BUSINESS SUCCESSION: ECONOMIC DISASTER OR A BLESSING IN DISGUISE?

Lex van Teeffelen
University of Professional Education Utrecht, The Netherlands

Joris Meijaard
EIM Business & Policy Research and Rotterdam School of Management,
Erasmus University Rotterdam

Anna Geerts
ING Economics Department, Amsterdam

Corresponding author: Lex van Teeffelen, lex.vanteeffelen@hvu.nl
University of Professional Eduaction Utrecht, Faculty of Economics and Management, Chair of Management Consultancy in SMEs, Padualaan 101,
P.O. Box 85029, 3508 AA Utrecht, The Netherlands, tel: +31302586243

ABSTRACT

This decade one third of all SMEs in the European Union will engage a business transfer. We challenge the gloomy assumptions in research and government policies that transfer means crises for SMEs and a threat to economy and growth. We like to get a clearer sight on perspectives by policymakers and consultants. Finally we challenge family succession as the main focus in SME transfers.

We conducted three studies: a qualitative study, a cross sectional study on 1300 SME after transfer and a longitudinal panel study on performance after transfers. Our results indicate that transfers have a positive effect on turnover, innovation and productivity, but leads to less employment. The effect on profit is inconclusive. Family succession is less favourable for economy, because family successors tend to under perform.

There is a shared perspective: finding buyers, the lack of (financial) knowledge, financial resources for buyers and staff as and important stakeholder are shared concerns. All parties shy away from the emotional aspects of business transfers.
The consultants' role has neutral or even negative effects on the business success after transfer in The Netherlands. The consultancy style by working on commission stimulates a fast transfer time of 6 – 12 months. The emotional process of letting go is avoided, which may cause considerable delay in business transfers.

Explicitly for policymakers and researchers we recommend a focus on transfers outside the family, addressing the emotional aspects the owner faces in transferring the business and major improvements on capital conditions for buyers.

INTRODUCTION

This decade one third of all SMEs in the European Union will engage a business transfer (European Commission, 2002). These business transfers may result in a major restructuring of many industries, and, they could lead to substantial destruction of (tangible and intangible) capital, in case successors and buyers cannot be found in sufficient numbers. Within this context, the European Commission tends to see business succession as a threat to the survival of small and medium-sized firms, and, as a threat to overall employment and economic growth.

This paper challenges the gloomy scenarios and typical assumptions in research on business succession in small and medium-sized firms. Three major themes are discussed:

- The complexity, the long time needed for the transfer and the hardships of the transfer process, which is supposed to be even more complex within family business (Miller et al, 2003).
- The focus on family succession in SME literature, research and policies (Howorth et al 2004). This seems odd, because only 30% of the transfers in the USA and an estimated 22% in The Netherlands are family successions.
- The endangered economic and employment capacities of SMEs after business transfers. One could argue with Dyck et al (2002) that change of ownership enhances the vitality and performance of SMEs and is an opportunity instead of crises.

These three themes are challenged by three independent and fresh studies. The first study is a HvU qualitative study on policymakers and consultants on problems and solutions with business transfer. The second study, a cross sectional ING survey among 1300 SMEs in The Netherlands, Belgium and Germany, deals with the success and development of SMEs after change of ownership. Finally the third study, a longitudinal EIM panel study of 100 transferred SMEs, looked into turnover, productivity, innovation and number of employees after transfer.

PERSPECTIVES ON BUSINESS TRANSFERS

Introduction

The aim of the HvU study is to get a clear picture on perspectives of policymakers and consultants on business transfer. Do policymakers and consultants have a shared vision on the main problems and solutions? There is reason to believe that different parties have different perspectives. Le Breton-Miller et al(2003) show striking differences in perspective between consultants/practitioners and theoretical and empirical articles from researchers/scientist. Consultants systematically give more attention to process and contextual variables. Does this apply in the Dutch situation?

And what is the average time of succession or transfer? Many authors agree on a lengthy preparation and a 5 year period or longer is recommend (Morris et al, 1997; Kommers & van Engelenburg 2003; Sharma et al, 2003; Le Breton-Miller et al 2004).

