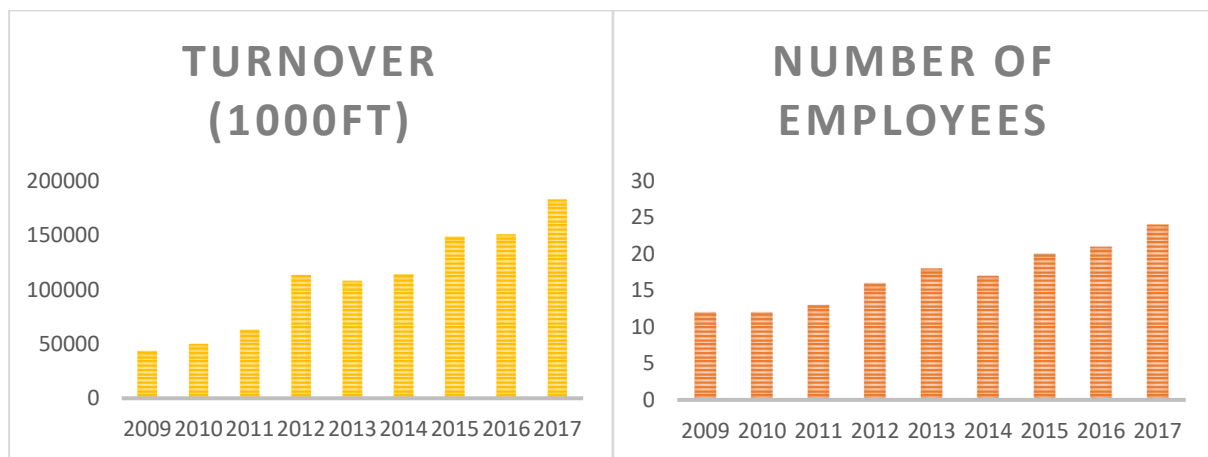


the successfully the next life cycle, where the increase of was ensured by feel of the children's entrepreneur skill.

Nowadays one of challenge is to move the firm to the professional corporate governance direction. In 1987 the Dudits family business began operations, in 2002 children entered in the company. In 2012 when the founder tragically dead, it is running as a so-called sibling partnership. In respect of both in sales and property gain the firm operates as a family business in which the three brothers have the same ownership. The founding generation, their mother is participating in the business as a consultant in the daily operation and the eldest son is responsible for the company's management.

The succession process is disrupted, and according to the turnover and employee's information in Figure 1 the success of the business is coming from the parents' awareness and targeted business training, the children's early involvement in the catering activities, the parents' declared family succession intention, and the children's full acceptance of parental intention. Although a formal succession plan was not made, the roles in the business were clear for everyone. A legal career of the eldest son, the catering and business education of the two other sons reflect a conscious founders / transmitter of behaviour and to avoid future conflicts among brothers.

Figure 1: Growing business



Source: own compilation

Personality of the current manager

Gabor Dudits is a good mentee, he is flexible, committed to do their best to succeed and meet expectations, and he is willing to work hard and proactive in asking questions, seeking feedback.



He is an inquiring, talented and moralist personality, and like his father he is very determined to develop the family business. If I can't understand the wrong business situation there, I need someone who can see the business detachedly as an outsider. His favourite phrases linked to Darwin, that is not the strongest, not the smartest person survives, but someone who can be adapted the best. He can follow others' advice and transparently talk about business dilemmas thanks to his judicial antecedents and studies. He has three children, so he is very responsible and quiet young man. His hobby is the hunting and the sharpshooting.

Goals and performance of the DUDITS group

During the interview the Dudits family owner / managers were asked to evaluate the relevance of the following business goals and results of the business dimension.

The responses are summarized in the following table by mentor:

Table 2: Goals / Results of business dimensions

Importance of goals	Performances					
	Low	Medium	High	Low	Medium	High
Increase Revenue			X		X	
Increase Market share		X			X	
Improve Profitability			X		X	
ROE		X			X	
ROA		X			X	
ROS			X	X		
Capital Accumulation			X			X
Increase Number of employees	X				X	
Increase manpower productivity			X		X	
Reduce staff turnover			X		X	

Source: Own compilation

In connection with the family and business-related objectives, the following main objective were mentioned by the owners during the interview:



“The key issue is to pay back the loan, which is a very important goal. Another important thing of the family is the welfare, but not primarily financial well-being, but the importance is a harmony within the family.”

Challenges of the firm are the follows:

- Our customers are not well defined, and we do not yet know the extent of the market they represent.
- We know what channels will be useful, but we have not yet defined the exact scope of each.
- We have an idea of the how our customers see us, but we do not fully control our image.
- We have not yet precisely defined our pricing policy and we have not made projections.
- Our services are like other offerings on the market. We must improve our services.
- Labour market problem.
- We have not partnerships that enhances your product.
- Our company has a wide range of products that requires us to juggle with skills.

In 2013 the next-gen family managers got ahold of a business mentor, because the young family members were anxious to increase the profitability and long-term viability of the family business.

In connection with the generational change, the new management is committed to improve the business model and the professionalization of the management decisions making process.

The new generation decided to review the activities, to do major developments, to change multi-element of marketing strategy (eg. branding, communication strategy, product and service matrix). The members of the top management team shared a few questions with their business mentor:

- 1) What are the strengths and weaknesses of our economic model and operation of our firm?
- 2) How it can be characterizing of our four cornerstones: costumers, value proposal, distribution channels and image?
- 3) How flexible is our cost structure and what about revenue model?
- 4) Do our activity bring sufficiently into focus on a well-defined core activity?



