Challenging Future of family businesses
ENTIME Conference, Gdansk Univeristy of Technology, March 2020

MIRA ALEXANDER, MAX HOGEFORSTER
Baltic Sea Academy, Hamburg

MODELS OF BUSINESS TRANSFERS AND NEGLECTED POTENTIAL SUCCESSORS

1. INTRODUCTION

Big, internationally active corporations and firms such as Apple or Volkswagen are widely known and perceived as leading contributors to national economies. While their impact is certainly not to be dismissed, it is nevertheless often forgotten that there are only few companies of this size. Making up for 99,8% of companies in the EU are small and medium-sized enterprises (SMEs). As the backbone of the EU economy, they generate almost 60% of the EU's GDP and create70% of all jobs in the Union (Oricchio et al., 2017).

Many of these SMEs are run by families, due to which their organization and daily operations are characterized by the constant interplay of two, sometimes conflicting, institutions – the family and the business (Ramadani & Hoy, 2015). As a result of their significant macro-economic impact, their stability is crucial to overall economic growth (ibid., Ifera, 2003; La Porta et al., 1999), meaning that their unique structure needs to be taken into account, especially in critical times, for example when the business is passed on to the next generation.

As many business owners are reaching the age of retirement, the European Commission estimates that an approximate number of 450.000 firms across the EU must be transferred to a new owner each year. Business transfers provide an excellent opportunity for growth as they make use of already existing resources, enable the transfer of otherwise non-marketable resources as well as giving the chance to buy or sell resources in bundles (Wernerfelt, 1984). Especially considering the vital role SMEs and family businesses play in providing job opportunities for the majority Europeans, successful business transfers are essential in ensuring job security and creation (Tall et al., 2017).

Alarmingly, one-third of the estimated transfers in the EU, representing 600.000 jobs, are likely to fail due to a lack of awareness, knowledge, and regulatory frameworks (Calogirou, Fragozigis and Perrin-Boulonne, 2010). Other aspects hampering the success rate of business transfers are late or poor planning of the transfer process, family conflicts and a general lack of qualified successors (De Massi et al., 2008; Ward, 1997), resulting in 63% of businesses in Europe not being transferred due to reasons not related to their economic viability (Calogirou, Fragozigis and Perrin-Boulonne, 2010). This means that each year more jobs are lost due to failed business transfers than created by new business start-ups (CECOP, 2013). Hence, without proper support for SME owners to successfully transfer their businesses to the next generation, the EU's main economic force is at stake. Yet, more than half of the EU's member states lack such support frameworks (European Commission, 2018).

To address these issues, the EU increasingly directs its attention on raising awareness of the issue and setting up better framework conditions to facilitate transfers in the first place (European Commission, 2013). However, the problem cannot be solved if the lack of qualified successors remains apparent. An important step is already taken by introducing entrepreneurship education as well as work-based learning in more school, universities, and vocational schools. Some of the benefits of these changes include decreasing youth unemployment and a better match of the supply and demand of skills (European Commission, 2016; Hogeforster & Priedulena, 2015; Mühlemann & Wolter, 2013). Another way to approach the problem is to encourage underrepresented groups to become more active as entrepreneurs. A diversified landscape of entrepreneurship does not only help to close, or at least narrow, the gap of qualified successors but also benefits the overall economy by diversifying markets and business models.

This paper aims to shed light on the different models of business transfers and peculiarities of neglected successors. Only by addressing both issues, i.e. properly preparing the "right" model for transfer **and** finding a suitable successor, SMEs can continue to strive as the backbone of the EU's economy. Therefore, the first part of the paper is dedicated to business transfers within the family, followed by business transfers to external entrepreneurs. The section examines the benefits and pitfalls of the two models. However, as even the most carefully planned business transfers will not be successful if an adequate successor is missing. Hence, t second part elaborates on the unique traits of women, employees, and immigrants as potential company successors and why these traits should be considered a benefit and not a liability

2. MODELS FOR BUSINESS TRANSFERS

A business transfer is defined as a change of ownership of any firm to another person or legal entity assuring the continuous existence and commercial activity of the enterprise when more than 50% of assets or shares are transferred (Van Teeffelen, 2010). Such a process can be complicated and lengthy. However, when carried out with enough preparation and expertise, they are worth their while. Consequently, academic interest in the topic has gained momentum. It was first introduced in the field of family business research in the 1980s and had since been growing in importance.