Sharma et al (2001) indicate that the business owner inability of letting go is the single most cited obstacle to effective succession. Kommers & van Engelenburg (2003) also mention the psychological aspect as the most decisive, but offer no suggestion or solution. How do different parties in The Netherlands deal with the emotional aspects of the entrepreneur passing on his business? We like to know this because research has shown that emotional aspect leads to indecisiveness and delays transfer (Landsberg, 1999; Flören, 2002).

Method

15 senior officials were interviewed. They have strategic or leading positions representing the largest SME employers' umbrella organisations, the dominant government agencies, main research centres, major firms of business consultancy and one major bank. The interviews were held during the spring of 2004.

INSERT TABLE 1

To prevent bias from dominant themes in theory and research the interviewers had no prior knowledge of the subject and worked with a set of open questions to start the conversation. The answers were categorised before having a scheme (van Teeffelen, 2004). Statements were not necessarily mentioned by all members of a category. In our overview we left out the bank because we had only one observation and no reference material.

To compare the answer with the EC expert report (2002) we selected Kommers & van Engelenburg (2003). They translated and deepened this report for the Dutch situation.

Results

INSERT TABLE 2

It is clear that Kommers & van Engelenburg categorisation is comprehensive. Lack of (financial) knowledge seems a common denominator. However they overlook factors as “finding buyers”, “insufficient buyers financial knowledge or resources” and “staff” as main problems. And surprisingly the complex legislation and procedures wasn’t seen as a main problem by any party.

The transfer time of 5 years was countered by the researchers and the business consultants. Researchers say it is done within a year. Business consultants stress that 6 – 12 months is the average time when owners are committed to transfer. All necessary steps can be taken in this period.

Only researchers and business consultants mention the emotional factor as a main problem. Especially business consultants and employers’ organisations are expected to have the ability to deal with this factor. They answer however that it’s not their business or they don’t deal with it.

Clearly researchers tend to focus on the owners side. Business consultants, as well as the employers’ organisations and government agencies, take more stakeholders into account like the buyers and staff. This confirms Le Breton-Millers et al findings that consultants have a broader perspective than researcher.

Staff of SMEs is considered as a major stakeholder by nearly all parties. Le Breton-Miller et al don’t mention this variable.

Researchers and government agencies see the importance of planning and preparations. Typically business consultants don’t mention this as an important problem. This is contrary to the findings of Le Breton-Miller et al The methods most business consultants use in our sample (question 5) account for our findings. After a few interviews they set out a plan with the business owner. If the business owner postpones necessary steps, business consultants tend to advice the owner to make up his mind and pause or even stop the assignment when this doesn’t happen. Most business consultants work partly or largely on commission and their financial interest is in a short transfer time.

Looking at the suggestions/solutions we can see that Kommers & van Engelenburg recommendations are shared by government agencies. They tend to focus on the proper conditions for the business owner and less on the business owners own attitude. Employers’ organisations and researchers disagree with their suggestions and focus more on the attitude and skills of the business owner and tax legislation for buyers/successors. Government agencies and business consultants are clearly service oriented but also have their own agenda. The government agencies offer advice but at the same time have to generate more proof of well spend money in times state budgets are reduced. The business consultants don't like competition from government agencies.

Conclusion and discussion

Our objective was to compare perspectives from policymakers and consultants in the field of business succession. Our small sample is common for qualitative research. By choosing persons on key positions, we tried to get valid information. We can't rule out personal opinions though. Triangulation with peers, colleagues in the same organisation and a somewhat larger sample would have strengthened the validity.

Within our sample there are shared perspectives: finding buyers, the lack of (financial) knowledge or financial buyers resources, staff as important stakeholder are main problems mentioned by most parties. Complex (tax) legislation and procedures is not mentioned as a major problem. And the transfer time is limited to 6 – 12 months or unknown.

There are also differences in foci. The results confirm Le Breton-Millers findings that consultants have a broader perspective than researchers. Researchers focus only on the owner, consultants involve staff, buyers and match making variables. This broader perspective is not unique. It is shared by employers' organisations and government agencies.

At the same time our results contradict Le Bretons-Millers findings. Researchers (and government agencies) instead of business consultants emphasis on planning and preparation. Business consultants prevent this problem by their methods and commission payment. National differences in routines and payment might account for this contradiction. Also a new stakeholder emerges: staff in SMEs.