Analysis with the Pimento Map

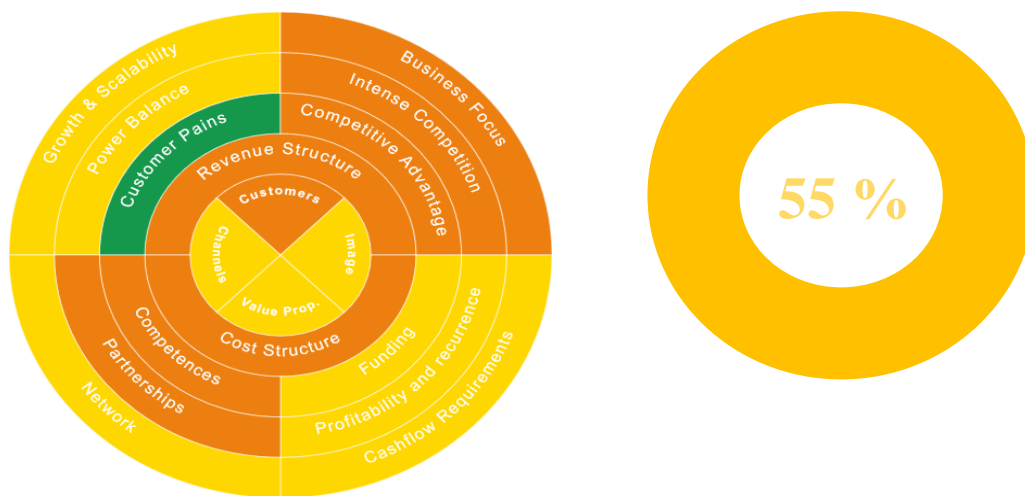
The Pimento Map is an analytical method that will provide clarity and allow to identify the strengths and weaknesses of a business model, and it can be useful for business management or mentor to structuring of the internal and external factors of a business development.

This model can open the top management team's eyes for the biggest challenges and opportunities, and it can be enlightened what areas are strong or weak.

The mentor prepared the analysis of the business model with the Pimento Map. The colours correspond to those of a traffic lights: green= go ahead, red=danger, orange=weak, yellow=good.

The Pimento Map and score of the Dudits Hotels is illustrated by Figure 2.

Figure 2.: Pimento Map 2013.



Source: own compilation based on mypimentomap.com

Reflective questions of the mentor:

- What are the image and the value proposition for your business?
- What is your unique and sustainable competitive advantage?
- Do you have strategic partnerships?
- Do you focus on a single core business?



Reactions of the next-gen manager and his brother and sister:

- We are in a relatively strong position to negotiate with your clients. There are two possible strategies: either we stress the quality of your offer and we can then counter the future drop in prices with a product which is better than that of the competition, or we focus all our attention on our service process and we get ready to maintain our profit level by bringing down our costs. Our image and our marketing should also reflect the option that we choose, either price or quality.
- The offer we are putting on the market has no special advantage with respect to those of our competitors. We need to focus more on the development of our project. Focus is the main point in launching a young business. We seem to be scattering our efforts. The inherent risk in trying to serve different client segments or offering a range of services that is too broad, is that we will not manage to be sufficiently pertinent.
- In the mature market phase, the keyword is to maintain high prices as far as possible, yet at the same time increase our market share. Our competitive advantage must allow us to survive this price war. On the other hand, we must focus on our marketing and sales strategy in order to take over as much market share as possible.
- We must to sell a mug, hat, T-shirt, at other value-added products in the same way that today customers want healthy like food, jams, herbs that are attached to both a brand, which is fixed in people's minds. That they want to go to Sobor Dudits Estate, because they have a good feeling, impression, experience regarding to our brand.
- We will have to continue to develop our network with both our prospective customers and our future partners. Our sectorial notoriety obtained via trade fairs and shows, specialized magazine articles, or participation in conferences, should all contribute to consolidating our reputation and that of our business. We should not neglect this aspect as it is not expensive and very efficient.
- We still need some crucial competence to consolidate our team for the professionalization's process.
- We pay attention not to grow too fast because your financial base is still fragile, and we might not be able to finance our needs in terms of working capital.



The business decisions after the mentoring process were the following:

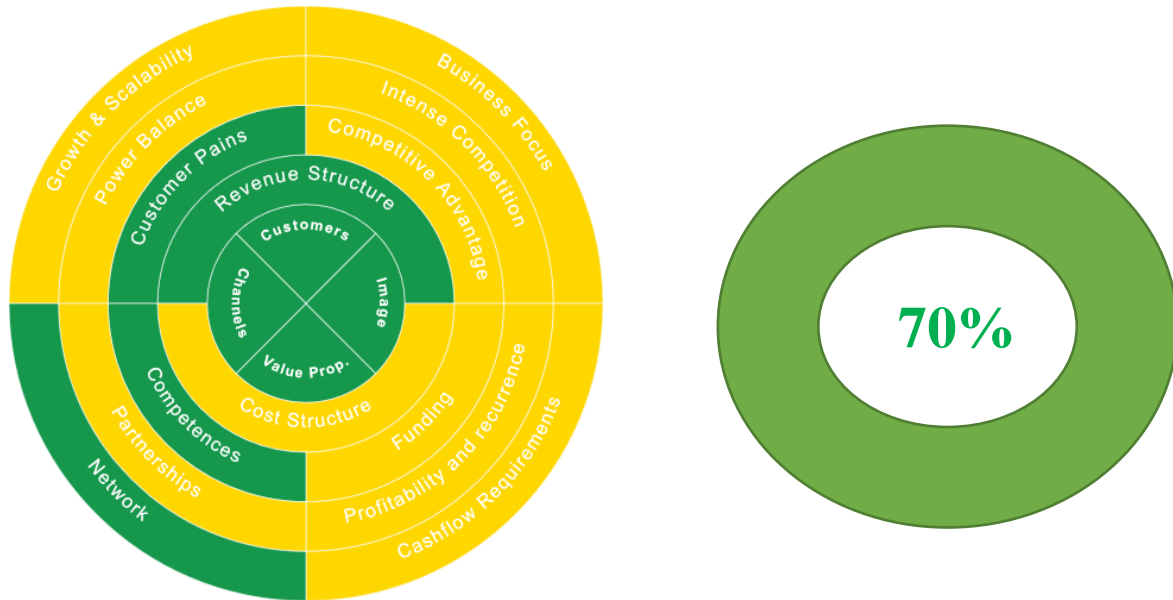
Table 4: Strategic projects

Hotel Révész	<ul style="list-style-type: none"> • Renovation (building-modernization, new interior design, renovation of rooms, air conditioning) • Enlargement (Spa Rosa) • 3 new conference or event hall • New chef
Chateau Dudits in Sobor	<ul style="list-style-type: none"> • Exterior and interior remodelling, expansion • Interrupt the 90s style in the business
Reduction and concentration of the activities	<ul style="list-style-type: none"> • Selling Marta Villa (Révfülöp) • Selling La Mamma Pizzeria (Szany)
Determine Brand(s)	<ul style="list-style-type: none"> • New slogan: We offer you good for 30 years! • Create Dudits Brand
A new strategic direction	<ul style="list-style-type: none"> • Hunting / Shooting Training - Develop shooting room and shooting event in Sobor • "Sobor Dudits Estate" - the establishment of model farms • Strong quality orientation, instead of earlier quantitative • Professional management (hotel manager) • Strategic partnership with Bishopric in Győr and the AUDI Hungaria Ltd. • Gastronomic entertainment instead menu restaurant



The Pimento Map and score in 2018 – after the several business developments, investment project, marketing action we can be drawn as follows:

Figure 3: Pimento Map 2018.



Source: own compilation based on my.pimentomap.com



Short Case

Market Expansion or Market Exploitation? That is the Question...

Company and case

General information concerning the firm and the problem

Metallurgia Ltd is based in Budapest, but located near Pécs, where it currently has a 2.800 m² plant. The family-owned and family-run firm having a modern machine park is engaged in CNC precision metalworking and equipment manufacturing in small series according to individual orders. They deliver for several industries: automotive, packaging, plastic, and printing. The management of the company consists of 4 people, two of whom are the owner father and his daughter. The other two members of the management have specialized college degrees. The youngest member of the management is 32 years old, while the oldest is 64. If a business relationship fundamentally differs from the company's values, they will rather give it up. The management's knowledge is mainly extended by participating in professional exhibitions.

The founder-owner father originally worked as a toolmaker, then graduated as a mechanical engineer and later as an engineer-economist. According to him, expertise proved expedient, because if it had not been for the five-year tool-making vocational school, the whole plant and business would not exist. The engineer-economist degree helps him in the managerial tasks, especially in banking transactions. He is a though, autocratic leader who likes to make decision, and define strategic goals himself. He is innovative in his outlook, but at the same time cautious about risk taking.

The co-founder daughter received her BSc and MSc in mechanical engineering at a university in Denmark and received an environmental engineer degree at an English university. She worked as a quality engineer for 10 years, and then as a customer support quality manager for multinational companies. She has been pursuing her career in the family business since 2013. Generational diversity is also common among workers employed in three shifts, with nearly 20% of the employees having worked for the company for more than 15 years. In recent years, dynamism seems to be on the decline. Previously the company's sales increased by 10 to 15 percent each year, however they have been stagnating since 2015. The ambitious young offspring socialised in the multinational scene calls for opening to new industries (such as space and military industries, or high-tech industries) and new markets (USA, Asia), but the founder rejects her ideas explicitly. He even came up with the idea of entrusting an external CEO whom



**ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification**

he can control to keep the business in the traditional industrial sectors instead of handing over the business to the younger generation in the family.

The specialty of the company is the production of high value-added products. The company's competitors are mainly domestic companies, that usually have higher sales revenues. In this sphere, the founder does not consider large-scale, capital-strong manufacturers competitors, as according to him they do not move about in the same market. However, the innovative girl is committed to the growth and market expansion of the company. She does not believe the company has a sufficiently diversified customer portfolio, which would minimize the exposure of the company, without depending on one or two major customers. The disadvantage of course would be that serving multiple customer needs would require continuous adaptation. This would be solved in the company by the operation of a large and diverse machine park and a flexible service structure that would be constantly adapted to individual customer needs. The company should be divided into the following process elements and control should be applied accordingly: CNC machining (milling, turning, grinding, electro spark machining); equipment design and manufacturing; research and development according to business and customer needs.

Important preconditions for securing international orders are the high level of skills and the ability to communicate in multiple languages. The company's two owners speak German (both), and English, and French. Opening to the American and Asian markets would necessitate the recruiting of professionals having foreign trade expertise. The father, however, disputes the validity of a need to increase the staff. He believes that the company's core values, namely reliability, flexibility, and continuous development, are the reason for its success of two decades, there is no need to change the well-established norms, since its advanced manufacturing technology, highly trained, loyal staff generate high customer satisfaction in the existing markets.

However, the daughter having been saturated in the multinational sphere urges for a diversified market strategy and flexibility because these can enhance quick recovery from a crisis. Relying too much on one partner for revenues should be avoided.

The company has been highly export oriented since 2005-2006, but exclusively to German speaking regions.

Visibility of the company is essential for international presence. The founder used classic marketing channels, not following trends in the online presence, and this creates a major headache for the management. The daughter keeps continual track of developments in the Industry 4.0 processes and wishes to digitize the processes. Within this framework, she plans to incorporate laser and optical sensor networks, camera systems and automated assembly systems into equipment, and devices to be designed in the future,



thereby facilitating the development of production technology processes and increasing production capacity for their customers. The company founder firmly believes that the use of Industry 4.0 machining processes in the manufacture of individual products is more difficult to apply than in large-scale serial production.

The company basically draws on its own resources, uses credit only for obtaining assets, and current assets are always financed from its own capital. This means close to HUF 400 million in working capital, as customers pay their debts with a maturity of 3 to 4 months, while raw material needs and liabilities to employees also create a significant working capital requirement. The younger generation would rather rely on external financing in the hope of growth, but the father is conservative and over cautious in this respect.

Workforce recruitment difficulties have been a major issue in recent years, as there is a profound lack of work in the area with respect to workers directly involved in manufacturing activities.

The company's primary goal is to ensure a continual supply of trained personnel with appropriate experience by providing their staff with professional training and participating in the region's vocational training. The daughter believes they should participate in more career orientation programs in order to introduce the profession to as many students as possible and to attract students with technical interest and abilities to the metal industry.