Generally speaking, there are two types of business transfers – one where the business is transferred internally, i.e. succession to the next generation (children or their spouses), and one in which the company is transferred to someone from outside the family. This can either be an in-company solution, i.e. management or employee buy-outs, or a solution involving an external actor, e.g. acquisition by another entrepreneur (management-buy-in) or a competitor company (Blome-Drees & Rang, 2014).

Either of the two types occurs in a vacuum. For analysis and (policy) recommendation purposes, it is crucial to consider the ecosystem in which these transfer take place. This ecosystem consists of buyers and sellers as the key players, advisors and financial institutions as other players as well as market, economic, tax, and capital conditions as the environment in which these players act. Additionally, the factor of “awareness-raising” has been added to the ecosystem later on including aspects such as strengthening the business transfer culture, promoting strategic business transfers and earlier planning to increase preparedness to the ecosystem (Alpeza, Tall & Mezulić Juric, 2018).

The transfer itself has to be seen as a process instead of a single action and can be divided into three phases: the pre-transfer phase, which already starts before the successor even enters the firm, the transfer itself and the post-transfer phase (ibid.). The focus in each phase is different due to changing conditions and available information. Hence, in the pre-transfer phase the focus lies on strategic thinking and management, whereas the focus during the transfer itself is on process management. In the post-transfer phase, the main attention is paid to leadership which has to “illustrate the focus of action and direct where the business should be going” (Tall et al., 2017, p. 4).

The biggest challenge throughout the entire process is to manage the high level of uncertainty. As the process is characterized by a large number of unforeseen eventualities, it is crucial to continually update takeover plans and business strategies (Haspeslagh & Jemison, 1991). Furthermore, since transferring one's business is usually a once-in-a-lifetime event, many business owners, particularly those of smaller firms, lack the necessary expertise. Therefore, it is beneficial to take advantage of external experts to accompany the process. This can also provide a remedy to another common challenge, which is the strong emotional attachment of business owners to their enterprises leading to an overestimation of value and price as well as general reluctance to go of their lifetime achievement. Hence, hiring an external expert for such issues is encouraged (Tall et al., 2017).

Even though it might seem like opening pandora's box when initiating a business transfer, as indicated in the beginning, a successful transfer is worth the hassle. It is not only beneficial to the retiring owner who can secure his or her life's work, but also has a positive impact on the overall national economy. Since buyers or successors of companies make use of already existing resources in the pursuit of growth, they help to retain and possibly create jobs. Considering that SMEs and family business make up for a large proportion of employers in the EU, this aspect should not be underestimated (ibid.). Additionally, another advantage of business transfers is the opportunity to buy and sell resources in bundles as well as non-marketable resources, such as reputation and the like (Wernerfelt, 1984).

While the overall process with its challenges and benefits remains the same for all business transfers, the main distinction is made between transfers within the family and transfers to an external entrepreneur. Therefore, the following sub-section will go into detail about the two models.

2.1. Family Businesses

Family businesses are the traditional form of company organization and are most common around the world (Aronoff & Ward, 1995). They are defined as "any business in which the bulk of the ownership or control lies in a family, and in which two or more family members are involved indirectly" (Brockhaus, 2004). Their stability and existence are pivotal for economic growth, yet only 30% of family businesses manage to transfer successfully to the second generation, and only 15% continue to the third (Ibrahim et al., 2001; Le Breton-Miller et al., 2004; Ramadani & Hoy, 2015). To understand why so many family businesses do not seem to be able to transfer their entrepreneurial spirit and growth across multiple generations, it is important to establish what makes them unique to other business models.