Surprisingly all parties shy away from the emotional aspects, except for a specialised foundation. SME business owners experiencing a major transition in their professional and private situation seem a neglected group. Partly this could be explained by the attitude most SME business owners have towards external consultants in The Netherlands. They tend to be reluctant to involve external consultants in general, but for accountants (Silvius, 2003). The commission system of business consultants works out well for business owners in this respect. Also the considerable time involved (Reece, 2003) in coaching works against a short transfer time. And finally business consultants, having a financial or economical background, might lack the skills to coach business owners properly.

CHANGE OF OWNERSHIP: BETTER BUSINESS RESULTS IN THREE EU REGIONS

Introduction

The main purpose of the ING study (Geerts et al, 2004) is to understand developments in companies after the change of ownership. Change of ownership is defined as the transfer of the ownership of a company to one or more individuals or to another company who plan to continue the commercial activity of the enterprise. Does a change of ownership in fact give a new lease of life to companies in the SME sector? And what is the influence of the type of change - family succession, management-buy-out (MBO), management-buy-in (MBI), takeover, merger - in this respect on success after transfer? And does family succession create more difficulties then other transfers?

Against the background of an ageing population and the fact that entrepreneurs are far less inclined than formerly to tie themselves to the same company for life the number of business transfers will increase further in the coming years. The number of companies transfers in the Netherlands, Flanders and Germany amounts to 100,000 (European Commission 2002). At the same time the ratio of business transfers within families to transfers to outsiders is declining. The share of family successions declined in the Netherlands from an average of 35% between 1994 and 1999 to an estimated 22% in 2003 (Kommers & van Engelenburg, 2003). Interestingly, the number of business transfers within the family still is significantly higher in Germany 50% of the total (IfM 2003). There are no further details for Belgium.

Method

The study is based on the results of a large-scale telephone survey of the new owners of 1300 companies that changed hands in the last ten years in three regions, the Netherlands, former West Germany and Flanders. The research has been conducted using a random stratified sample, with stratification concerning sector and number of employees. The companies were either active the business services sector or the manufacturing industry. With respect to company size we distinguished 5 groups (1-10, 10-50, 50-100, 100-200 and 200-250 employees). Within these groups the selection of respondents was at random. This approach produces homogeneous groups of companies which allows for a good comparison between the regions. The survey covers only companies that were still in business. This might create a bias. The gross sample was about 4.800 respondents, so the non response to the questionnaire was around 70%. The reasons for non cooperation were refusal to participate in research as company policy, the absence of the right respondent and the preference for written questionnaires. The survey was conducted during fall 2003

Results

In the Netherlands and Flanders growth of turnover turns out to be the most important goal for the acquirer. Improving product/market-combinations is the most often mentioned goal in Germany. The type of transfer has an effect on the ambitions of acquiring parties. Family successors are often relatively less interested in growth and more in continuity. To gain insight in the relation between the ambition level (in terms of goals) and degree of success after the change of ownership we split up the sample in three groups; leaders, middling companies and laggards. The criteria used for ranking the respondents were first growth of turnover, then profit growth and then growth of the customer base.

Interestingly in the Netherlands and Flanders the decision to acquire a company with growth potential (starting from a loss-making situation of otherwise relatively inferior starting condition) positively affects the success of the change of ownership. In Germany no relation was found between starting condition and success.

The use of consultants by the acquiring parties differs from 83% in Germany, to 91% in Flanders and 94% in the Netherlands. While there was no relationship between the use of consultants and success in the Netherlands, there seems a positive relationship between the use of consultants and securing a place in the group of leaders in Flanders and Germany.

INSERT TABLE 3

Even the widespread use of consultants cannot prevent acquirers from encountering problems during the transfers. On average two third of all transfers meets difficulties. The most common problems in all three regions are financing difficulties and problems with the staff and culture. Legal regulations were hardly mentioned. This confirms our findings about staff as important stakeholder in transfers and legislations as minor problem in our prior quantitative study.