2. The emergence of the need for mentoring

The potential future owner the company, the daughter - at the end of her thirties having multiple degrees - turned to a mentor to solve the generational conflict and management crisis at the company. She asked the mentor to help re-establish a common language between her and her father, and to enhance communication between the two of them in the process of recovery from the crisis, and the shaping of a new strategy.

You are the mentor! What method (s) would you employ to solve the problems of communication between the founder and daughter and the generational divergences in the strategic direction?



III. Understanding the ecosystem

Long Case

Succession planning at the WindScreen Ltd

Introduction

This case is based on a first-generation family business operating in the chemical industry, producing a special windscreen washer fluid. The case demonstrates several key learning points:

- How to make a better understanding of a current situation or problem
- How to create a group agreement on the important aspects of the issue
- How to take an external perspective when examining a problem or a bunch of problems
- How visualization can support the involvement of all stakeholders into the problem analysis
- How collective techniques can contribute to the establishment of a shared understanding and increase group cohesion and commitment, along with the support of making a common group identity

The firm

Background

After successfully graduating the technical university, Mr. István Balogh started his carrier as a production engineer at a large state-owned chemical company in the early 1980s. Climbing the carrier ladder he moved from production to research and development. He invented a new a new windscreen washer fluid for industrial use when the state-socialism collapsed and the firm where he was working was privatised. He realised that his invention was unique on the market and that he had both the connections and the necessary knowledge, so he decided to start his own business. WindWash Ltd. was founded in 1991 by Mr. and Mrs. Balogh in a small town near the Hungarian capitol, Budapest. The legal form of the family business changed from unlimited to limited liability in 1996. The small, family-owned company became one of the regional leaders on the industrial windscreen washer fluid market. The firm currently provides different types of chemical substances, such as engine coolant, special paints and industrial cleaning supplies. The company has been continuously growing since the very beginning, closing the 2018's business year with



a turnover of 8 million EUR, which means a 6% growth compared to the previous business year. 2019 seems also to be prosperous; the can company can increase the turnover by 4-5%, even if their main partners remarkably cut orders. For the upcoming year, they have ambitious goals to improve profitability, including the intensive development of their production capacity and opening a new production unit. The company is currently owned by Mr. Balogh, who acts as a Managing Director.

Succession

Besides the ambitious business plans, Mr. Balogh realized that he approaches the age when he must retire. He does not want to become an obstacle in his company's development, so he is eager to pass the company's management to an open-minded and ambitious successor, due time. Now he wants to find the right person, who has the chance to bring the company to a new growth path. The question is, who will be the successor: a family member or an external manager or should be the company sold to third party?

Mr. Balogh has two children, a 26-year-old boy (Tamás) and a 22-year-old daughter (Anna). Tamás studied business and started working at an international logistic company, while Anna is still studying. Both are hesitating whether they should join to the WindWash or find their own way in life? The future is open, parents want their children to fulfil their own life goals. If they decide to continue the family business, there are several possibilities, but they also need to meet high quality standards and prove their management and professional capabilities.

An important in the story is Marietta, a 32-year-old professional, who has been working for the company for more than 10 years in various positions. She joined to the company in 2007 and made a step-by-step carrier, starting as a technical assistant. She is talented and willing to learn and proved that she possesses the necessary leadership competencies. Between 2013 and 2015 Marietta was on maternity leave. She spent this period with self-education, especially in foreign languages. At the moment she is about completing an MBA programme. Mr. Balogh fully trusts her.

As for the company values, Mr. Balogh believes in customer-focused thinking, performance-based evaluation and high-quality work in business. He is committed to lifelong learning, believes in team work, long-term thinking and planning. For him, core human values are openness, learning behaviour, the need for development, respect and humility, and the acceptance of others. Mr. Balogh has always tried to succeed these values to their children. Both worked at the company during the summers.

The family's reputation is high in the local community, and they often take part in charity activities. The family would be satisfied if the company could ensure their living in a sustainable way and could also maintain continuous development and growth.



Expectations are high, but the new leader has the appropriate skills and ambition to exceed the plans. The new strategy contains plans for further growth, as market forecasts suggest that. Another aim is to improve profitability and sales, therefore investment in the physical infrastructure is scheduled for this year.

The dilemma Mr. Balogh has to cope with is double fold. On the one hand he is aware of that that company needs to grow and that requires serious investments in both physical and human infrastructure. On the other hand, the end of his professional carrier approaches and sooner or later he must retire and leave the company. The main question is who should be the successor? At that point he decided to involve a mentor into the decision-making process.

The method

Based on the mentor's advice, the Mr. Balogh and the company management finally decided to apply the 'Context Map' method in order to gain a more detailed picture concerning the strategic problems mentioned above. The chosen method is useful tool to idea generation and to support planning by receiving a well-balanced and realistic picture about the current context of the investigated objective (organisation, firm, issue, concrete problem, etc). In contrast to brainstorming the aim not to collect as many ideas as it is possible, but to focus on the various dimensions of a particular topic. Context Map captures the issues that emerge when analysing complex problems by identifying eight/six core dimensions of the investigated question¹.

All of those who were interested in the lucrative succession or at least felt themselves affected by the consequences of it participated in the elaboration of the context map. The team agreed to choose a topic that was as broad as much it was manageable to handle, but not too narrow. The team finally decided to investigate the '*ideal succession process*' as a core issue. In order to visualize their results, the mentor drew an outline for a Context Map. They decided to use an outline, that looks like a big flower with eight leaves or petals.² Then they started talking about the topic, noting any salient dimensions as they arise. The mentor noted side topics and all related topics around the central issue. The process was repeated until the team had arrived at a completed map.