As De Massi et al. (2008) have pointed out, most family business transfers are "poorly planned, implemented late and plagued by conflict" (in Jaskiewicz, Combs & Rau, 2015). While the poor planning and late implementation can be traced back to a lack of knowledge, a lack of awareness as well as a strong emotional connection to one's own lifetime achievement and the corresponding position within the family or broader societal circle (Ramadani & Hoy, 2015), the conflict component seems to be particularly apparent in family businesses.

Most of these tensions are created by the fact that in family businesses, two systems of action are at a disequilibrium: the family system and the business system (Miller & Rice, 1967). The constant struggle to balance the requirements and business opportunities of the firm with the needs and desires of the family is a great cause for disputes (Ramadani & Hoy, 2015). Especially in terms of succession, these conflicts become apparent. For example, following a successful parent is often accompanied by an unwillingness to change or innovate of the successor which is rooted in fear of failure or disappointing the predecessor (Sardeshmukh & Corbet, 2011; Ward, 1997).

A number of conflict points are already revealed when looking at the key issues to be addressed during a succession process, namely "keeping property in family, keeping control in family, election of successor, conflict resolution between family members, rewarding of family members and finding positions for incompetent family members" (Chua et al., 1999 in Ramadani & Hoy, 2015, p.27). Depending on the circumstances, their importance and vulnerability to conflict change. Ramadani & Hoy (2015) have identified five factors that influence how well the two institutions, family and business, work together, which in turn also affects how well the succession issues are managed. To keep social relations between family members at a reasonable level while providing products and services at an economically satisfiable level, the factors (1) control, (2) career, (3) capital, (4) conflict, and (5) culture are crucial. This means, there needs to be a fair way to establish who will participate in decision-making processes and business operations, it has to be possible for family members to be rewarded and promoted according to their performance, family members should be able to reinvest in the company without damming the interest of other family members, family and business-related conflicts should be addressed promptly and transparently and the family value system must guide business plans and actions at all times (ibid).

That these factors are determining the functioning of family businesses is also mirrored in the main sources of conflicts in SMEs published by a KPMG study in 2013. In this study, the number one, and two, source of conflict of small, and medium firms, respectively, is disputes about future visions, goals and strategy. Moreover, the third common source of conflict for small firms is “how decisions are made” and “competence of family in business” for medium firms.

Despite the fact that there are multiple levels and sources of resistance to succession in family businesses (cf. Handler, 1988), some critical factors for successful transfers could be established. Derived from the origins of potential conflicts, these are (1) a high-quality predecessor-successor relationship, (2) strong successor motivation, (3) relevant education and work experience, (4) family harmony, as well as (5) a board of directors (De Massi et al., 2008; Le Breton-Miller et al., 2004).

2.2. External take-over by entrepreneurs

In contrast to family succession, a retiring business owner may also decide to transfer the business to an external entrepreneur. The main reason for this is in most cases the lack of an appropriate successor, be it because there are no children at all, or the children are not capable or willing to take over the business. While family businesses still have to fight the reputation of lacking innovation and growth, studies have indicated that companies that are taken over by external entrepreneurs usually outperform companies that are transferred within the family (Wennberg et al., 2011). Still, only 6% of respondents of the family business barometer 2017 of KPMG consider selling to a third party.

These external entrepreneurs can take on different forms. The main distinction is between firm internal and firm external successors. The latter could be for example a younger person from the same industry looking to start their own business but instead of a start-up choosing to take over an already existing business, therefore jump-starting their career as entrepreneur. The survival rate of start-ups after five years is between 35-50% whereas the survival rate for transferred firms is 90-96% (Geerts et al., 2004). Furthermore, transferred businesses outperform start-ups also in respect to turnover, profit, innovativeness and employment (Van Teeffelen, 2012). Hence, in the majority of cases, taking over instead of starting a business pays off.

Another smart business decision is for a competitor to acquire the firm since naturally acquisition growth is faster than organic growth (Tall et al., 2017).