Especially entrepreneurs involved in an MBO or an MBI experience financing as a major problem. The rate of entrepreneurs with problems is lowest for family successors; the majority does not encounter any problems (especially in Flanders). The family successor has usually worked in the company and is familiar with all the ins and outs (culture) and normally has a good relationship with the former owner. This contradicts the assumption of many authors reviewed by Le Breton-Miller et al, 2004 that family transfers are more complex and difficult.

INSERT TABLE 4

Despite the difficulties experienced, the results achieved give cause for optimism. In the majority of cases the companies achieved growth in turnover, profits and new customers. With respect to employment the picture is less clear cut. The organisa-tional restructuring after the acquisition often leads to a leaner organisation in the years close to the transfer.

Right after the transfer of ownership, around 80% the acquiring parties set their stamp on the organisation by implementing their new plans. In line with the low degree of appearance of problems, family successors tend to be more conservative and take less action than their counterparts. The actions taken by new owners of all categories mostly concerned the organisational structure, the (employability of) staff and the quality of products and services offered. We found that leaders show a far greater inclination to make changes than laggards.

Looking at the types of change of ownership on the basis of their results after the acquisition, we find that family successions and mergers are not in the group of leaders in any of the regions.

INSERT TABLE 5

Conclusion

Our goal was to get informed on the developments in companies after a transfer of ownership. In our quantitative research we did not test on significance, but with these large amounts of observations even a small difference is likely to be significant.

The results for the three regions show that the intentions of the entrepreneur and his ability to implement fast changes in the company is the decisive factor behind the success of a business acquisition. The ambitions stated in the goals of the entrepreneur already set the tone for the results. The use of consultants is widespread. In Flanders and Germany the use of consultants is positively related to success. In the Netherlands there is no relation.

Albeit that a majority of the acquiring parties is confronted with problems – for buyers financing, staff & culture, but no legislation - this does not stop them from becoming successful. Leaders do not encounter fewer problems than laggards. A vast majority of the new owners takes immediate action to improve the organisation, the
personnel and the quality of products and services. Ultimately the efforts of new owners lead to more sales, profits and customers in most companies.

Family succession leads to a smoother transfer, most of them with no problems.

The ultimate breakdown between leaders, middling companies and laggards is interesting. When family companies remain in the family the percentage of leaders is clearly lower than when the acquirer does not come from within the family (MBOs, MBIs, mergers and takeovers). An important reason seems to be that in the case of acquisitions within the family the focus is overwhelmingly on the continuity of the company. This emerges from the answers received from family-owned companies in the three countries. The results show that after the business is transferred the family-owned companies often fall into the group of laggards (Germany and Flanders) or are among the middling companies (Netherlands).

PERFORMANCE AND PERFORMANCE INDICATORS AFTER TRANSFER

Introduction

The EIM-study investigates the consequences of business transfer on business performance (Meijaard and Uhlaner, 2005). Our objective in this study has been twofold: identify the performance of recently transferred firms, and to identify the determinants of the success of business transfers.

Success can have several dimensions. First of all, the survival of the firm is the ultimate success factor. Continuity of the business is a necessary condition for the transfer to be successful. Secondly, success may be determined by the degree to which different stakeholders are satisfied with the business transfer. The satisfaction with the business transfer corresponds to possible changes in the commitment to the business and the motivation of the different stakeholders to continue the business (Sharma et al, 2003). The third aspect is the success in terms of profits, sales and growth. Note that the subjective measure of success (the satisfaction with the transfer) and the objective measure of success (changes in firm performance) can yield very different results. For example, a business transfer that results in increased profits need not be perceived as satisfactory by all stakeholders.

Method

The results are based on the analysis of a sample of 100 business transfers that occurred in the period 1998-2003. Data were available on the firms both before and after the business transfer.

For these specific firms we have a balanced panel of data between 1998 and 2004. Detailed financial data are available, because the firms participate in a survey based panel maintained under the commission of the Dutch Ministry of Economic Affairs.

Results

In this section we discuss the results of the analysis of performance between 1998 and 2003 for the various firms. To improve readability the numbers of the estimates have been omitted and replaced by signs (95% confidence) and double signs (99% confidence). A 'sign' means significant difference from zero.