The group identified the following key dimensions as being of central importance in managing an ideal succession process:

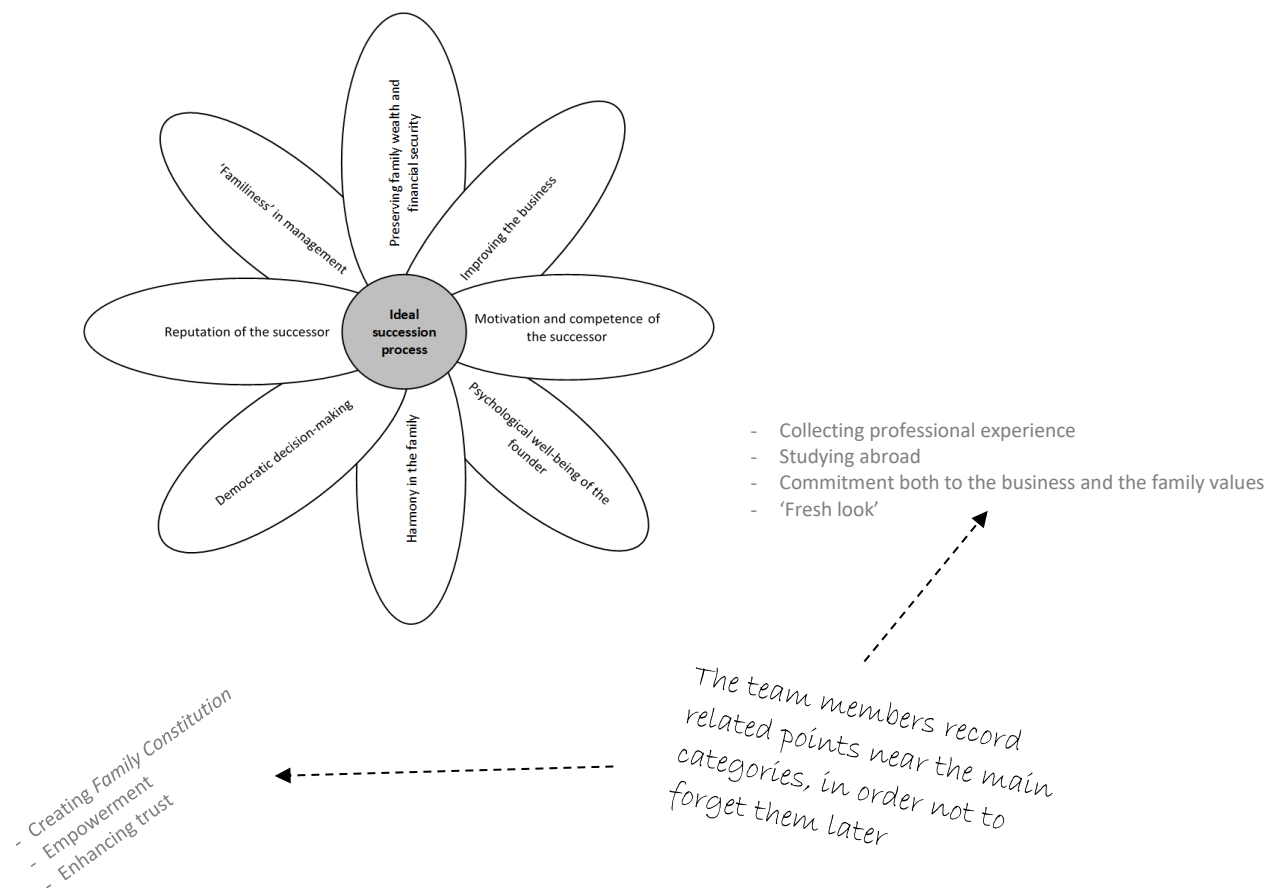
¹ Eight/six dimensions are enough to grasp the complexity of the problems, still not too few to lose important sub-dimensions.

² If you find it too difficult, just hang six sheets of flip-chart paper on a wall in a two-row, three-column format.



1. Preserving family wealth and financial security
2. Improving the business
3. Motivation and competence of the successor
4. Psychological well-being of the founder
5. Creating or preserving harmony in the family
6. Democratic decision-making
7. Reputation of the successor among the employees
8. 'Faminess' in management

The final Context Map was like this:



After developing the Context Map, the team realized that the family and business are two sub-systems with different goals and the core aim of the succession process should be preservation of the balance between the two. This insight changed their approach to the succession process and made them design it more carefully than it was originally thought.



ERASMUS+ KA2 Strategic Partnership
2017-1-HU01-KA202-035953
Business MENTOR training and CERTification

The team decided to take a step further and to make a ranking between the different factors. They decided to design the future actions and to map the potential impacts of them. The participants concluded the owner and managerial roles should be separated. They also agreed that the whole succession process should take place gradually, in a flexible way in order to preserve stability both within the company and the family.

While using the Context Map method the participants learned that visualization is a very important element of the process, because it supports the common understanding and ensures an opportunity to involve each actor. They also noted that recording the questionable points is of great importance as they are interesting to revisit later, when the team has already made a better understanding of the issue and the related problems. Context Maps also provided them an opportunity to take an external view, it generated a continuous insight with each other and through the visualization encouraged extended reflections.

Further reading:

Carleton, T. – Cockayne, W. – Tahvanainen, A. (2013) Playbook for Strategic Foresight & Innovation. Helsinki: TEKES



Short Case

Company growth at the LocalMeat Ltd.

The firm

The LocalMeat Ltd was established in 1998 in a small town in South-East Hungary by two private persons who were employed in a local slaughterhouse earlier. The company's main line of business is meat processing and preservation. Every day an average of 100 to 130 pigs are being slaughtered and processed depending on seasonality. The total capacity of the slaughterhouse is 60,000 pigs per year. In the company's stores primarily pork and products made from it can be purchased.

The company sells its products through two main channels. They have their own meat store where they sell directly to the customers. They also act as wholesalers and supply a large retail chain. In addition to the two main channels, they complete individual orders and deliver to small shops, the kitchens of schools and kindergartens and restaurants. Their supply area covers about a 100 kilometre-radius circle.

The company applies different levels in their pricing policy. They depend on the length of the distribution channel, the type of animal, the classification of animal, their body parts and the processing level. The company uses traditional technology resulting in extra costs in the course of production. This increases the firms' sale prices. On average, there is a 20% profit margin built in the net retail price, plus VAT. The average wholesale price – excluding the cheapest and the most expensive products - ranges between 5 € and 20 € net. The company operates on turbulent and risky market. It is important to maintain a good relationship with both retailers and customers.