The external take-over could also occur within the company, i.e. the company is sold to either the company executive or a cooperative of employees. While this option diminishes the factor of foreignness of the new owner, it still entails a move away from the family. However, especially compared to the acquisition by a competitor, the firm-internal take-over is often preferred by the retiring owner, as he or she may be hesitant to sell his or her life's work to a competitor (CECOP, 2013).

The stages of the transfer process, as well as the ecosystem, remain the same. However, the minefield of tensions between the business and the family systems cease. In its place, however, other challenges arise. For one, the selling price has to be determined. Often owners highly overestimate the value of their business due to emotional attachment (Dr Meyer-Hofmann & Seefeldt, n.d.). Overpricing the business can already deter potential buyers. It is advisable to involve external experts who use standardized indicators to assess a company's value and hence selling price to address this issue (ibid.).

A second hindrance is the transfer of knowledge. While this is of course, also a difficulty during in-family transfers, it is even more crucial when an external entrepreneur is involved. Family members grow up with the company. Often they have worked in it for multiple years before taking over a leadership position. The advantage of a completely new owner is that they tend to infuse the newly acquired firm with fresh wind, new energy and hence new business opportunities and innovation capacity (Wennberg et al., 2011). Nevertheless, it poses great difficulties on the predecessor to transfer a lifetime full of knowledge onto someone completely new. This challenge can be omitted by making sure to have an extended period of "joint reign" in which the predecessor and successor work alongside each other and the predecessor acts as a supervisor as well as teacher to the successor (Cadieux, 2007).

In this phase of "joint reign", the predecessor can also introduce the successor to customers and clients, hence transmitting trust onto the new owner. As many customers and business partner will have a long and oftentimes personal relationship with the retiring owner, this process of vouching for the successor is fundamental in cases of outside successor (ibid.).

Despite the challenges of both transfer models outlined above, the key challenge in both remains to find the right buyer (Tall et al., 2017). Therefore, the next section will shed some light onto thus far neglected groups of possible future successors.

3. NEGLECTED FUTURE SUCCESSORS

More than 40% of senior entrepreneurs in Germany cannot find an adequate successor (Dämon, 2015). The trend is not only valid for Germany but for the entire EU (Tall et al., 2017). Overall, the lack of skilled workforce is evident, and the gap between the need for labor markets and educational offers is growing for years (Hogeforster et al., 2014). Even though the missing workforce is usually seen as urgently needed employees, the same applies to the lack of entrepreneurs. While especially family businesses were traditionally only passed on from father to son, the spectrum of entrepreneurially actives persons has widened immensely. Nowadays, it is nothing new when businesses are run by other demographic groups than men, and the rate of bequeathing the business to a family member lies only between 15% and 35% of all transfers (Center for Strategy & Evaluation Services, 2013). Therefore, considering daughters and other women, immigrants and employees as possible successors enlarges the pool of successors and hence secures business transfers. The following section looks into the peculiarities of so-far underrepresented groups of potential future successors.

3.1. Female Entrepreneurs as successors

While the number of business start-ups by females is beginning to outpace the number of start-ups by men, the total number of businesses owned and managed by women is still far below that of their male counterparts (Minnitit & Naudé, 2010). That women seem to have less of a propensity to start or run a business than men, however, is not due to their incapacity to do so. In fact, there is no difference in transition rates from nascent to mature businesses between male and female-run businesses (Kalleberg & Leicht, 1991; Perry, 2002; Kepler & Shane, 2007).

If the lack of female entrepreneurs cannot be attributed to an incapacity to run a business, the question remains why there is such a stark difference in the number of businesses run by a male and run by a female entrepreneur. The quest for equity between genders is a rather recent phenomenon, and while women in Western societies are nowadays mostly seen as an integral part of the workforce, studies suggest that they still face a lot of discrimination in entrepreneurship

(Weiler & Bernasek 2001). For example, men are more likely to receive loans and equity financing when seeking it than women (Score, 2018).