INSERT TABLE 6

Firstly, employment in transferred firms shows a negative development. Apparently, in the first few years of new leadership jobs and employment are reconsidered. 1999 appears in this context to be an (coincidental) exception, probably due to the growth in the overall economy.

INSERT TABLE 7

In terms of sales growth, business transfers show a positive effect, at least in the short run. In the longer run, the effect remain to be positive, but fading.

INSERT TABLE 8

Sales per employee (a measure of productivity) grows in the years after business transfer. Line of reasoning in this respect may be that the new entrepreneur manages to take away the most clear productive inefficiencies. More work can be done with less employees, but gaining new customers is a bit more problematic. The new entrepreneur manages to give the firm new youth.

INSERT TABLE 9

The profit to sales ratio does not develop as positively after the business transfer. The entrepreneur has to make investments in restructurings, strategic refocusing and innovation, which lowers profits.

INSERT TABLE 10

Most interestingly, the *innovativeness* of the firms clearly grows in the first years after the business transfer. Next to employment, sales and the other business processes will be tackled. Suboptimal and path-dependent imperfections may be taken away by the new management. Overall the revived innovation efforts are substantial.

INSERT TABLE 11

Based on a linear regression analysis of factors influencing performance, it is clear that education, management experience and management training show positive effects on the success of business transfers. A written succession plan and planning in general deliver positive results as well. Furthermore, such preparation decreases the negative employment effects of the business transfers. Contrarily, the use of external consultants in the transfer process has negative consequences on performance.

Notably business transfer within the family gives zero or negative effects on sales and productivity. This corroborates our ING findings that family transfers don't belong to the leaders in growth and turnover.

INSERT TABLE 12

In comparison to "regular" business start ups, recently transferred firms create less jobs, but they are much more productive and innovative (cf. Bosma et al, 2000). The better surviving rate of transfers approximately 96% (European Commission, 2002), compared to the start-ups of only 50% in five years (Kommers & van Engelenburg, 2003) secures employment better in transferred businesses.

Conclusion and discussion

In conclusion, the dynamics in terms of business performance around the occurrence of business transfers appears to have positive, rationalizing and innovative effects.

Turnover, productivity and innovativeness increases. Employment and the profit to sales ratio don't develop as positively. The entrepreneur has to make investments in restructurings, strategic refocusing and innovation, which lowers profits and staff.
Even compared to start ups transfers lead to more productivity and innovation, less but more secure employment.

These results correspond to earlier studies into the development of productivity in small firms (Verhoeven, 2002, 2004; van Dijken et al, 1996). The business transition is accompanied by a rise in productivity. Growth of sales can be combined with a reduction in employment. Willard et al (1992), Huergo and Jaumandreu (2002), Bangma et al (2000) found similar patterns in the innovativeness and performance of firms. Also our ING study corroborates these findings.

From this sample alone, it is premature to conclude that business transfer within the family should be discouraged. But together with the ING study it indicates that family transfers are less favourable for economy. It is feasible that the effects are quite different in the long run. Nevertheless the results are notable.

CONCLUSIONS, DISCUSSION AND RECOMMENDATIONS

This paper wanted to challenge the gloomy scenarios and typical assumptions in research on business succession in small and medium-sized firms. Our studies confirm Dyck et al (2002) that succession is a strategic opportunity instead of crises and even suggest it is a blessing to economy.

Our two quantitative studies indicate that business transfers have positive effects on turnover, innovations and productivity, but leads to less employment. The ING study shows increased profits. This could not be corroborated by the EIM study financial data which have been collected for many years. Since the ING sample is 13 times bigger, the EIM study might show a bias. On the other hand the EIM study is more focused and did not rely on ex post accounts on profits. Also transfers seem to have advantages over start-ups. They are more innovative, have better productivity and a much better survival rate, which secures employment.

Family succession might be less favourable for economic development. In our studies family transfers tend to under perform, although the transfers process itself is without the complications non-family successors witness.

From the ING and EIM study it shows that the consultants' role has a neutral or even negative effect on the business success after the transfer in The Netherlands. This might indicate a different style of working per nation, because in Belgium and Germany it was beneficial to success after transfer. We know from our qualitative study that the Dutch consultants seldom facilitate the emotional process. The Dutch business consultants may have a fine eye to pick out business owners who have made up their mind yet. Hence, the relative short period they report on the complete transfer process. Possibly there is also a correlation between the a priori performance of the firm and the use of external consultants in the business transfer process.