The homemade, reliable quality products and on-time delivery have contributed to the sales growth. The products' and the company's reputation have increased mainly through 'word of mouth advertising'. Previously existing personal relationships have helped them in building up the sales area for the company. In addition to the stable business relationships the constant standard quality of their products has contributed to the long-time survival of the business. By now their good reputation has multiplied the value of the company. By 2013 the sales turnover of firm grew over 300.000 €. The growth of the company is also reflected in the number of employees. They currently employ 52 people. In the last few years the owners realized a slow change in the market.



These can be summarized as follows:

- decreasing meat consumption
- increasing demand for high value products
- more rigorous legislation of food safety
- changing consumption preferences from red to white meats
- increasing environmental concerns of the customers
- replacement of fresh cuts by packaged meat

In order to be able to cope with the expected consequences of the changes listed above, the owners decided to involve an experienced mentor for receiving help and support.

Questions

1. Choose one method that you think is appropriate to describe the current situation and provide an analysis of the existing ecosystem!
2. As a mentor what would you suggest to the owners?



IV. Futures

Long Case

Product development at the RealDream Ltd.

Introduction

This case is based on a new venture that aims at developing a new computer game. The case demonstrates several key learning points:

- How to make a better understanding of the future target group of the company's products and services
- How to define the product specificities before starting the development process
- How to fine-tune the product to be developed or the service to be provided
- How to support making a clear vision on the future product

The firm

Background

The RealDream was founded in 2018 by four young graduates. The core aim of the company is to develop a new computer game in which the user gets to explore a dreamlike world based on Virtual Reality. The digital environment in the game is built on recontextualised elements of publicly available pictures. There are no definite goals to achieve, the dynamics of the game comes from the continuously changing landscape according to the diverse strategies of the players.

The professional background of the founders is rather heterogeneous. Two of them graduated as an IT engineer at the Budapest Technical University, one of them is an economist and the last team member has a degree in applied visual arts. They were successful in connecting funds from private investors but at a certain point the product development process stopped in its tracks.

Product development

In the very early phase of the product development, the team members realised that they have a lack of skills to finish the development and to marketize the final product. Therefore, they decided to involve a professional mentor. After problem identification



and company assessment by the mentor (creating the 'common language', etc.), the mentor suggested to split the process into three stages that are interconnected. These stages are as follows: Concept validation, Resource planning and Implementation (Development). The mentor roles, tasks and competences vary according to the specificities of the different stages. Technological and business model development run parallel and influenced each other mutually.

Concept validation:

In this stage mentees were pressed to clarify their concept by creating a short, 4-5 sentences long definition of the original notion. The concept had to contain the project objectives, the mentees motivation and the scope of the final product or service, e.g. in what size and quantity, on which market, to whom, etc. shall the product or service be merchandised. As a next step, the mentees had to define their idealized end users. In order to do so, they had to create personas, e.g. fictional characters representing a whole range of users. The work continued till they had defined 4 or 5 strong personas or user profiles. The user profiles had to be validated by short questionnaires with questions concerning both the users and the product. After specifying the target group a market/benchmark analysis took place. The mentees were to survey the market and identify those competitors who provide the same or very similar product or service. As a final momentum of this stage the original product or service ideas was fine-tuned, based on the final results of the conceptualisation and market analysis.

Resource planning:

After finishing the conceptualisation and benchmark analysis two different activities took place in order to prepare the implementation of the innovative idea. The mentees had to prepare a business model and they also had to start planning the necessary resources. As for the business model building, based on the results of the market analysis they had to quantify the of their potential users' willingness to pay and to make the pricing. The mentor supported them by providing different business analytical and modelling methodologies.

As for the project management, mentees had to prepare a work plan with deadlines, division of tasks, allocation of resource, etc. As an input they had to survey, forecast and design the necessary resources that the implementation requires. The mentor's task here was not restricted purely to support the preparation and planning but to make the mentees familiar with effective project design and management methodologies and to help them in acquiring those through practice-based learning.



Implementation:

In the last stage, the team had to start implementing their ideas according to the market analysis and the already existing project scenario. In this stage a new mentor entered the scene with more technical skills. Instead of business-related issues, he provided mentoring in technology-related fields and submit their professional expertise to the mentees. The new mentor supported the team to find the solutions to technological problems and to support them in moving forward by the development of their intellectual capabilities and competences in problem solving.

The method

Based on the mentor's advice, during the first stage the members of the development team decided to apply the 'Future user' method for better identifying the customer needs and their potential target groups. The method is appropriate for analysing consumers, business buyers, or any other user role.

The mentor asked the team members to draw a box that represented how they imagine their primary customer today. They had to name the imaginary customer and defined his/her age today. Then they developed a full profile (persona) of the today customer.

As a second step they had to draw another box to show this person back in time, and to draw an arrow to connect the two boxes. They defined the customer starting age and then discussed this person's views, behaviours, and choices in the past, and how they had changed over time.