However, there are also systemic reasons behind the lack of female entrepreneurs that may not seem like it initially. It is shown that women tend to be more risk-averse than men which hinders their overall entrepreneurial propensity as starting or taking over a business involves a considerable amount of risk. However, Booth at al. (2014) show in an experiment that female students became less risk-averse after spending several weeks only among other female students in contrast to female students in co-educational groups. This change in behavior was not seen in male students taking part in the same experiment. Consequently, these attributes decreasing a certain group's entrepreneurial propensity that initially seem like they are inherent to that particular group, are actually a result of societal patterns.

Despite progress with regard to gender stereotypes, some traditional roles remain prominent. One of these is the role of the woman to be the primary caretaker of the family. Due to their responsibility of child-rearing and other care activities, female entrepreneurs are less flexible in terms of time and commitment. This results in women often entering self-employment out of necessity instead of opportunity, either because of a lack of reconcilability of work and family in a dependent employment contract or because of workplace discrimination in the form of a "glass ceiling" (Boll et al., 2014). This is supported by findings showing that having children increases the propensity to become self-employed while self-employment in itself does not increase fertility as such (Noseleit 2014).

While care-taking expectations can be considered as an obstacle for women to fulfil their entrepreneurial aspirations, the tendency towards a close relationship between mother and child is of advantage in the business succession process. When women pass on their business to the next generation, the relationship between the predecessor and successor is often already well established, whereas their male counterparts need to focus on building this relationship first (Cadieux, Lorrain & Hugron, 2010). And this is not the only upside of more women in entrepreneurial and leadership positions.

Fully tapping women's potential is curial for the overall economic and societal well-being of a country as the differences in business and personal profiles serve to diversify economic structures and offer a wide range of products, services, business processes and organizational forms (Verheul et al., 2006). "The Megaphone of Mainstreet" data report found out that of the interviewed entrepreneurs, female entrepreneurs are significantly more likely to run a business in the healthcare or education sector, whereas male entrepreneurs are more involved in construction and manufacturing industries (Score, 2018). Generally, their measurement for success is more focused on "social contribution, quality of work-life, client satisfaction and personal growth" (Cadieux, Lorrain & Hugron, 2010, p. 20) and they see their strong points in communication skills, facilitating interpersonal relationships and teamwork, therefore regarding their business operations more as a cooperative network instead of a solely profit-oriented enterprise (ibid.). A more diverse entrepreneurial landscape enhances learning process, increases the variety of goods and services provided and hence supports a higher quality in entrepreneurship as a whole (Verheul et al., 2006).

3.2. Employees as successors

Another often neglected group of possible successors are employees. Whereas this model of business transfers is more commonly used in the South of the EU, i.e. France, Italy and Spain, this possibility of transferring one's business is often neglected in other European countries. While this model has many advantages, it is still widely underused – only 2% of business owners questioned in the KPMG Family Business Barometer 2017 planned to sell the business to a current employee. The main factors favoring this model in certain countries are: "(a) legal framework adequately protecting and promoting worker cooperative enterprises, (b) a high level of organization and consolidation of worker cooperatives in federations, and (c) policy measures facilitating business transfers to employees (CECOP, 2013, p.4).

While there are many different legal and financing forms, the cooperative appears to be the one with the least amount of bureaucratic hustle. They usually occur in two situations. Either, the predecessor does not have a suitable successor; hence it is transferred to the employees who turn it into a worker cooperative, or the business is in crisis and can only survive through buy-outs of the employees who will then transform it into a cooperative (ibid.).

The benefits of such a cooperative are twofold. One the one hand, they benefit the owner as transferring the business to his or her employees guarantees economic continuity of the firm due to the employees' motivation to keep their own jobs. Furthermore, even without transferring the business to a family member, the retiring owner does not have to sell his or her business to a competitor (ibid.). Since the new owners, i.e. the employees already know the enterprise's operations, the transition is gradual and smoother, collaboration with customers, business partners etc. is not interrupted and the company's history and identity are preserved (Winkemann & Kohlhaupt, 2012). On the other hand, it is also beneficial for the employees, as most of their jobs will be saved, especially if the employees buy the enterprise out of a crisis situation. The double role assumed by the employees acting as an employee and owner simultaneously "reduces the ownership risks since the worker-members both own and control the enterprise and are usually protected by their employee status" (CECOP, 2013, p.9). Furthermore, it also fosters corporate loyalty and employee motivation as they are involved in the decision-making processes (Winkemann & Kohlhaupt, 2012).