The complexity, the long time needed for the transfer and the hardships of the transfer process are set in a different light. Both the HvU and ING study indicate that there seems to be a shared perspective on problems of business transfer: finding buyers, the lack of (financial) knowledge or financial resources for buyers and staff as and important stakeholder. Complex (tax) legislation and procedures are not mentioned as a major problem.

There are also differences in foci. Le Breton-Millers findings are confirmed that consultants have a broader perspective than researchers. But at the same time business consultants put no emphasis on planning and preparation, which contradicts Le Breton-Miller. They solve this problem by their work methods and payment on commission. Instead researchers and government agencies stress the importance of planning en preparation. Not only business consultants but all other parties shy away from the emotional aspects. Not addressing the emotional aspects is known to delay the transfer process (Landsberg, 1999; Flören, 2002).

Given the revitalising capacities of business transfers to economy, policy attention seems all the more important. We like to highlight five aspects:

1. Build awareness regarding the revitalising capacities of business transfers to economy and its advantages over start-ups.
2. Stimulate transfer (planning) outside the family and research for non-family takeover models.
3. Improve general knowledge for buyers and sellers.
   a) This could be done by connecting databases, marketplaces and work methods of business consultants. Improvements at the national level have priority (coupling various databases).

   b) It could be useful to create national and European standards for the information provided in such databases, including financial performance, client satisfaction and network ratings (of business consultants).
4. Provide and promote a national program or training which deals with the emotional barriers for succession for sellers to overcome unnecessary delay.
5. Improve financial knowledge for sellers and buyers and capital conditions for buyers. This could be done by:
   a) Improving abilities for buyers and sellers to look into several scenarios to finance the transfers.
   b) Stimulating banks to provide new entrepreneurs with the capital needed for business transfers. Survival rates are great.
   c) Alleviating barriers to bring in venture capital for transfers and enable shared risk bearing.

REFERENCES

Bangma, K.L., Verhoeven, W.H.J. (2000), *Groeipatronen van bedrijven*, EIM, Zoetermeer.

Dijken, K., van, Prince, Y., Verhoeven, W., 1996. *Middelgrote bedrijven in Nederland in international perspectief*, EIM, Zoetermeer.

Dyck, B., M. Mauws, F.A. Starke and G.A. Mischke, (2002), Passing the Baton: The Importance of Sequence, Timing, Technique and Communication in Executive Succession, *Journal of Business Venturing*, vol. 17, pp. 143-162.

European Commission (2002), *Final Report of the Expert Group on the Transfer of Small and Medium Sized Enterprises*, Brussels.

Flören, R.H. (2002), *Cijfers en feiten van het familiebedrijf* [Figures and facts of the family business], Eindhoven, BDO.

Geerts, A., Herrings, W., and M. Peek, *Change of ownership creates new prospects in SME sector*, SME Special 2004, ING Economics Department, Amsterdam.

Huergo, E. en Jaumandreu, J. (2002), *How does the probability of innovation change with firm age?*, Madrid.

Howorth, C., Westhead, P. and Wright, M. (2004), Buyouts, information asymmetry and the family dyad, *Journal of Business Venturing*, 19, pp. 509 -534.

Kommers, J. and R. van Engelenburg (2003), *Ruimte in Bedrijfsoverdrachten in Nederland*, RZO: Den Haag.

Le Breton-Miller, I., Miller, D. and Steier, L.P. (2004), Toward an Integrative Model of Effective FOB Succession, *Entrepreneurship Theory and Practice*, vol.28, 305-309.

Landsberg, I. (1999), *Succeeding generations: Realizing the dream of families in business*, Boston: Harvard Business School Press.

Miller, D., Steier, L. and Le Breton-Miller, I. (2003), Lost in time: Intergenerational succession, change and failure in family, *Journal of Business Venturing*, 18(4), pp. 513 – 531.

Meijaard, J. and L.M. Uhlaner (2005), *Bedrijfsoverdrachten in Nederland: pilotstudie kosten, baten en determinanten van succes*, EIM: Zoetermeer.