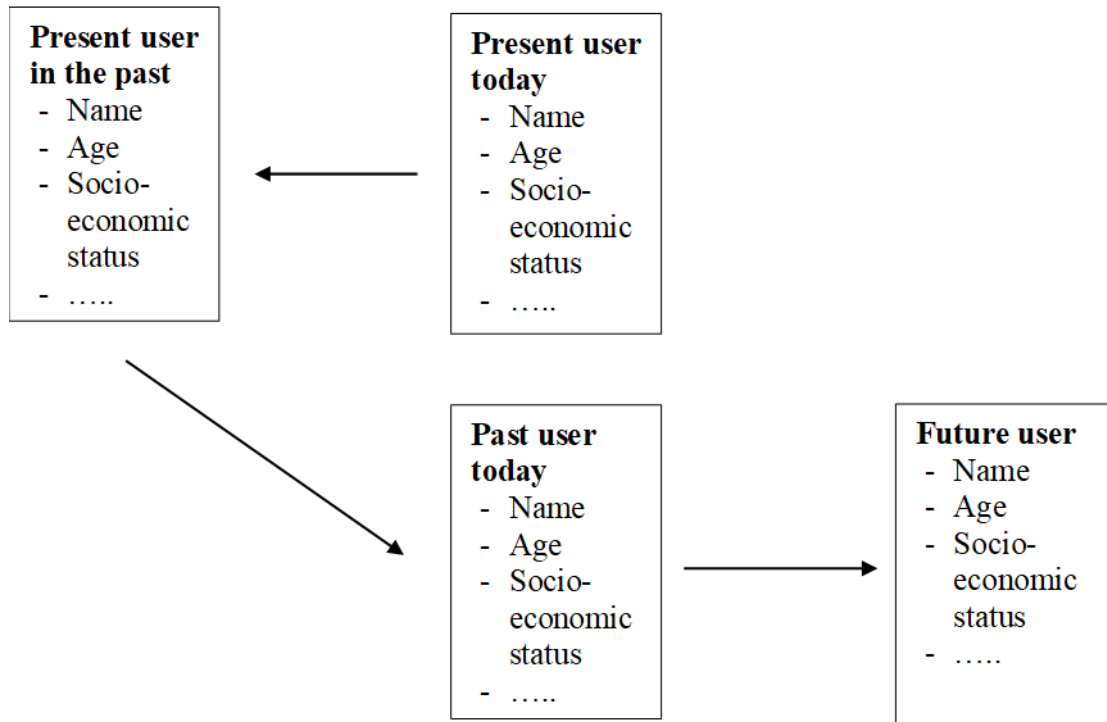
Then they drew a third box representing the past customer as he/she would be today. They repeated the characterisation of this persona, as well.

After finishing this step, they had to draw connect the third box to a fourth box standing for the future user. His/her age was the same as today's customers.

The last step was the comparison of the two people at their starting and final ages.



The figure looked like this:



As a result of the exercise the team members developed a future user (customer) with a profile that demonstrated the similarities and differences between the (imagined) existing customer and the future user. Using the method, the team was able to build a realistic persona for a future user and to clarify the personal and socio-economic characteristics of the potential target group of their products and related services. This information is an important input that can drive the whole development process. The identified user needs and expectations may also help to fine-tune the individual components of the new product and service and to introduce it into the market successfully and profitably.

Further reading:

Carleton, T. – Cockayne, W. – Tahvanainen, A. (2013) Playbook for Strategic Foresight & Innovation. Helsinki: TEKES



Short Case

Renewal of the service portfolio at the SoftPay Ltd.

The firm

The SoftPay company was founded by three Hungarian private persons in 1989. The firm is specialised in development and sales of an integrated payroll software. The firm's products have gone through serious developments according to the needs of clients. This user-centred focus has already existed from the very beginning, when the founders joined together for creating a new software program in the computer-based payroll system market.

Nowadays, the SofPay offers comprehensive HR management software applications. The company's success goes back to the late 80s. The original idea was to develop a payroll programme that was being analogue to a computer game. By this extraordinarily strong IT backing, the given payroll application ensured a big leap since it substantially exceeded the services that was provided by those payroll solutions that were developed by competitors. The firm was founded in July 1989 and 70 large companies were already among its clientele.

Beyond the fact that the payroll application was by far the best performing one in Hungary, the firm aspired to seize every opportunity to enhance the quality of already existing application to extend the range of provided services by incorporating labour and HR management support solutions into the original software. As the number of clients grew, the average annual turnover showed a salient growth as well. SoftPay proved to be a high-growth innovative SME.

In the first three consecutive years, SoftPay enjoyed the trust of clients which was clearly illustrated by the fact that the company increased the number of contracts from 60 to 230 in 1989-1992. The growing trend continued in the aftermath, as well, by reaching 1200 clients by 1998. Up until 1998, the number of employees was still below 50, however, an inflexion point come in 2000 and that number went up to 65 meanwhile the circle of clients also expanded to 1700. By 2004, the number of clients was approx. 2400, while the organisation required additional skilled workers and thus the number of employees amounted to 155. By now, SoftPay provides services for 3000 clients.

Still, from 2014 onwards, the growth potential of the company in terms of annual average turnover started to decrease. At least three main reasons can be identified behind the



performance decline. Firstly, the once unique market advantage of the company, – i.e. the high gap between the performance of programs offered by the SoftPay relative to the competitors' solutions – has been deteriorated in the last few years. Secondly, the size of the Hungarian market is restricted and there has been relatively little space left for further expansion. Finally, the permanent legislative changes in taxation and HR administration has caused permanent difficulties in preserving the software portfolio up-to-date.

In order to overcome the challenges mentioned above, the management decided to enrich the activities of the company with new HR management services, such as adult trainings, development and implementation of performance management systems, recruitment and selection, HR outsourcing, etc. In order to design the new service portfolio and the related business strategy, the management decided to involve a business mentor.

Questions

1. Choose one method that you think is appropriate to determine the possible future scenarios!
2. As a mentor what would you suggest to the owners?



References and additional resources

Transition Issues – Sector Overview

Ahlers, O. - Hack, A. - Kellermanns, F. W. (2014). Stepping into the buyers shoes: Looking at the value of family firms through the eyes of private equity investors, *Journal of Family Business Strategy*.

Breton-Miller, I. L., Miller, D. and Steier, L. P. (2004): Toward an Integrative Model of Effective FOB Succession. *Entrepreneurship Theory and Practice*, 28, pp. 305-328. doi:[10.1111/j.1540-6520.2004.00047.x](https://doi.org/10.1111/j.1540-6520.2004.00047.x)

Bridges, W. (2003), *Managing Transitions*, 2nd ed., Perseus Books, New York, NY

Brun de Pontet, S. - Worsch, C. - Gagne, M. (2007): An exploration of the generational differences in levels of control held among family businesses approaching succession, *Family Business Review*, 4, pp. 337–354.

Busco, C., Quattrone, P., & Riccaboni, A. (2007): Management accounting: Issues in interpreting its nature and change. *Management Accounting Research*, 18, pp. 125-149.

Carter, John D. (2001-2) *Systems: Levels of Intervention. Becoming A Better Intervener Training Manual*: Gestalt Institute of Cleveland: Organizations and Systems Development Center, pp. 48-51

Davis, J. A. (1982): The influence of life-stage on father-son work relationship in family companies. Doctoral Dissertation, Harvard Business School.