The complex transmission procedures and a lack of knowledge and expertise about this form of business transfer most often hinder the successful establishment of employee cooperatives. Especially changing the company's legal form constitutes an obstacle, as in some EU countries, this process does not even exist (CECOP, 2013). Regardless, if the opportunity presents itself, the success of employee cooperatives can be determined on four variables (Blome-Drees & Rang, 2014). As with all transfers, the key variable for a successful takeover is the economic viability of the company. Second, the sum of all needed financial resources, i.e. purchase price, required investments etc., must be reliable known as well as the source of these financial means has to be established. Third, a cooperative is usually a completely new owner structure than has previously existed. Therefore, new decision-making structures, organizational processes and structures need to be agreed upon. Lastly, the motivation and will to succeed of the employee cooperative is key to success (ibid.).

Tab. 1: Success Factors of Employee-Buy-Outs

Economic viability of the concept Product/Service Market access Customers Profitability attainable	**Financing** Sufficient means for o Business acquisition o Investments o Working capital o Reserves Reliable funding
Organization New decision-making structures Organizational adjustments Adaptability of the workforce	**Will to Succeed** Willingness to take risks Conscientiousness Long-term thinking

	Leadership figures

Blome-Drees & Rang, 2014, p.128

3.3. Immigrants as successors

On January 1, 2018, 22.3 million non-EU citizens were living in the EU, representing 4.4% of the EU's total population. Additionally, 17.6 million EU citizen lived outside the EU country of their nationality (Eurostat, 2019). This number increases significantly if one also considers the share of population from a migrant background. For example, almost every fourth person living in Germany is part of this population group (bpb, 2018). Other countries with particularly large numbers of foreigners in their population are the UK, Spain, France and Italy (Eurostat, 2019).

Studies have shown that many migrants are more entrepreneurial and innovative than their native counterparts. According to the Center for Entrepreneurs, a British think-tank, 17,2% of non-UK citizens have started their own business, compared to only 10,4% of UK nationals (Center for Entrepreneurs & DueDil, 2014). In the US, immigrants are twice as likely to start a business than natives (Stangler & Wiens, 2015). This trend is mirrored in OECD countries in general.

Some of these numbers can certainly be traced back to selection, i.e. immigration policies are usually designed in a way to attract only highly qualified and capable migrants, and discrimination effects, i.e. due to lack of economic opportunity in the labor market immigrants see no other chance than to become self-employed (Clark & Drinkwater, 2000). However, there are also other factors at play. Coming from a migration background fosters creativity and a person's ability to spot business opportunities. Vandor and Franke (2016) argue that "by living in different cultures, they encounter new products, services, customer preferences, and communication strategies, and this exposure may allow the transfer of knowledge about customer problems or solutions from one country to another". Additionally, the interaction with multiple cultures nourishes the ground for combing various ideas and solution, hence innovations (ibid.).

Yet, it is not just the more pronounced entrepreneurial spirit that makes it worthwhile considering immigrants as successors. There are also considerable benefits to so-called migrant entrepreneurship. By becoming self-employed, migrants create their own jobs and possibly those of others too, hence lowering the still comparatively high unemployment rate among migrants. This is a valuable contribution to the integration in the labor market of groups which typically occupy more marginal positions. These "migrant businesses" can also have a positive impact on the social and cultural cohesion within the local community and create identity and legitimacy. This has the great side effect of contributing to stability and vitality in neighborhoods. Lastly, with their different talents and abilities they can increase their host economy's growth potential and thanks to their transnational ties, migrant entrepreneurs also contribute to expanding trade relations between the host country and their countries of origin (Center for Entrepreneurs & DueDil, 2014; Lintner, 2014).