Morris, M.H., R.O. Williams, J.A. Allen and R.A. Avila, (1997), Correlates of Success in Family Business Transitions, *Journal of Business Venturing*, vol. 12, pp. 385-401.

Institut für Mittelstandsforschung (IfM), *Neue Entwicklungen auf dem Markt für die Übertragung mittelständischer Unternehmen* (136), February 1999, Bonn (+ update April 2003).

Reece, C.R. (2003), How to mix blood and business safely and successfully, *Journal of Financial Service Professionals*, nov. 2003, pp. 29-31.

Sharma, P., Chrisman, J.J. and J.H. Chua (2003), Predictors of satisfaction with the succession process in family firms, *Journal of Business Venturing*, vol. 18(5), pp. 667-687.

Sharma, P., Chrisman, J.J., Pablo, A.L. and Chua, J.H. (2001), Determinants of initial satisfaction with the succession process in family firms: A conceptual model. *Entrepeneur Theory & Practise*, 25(3), 17-35.

Silvius, A.J. (2003), Consultanting van het MKB: *Wie wil voelen zal niet luisteren*, Faculteit Economie en Management, HvU: Utrecht.

Teeffelen, A.L.M. van (2004), *Ontwikkelingen in het MKB bij innovaties en bedrijfsoverdrachten*, HvU: Utrecht.

Verhoeven, W.H.J., Kemp, R.G.M., Peeters, H.H.M. (2002). *Het effect van beleid voor (innovatieve) starters en snelle groeiers op de ontwikkeling van de arbeidsproductiviteit*, EIM, Zoetermeer.

Verhoeven W.H.J., Bruins, A., (2001). Internationale benchmark ondernemerschap *2001*, EIM, Zoetermeer.

Willard, G.E., Krueger, D.A., Feeser, H.R. (1992), In order to grow, the founder must go: a comparison of performance between founder and non-founder managed high-growth manufacturing firms, *Journal of Business Venturing*, vol. 7, pp. 181–194.

Table 1 Participating organisations and questions

Employers' Organisations	**Government Agencies**	**Research Centers**	**Business Consultant**	**Finance**
MKB Nederland	Ministery of Econimic Affairs	Nijenrode University, Center for Family Business	KPMG Corporate Finance	ING Bank
AWVN, VNO/NCW-member	Chamber of Commerce	EIM Business and Policy Research	MKBase	
	Synthens	Tilburg University	Troostwijk Introman	
		Erasmus University	Single operating consultant	
			Foundation The Succession	

1. What are the main issues regarding business succession?
2. Which factors do account for difficulties regarding business succession?
3. Do you have suggestions or solutions to overcome this difficulties?
4. How do you deal with the emotional aspects of the transfer?
5. Which methods do you use for business transfers (only asked at business consultants)

Table 2: Succession times, main problems, solutions and results

Parties / Themes	EC report (Kommers)	Employers' organizations	Government agencies	SME Researchers	Business Consultants
Transfer time	5 years required	Unknown	Unknown	1 year found	6-12 months usual
Main problems	Lack of owners (financial) knowledge Lack of owners and buyers preparation Delay in owners decision on emotional grounds Scattered information and advice Implementing many business changes in the process of and after transfer Complex (tax) legislation and procedures No prior experience with selling	Buyers financial resources Buyers dependency on banks Underestimating staff's knowledge Lack of entrepreneurship in general	Finding buyers Lack of owners and buyers knowledge Lack of advice for owner Neglecting staff's as source of innovations	No owners awareness of business value Lack of owners planning/preparation Emotional owner attachments, disrupting the transfer process No culture of selling one's business Risk avoiding behavior	Finding buyers Unrealistic expectation of value and selling price Letting go of the business Match making: a detached second at negotiations No acceptance of the new owner by staff
Suggestions or possible solutions	Integrated advice Tax reforms for owners Platforms for buyers and sellers Systematic research	Leave it to the owners. No extra policies are needed, except for: Tax changes for buyers	Offer advice and a platform for business owners by our agencies. Research on effects of different approaches to improve, substantiate and evaluate our policies and advisory services	Better planning	Offer some free advice in first interviews or meetings. Leave it to the market and to us. No interference of government agencies.
Dealing with emotional aspects	No solutions or suggestions given, whereas it is considered as the most decisive factor	Not our job, it's for psychologists. The the owner has to find his own way.	We don't address them	We know it's an issue but we don't really deal with it	Not our job (except for one specialized foundation). The owner has to make up his own mind.