[Donald J. Schepker](#); [Youngsang Kim](#), [Pankaj, C. Patel](#), [Sherry, M.B. Thatcher](#), [Michael C. Champion](#) (2017): CEO succession, strategic change, and post-succession performance: A meta-analysis, [The Leadership Quarterly](#), Volume 28, Issue 6, December 2017, Page: 701-720, <https://doi.org/10.1016/j.leaqua.2017.03.001>

European Family Business Barometer (2017):
<https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/11/european-family-business-barometer.pdf>

Gersick, K. E. - Lansberg, I. - Desjardins, M. - Dunn, B. (1999): Stages and transitions: Managing change in the family business. *Family Business Review*, 12, pp. 287–297.

Greiner, L. E. (1972). Evolution and revolution as organizations grow. *Harvard Business Review*, 50, pp. 37-46.



Koropp, C. – Grichnik, D. - Gyax, A. F. (2013): Succession financing in family firms, *Small Business Economics*, 41, pp. 315-334, <https://doi.org/10.1007/s11187-012-9442-z>

Lansberg, I. - Astrachan, J. H. (1994): Influence of family relationships on succession planning and training: The importance of mediating factors. *Family Business Review*, 7, pp. 39–59.

Murray, B. (2003): The succession transition process: A longitudinal perspective, *Family Business Review*, 16, pp. 17–34.

Mussolino, D. - Calabro, A. (2014): Paternalistic leadership in family firms: Types and implications for intergenerational succession? *Journal of Family Business Strategy*, Volume: 5, Issue 2, pp: 197–210.

Paramodita Sharma; James J. Chrisman; Jess H. Chua (2003): Predictors of satisfaction with the succession process in family firms, *Journal of Business Venturing*, ISSN: 0883-9026, Vol: 18, Issue: 5, pp. 667-687, [10.1016/s0883-9026\(03\)00015-6](https://doi.org/10.1016/s0883-9026(03)00015-6)

Robert McEnany, David Strutton (2015): Leading the (r)evolution: Succession and leadership rules for re-entrepreneurs, *Business Horizons*, Volume 58, Issue 4, July–August 2015, pp.401-410, <https://doi.org/10.1016/j.bushor.2015.03.005>

Rothwell, William J. (2009): *Effective succession planning: ensuring leadership continuity and building talent from within* / William J. Rothwell.—4th ed., USA

Sharma, P. (2004). An overview of the field of family business studies: Current status and directions for the future. *Family Business Review*, 16, pp. 1–36.

Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). Succession planning as planned behavior: Some empirical results, *Family Business Review*, 16, pp. 1–15.

Songini, L. (2006): The professionalization of family firms: Theory and practice. In P. Poutziouris, K. Smyrniotis, & S. Klein (Eds.), *Handbook of research on family businesses*, (Page: 269-297). Cheltenham, England: Edward Elgar.

Methods

Balanced ScoreCard

<https://www.investopedia.com/terms/b/balancedscorecard.asp>

https://www.youtube.com/watch?v=M_IIOlywryw

<https://www.youtube.com/watch?v=biyGxEix5Zs>



International Journal of Hospitality Management
The balanced scorecard of a new destination product: Implications for lodging and skiing firms

Ruggero Sainaghia, Paul Phillipsb, Francesca d'Angellaa
IULM University, Department of Business, Law, Economics, and Consumer Behaviour, Via Carlo Bo, 1, I-20143 Milan, Italy
Kent Business School, University of Kent, Canterbury, Kent, CT2 7PE, UK

Accounting and Management Information Systems
Vol. 17, No. 2, pp. 191-215, 2018

DOI: <http://dx.doi.org/10.24818/jamis.2018.02001>

The balanced scorecard logic in the management control and reporting of small business company networks: A case study

Selena Aurelia, Andrea Cardonib, Mara Del Baldoc and Rosa Lombardid

University of Bologna, Italy;

University of Perugia, Italy;

University of Urbino Carlo Bo, Italy;

University of Rome La Sapienza, Italy

OmniaScience – Intangible Capital

Advantages and contributions in the balanced scorecard implementation

Patrícia Quesado, Beatriz Aibar Guzmán, Lúcia Lima Rodrigues

Instituto Politécnico do Cávado e do Ave (Portugal)

Universidad de Santiago de Compostela (Spain)

Universidade do Minho (Portugal)

International Journal of Organizational Innovation

DESIGNING A BALANCED SCORECARD FOR COOPERATIVES

Endang Dhamayantie

Faculty of Economics and Business

Universitas Tanjungpura, Indonesia

Pigmento Map method

<https://www.youtube.com/watch?v=KaGngQ9XWZ0>

Pimento Map's website: <http://www.pimentomap.com/> - there you can make your own Pimento map



ContextMaps

Carleton, T. – Cockayne, W. – Tahvanainen, A. (2013) Playbook for Strategic Foresight & Innovation. Helsinki: TEKES

<https://www.youtube.com/watch?v=vwr2wAcllwg>

<https://www.youtube.com/watch?v=00mZ3HNU628>

<http://gamestorming.com/context-map-2/>

Useful video: <https://www.youtube.com/watch?v=UVqir4xP5io>

Future User method

Carleton, T. – Cockayne, W. – Tahvanainen, A. (2013) Playbook for Strategic Foresight & Innovation. Helsinki: TEKES

https://www.youtube.com/watch?v=fx1_K1awYys

<https://www.youtube.com/watch?v=OtUWbsvCujM>

Personas and user-centered design: How can personas benefit product design processes?

Tomasz Miaskiewicz, NOVA School of Business and Economics,

Universidade Nova de Lisboa, Campus de Campolide, 1099 032 Lisbon, Portugal

Kenneth A. Kozar, Leeds School of Business, UCB 419, University of Colorado, Boulder, CO 80309, USA

User personas and social media profiles

Dr, Aaron Humphrey, University of Adelaide *Persona Studies* Vol 3, No 2 (2017)

Konrad Baumann: Personas as a user-centred design method for mobility-related services

Information Design Journal 18(2), 157–167 c 2010 John Benjamins Publishing Company, doi : 10.1075/idj.18.2.07bau