Given the large influx of migrants and refugees in the EU in recent years offers an excellent opportunity to make use of the outlined benefits of migrant entrepreneurs, i.e. recruiting a new and additional target group, thus increasing the number of potential SME successors and counteracting the existing bottlenecks.

4. CONCLUSIONS

A wave of business transfers lies ahead of the European economies. It is estimated that 240,000 successors are needed in Germany in 2019 only (Schwartz, 2018). Other European countries face similar challenges, for example, the former communist countries in the Eastern part of the EU, where the majority of business owners who started their business after 1989 are now retiring (KPMG, 2017).

Business transfer processes bear several pitfalls, but careful and professional execution pays off as success rates of transferred businesses by-far exceed those of start-ups. However, due to a lack of knowledge, emotional attachment, missing legal and institutional frameworks as well as an insufficient number of adequate successors, the majority of business transfers fails. Since entrepreneurs are often "doers" and not "planners", retiring owners often initiate the succession process too late. Furthermore, as it is a once-in-a-lifetime event, expert knowledge is absent and overpricing as well as other miscalculations due to emotional attachment occur. Therefore, timely planning and consulting an expert are crucial to the success of every transfer.

Generally speaking, there are two types of business transfers – transfers within the family and transfers to external entrepreneurs. While many of the underlying challenges and benefits remain the same, each type has its own peculiarities. The focus in family succession should lie on potential conflicts caused by family dynamics and the interplay between the family and the business systems of action. In the case of transfers to an external entrepreneur a second distinction has to be made between an entrepreneur acquiring the firm from the outside, e.g. a young entrepreneur choosing to take over a business instead of starting a new one or a competitor looking to grow his or her business, and the take-over of the firm by an employee or an employee cooperative. These courses of action bear their own sets of difficulties, such as missing legal frameworks in the case of employee cooperatives or knowledge transfer in the case of an external entrepreneur.

What all models have in common is the general lack of adequate successors. Therefore, new and additional target groups should be increasingly considered when looking for a business successor. Three groups of potential successors are particularly neglected: women, employees, and immigrants. Several determinants can benefit the inclusion of these groups. First, education measures should be adapted to the needs of the target groups, e.g. many women are still in charge of taking care the children, this should be considered when deciding at what time courses will take place. Second, networks specifically designed for these target groups act as strong support and empowerment mechanisms. Fostering and recognizing these networks is essential to inclusion. Third, by setting positive examples the perception of these groups as being non-entrepreneurial can be changed in the long run.

The inclusion of all of these groups promises a widening of the target group of entrepreneurs. This means that for one, the sheer number of entrepreneurs grows helping to secure business transfers and thus, jobs. Furthermore, it also means that by tapping into their full potential businesses and entrepreneurs are diversified, hence opening up new market segments, customer groups as well as products and services.

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Abstract

Considering the important role SMEs play in the EU's economy as well as the high number of annual business transfers and lack of potential successors, it is cruciual to devote more attention to this topic. Therefore, this paper discusses different models of business transfers in SMEs and addresses the particularities of neglected groups of entrepreneurs as successors, i.e. women, employees and immigrants. Based on an extensive literature review, the paper provides an overview of the characteristics and challenges of the two main business transfer models – a transfer within the family and to an external entrepreneur. Furthermore, to highlight possibilities of counteracting the increasing shortage of qualified successors, the paper posits to include more and diverse target groups into the business transfer process by providing arguments for the entrepreunrial capacity of women, employees and immigrants.

Keywords: Business Transfers, Succession, SMEs

***JEL* Classification**: M20, L26, O15

Author(s) details:

(M.A.), Mira Alexander

Baltic Sea Academy

Blankeneser Landstrasse 7, 22587 Hamburg, Germany

+49 40 822 447 0
malexander@baltic-sea-academy.eu

Dr., Max Hogeforster
Baltic Sea Academy
Blankeneser Landstrasse 7, 22587 Hamburg, Germany
+49 40 822 447 0
mhogeforster@baltic-sea-academy.eu