Table 3 Major problems

		Netherlands	Flanders	Germany
Family succession	No problem	53%	70%	63%
	Financing	36%	16%	19%
MBO	Financing	47%	60%	29%
MBI	Financing	46%	39%	29%
	Staff & Culture	17%	0%	25%
Takeover	Staff & Culture	29%	31%	20%
	Financing	26%	27%	11%
Merger	Staff & Culture	37%	31%	48%
	Financing	14%	19%	4%

Source: ING Economics Department

Table 4 Result by Region

	Netherlands	Flanders	Germany
Turnover (greatly) increased	65%	69%	59%
Number of customers increased	68%	59%	58%
Profit increased	58%	63%	62%
Employment increased	43%	40%	31%

Source: ING Economics Department

Table 5 Leaders, Middling companies and Laggards

	Netherlands	Flanders	Germany
Leaders	MBI, Acquisition	MBO	Acquisition
Middling companies	Family succession	MBI, Merger	Merger
Laggards	MBO, Merger	Family succession, Acquisition	Family succession, MBO, MBI

Table 6 Changes in employment

Year of transfer	1999	2000	2001	2002	2003
1998	-	0	0	0	-
1999	+	+	0	-	-
2000	+	0	-	+	+
2001	+	0	- -	-	0
2002	+	+	0	- -	-
2003	+	0	0	0	0
Non-transferred firms (as a benchmark)	+	0	0	0	0

Table 7 Changes in real sales

Year of transfer	1999	2000	2001	2002	2003
1998	+	+	+	0	+
1999	++	0	+	+	+
2000	+	0	0	0	+
2001	+	0	+	+	+
2002	+	0	0	0	0
2003	0	-	0	0	+
Non-transferred firms (as a benchmark)	+	0	0	0	+

Table 8 Changes in productivity (real sales per employee)

	1999	2000	2001	2002	2003
1998	+	0	0	0	+
1999	++	-	0	+	+
2000	+	0	+	-	++
2001	+	0	++	0	-
2002	+	-	-	+	++
2003	0	-	-	0	+
Non-transferred firms (as a benchmark)	+	-	-	-	0

Table 9 Profit to sales ratio's

Year of transfer	2001 (compared to 1999)	2003 (compared to 2001)
1998	0	0
1999	0	0
2000	- -	0
2001	- -	-
2002	0	-
2003	+	0
Non-transferred firms (as a benchmark)	0	0

Table 10 Changes in innovativeness

Year of transfer	2001	2002	2003
1998	0	0	0
1999	0	0	0
2000	+	0	0
2001	+	+	0
2002	-	+	+
2003	-	0	+
Non-transferred firms (as a benchmark)	-	0	0

Table 11 Linear regressions: firm features on business performance

	dln(sales)	dln(employment)	dln(sales/ employee.)
Constante	+	0	+
Education	+	-	0
Experience	+	- -	++
Management training	0	-	+ (LT)
Insider (more than 5 years in the company)	+ (LT)	0	-
Written business plan	++	+	- (LT)
External consultants	-	+	-
Intensity of Transfer Planning	+	0	+/-
Family owned (> 50%)	0	-	- (LT)
Ln size	0	-	0
Ln age	0	0	0
Dummy Only transfer of leadership	0	0	0
Dummy Full ownership	0	0	0
Dummy Forced transfer	+	0	0

Based on separate regressions year-by-year. Effects occur 1 or 2 years after transfer, unless in brackets (LT) is included. In that case the effects occur after 3-4 years. N=20-40 per transfer year. R^2 is typically between 0.30 - 0.60 for each of the regressions. F-statistics for full regressions are always clearly significant.

Table 12 Performance of start-ups and transfers in the first years

	Start-ups	Transfers
Employment	0	-
Turnover	+	++
Producitivity (real sales per employee)	-	++
Profit per sales	+	-
Innovativeness	0	+