Are Websites Relevant Tools for Actors of the Business Transfer?

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Aim of the paper

After the stage of the business's creation and the one of the growth, entrepreneurial exit is the third crucial phase in the life cycle (Brockner, Higgins and Low, 2004; Cardon, Zietsma, Saparito, Matherne and Davis, 2005). Natural and inevitable in the life for any entrepreneur (Engel, 1999; Petty, 1997), entrepreneurial exit should not be regarded as an issue or as a business crash but as a strategic decision which leads to a key development step. Several alternatives could be opened by the owner: the succession (*ie*, transfer to a family member), the business transfer to a non-family member or the inactivation of the business (Malinen, 2004). Except for Birley and Westhead (1990), Donckels (1995), Howorth, Westhead and Wright (2004), selling out as an alternative to succession has received almost no attention in the literature (Debicki, Matherne, Kellermanns and Chrisman, 2009). Nevertheless, some authors started to focus on the entrepreneurial exit (De Tienne, 2010; Wennberg, Wiklund, DeTienne and Cardon, 2010; Van Teeffelen, 2010), arguing that the change of ownership enhances the performance of the firm (Dyck, Mauws, Starke and Mischke, 2002). Some studies (European Commission, 2006; Oseo, 2005) showed that taking over an existing company is a worthwhile alternative to setting up a new business. But many small businesses fail in the transfer not because they are unviable but because they are not sufficiency well prepared and counseled (Van Teeffelen, 2010). Thus the European Commission has

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recommended different measures to the authorities in EU countries to improve conditions for transfers of ownership, such as ensuring access to finance, organizing transparent markets, raising awareness and support mentoring (European Commission, 2006; 2009). These studies showed also that one of the problems of the small business transfer is both the opacity of the market and the cost to acquire information. We argue that the new technologies provided by internet could offer information, professional tools and contacts with original means to solve a part of these problems. Recently, Sorenson and Stuart (2008: 538) proposed a focus on some of the new research in entrepreneurship on the problems of uncertainty reduction, the transmission of private information and "*the role that online interaction may play in fostering and shaping entrepreneurial activity*".

To understand which online information exists and is relevant for a business transfer project, a study was conducted in France on more than fifty dedicated websites to entrepreneurship and venture taking over to investigate two primary questions. Firstly who are the actors who support them? Secondly can they reduce the cost of the information and the opacity of the market?

Contribution to literature

Business transfer can be defined as the sale of the firm (Holmes and Schmitz, 1990) and the change of ownership of a firm (Meijaard, Ulhaner, Flören, Diephuis and Sanders, 2005; Geerts, Herrings and Peek, 2004) to family members, explicitly succession, or to third parties, namely takeovership. A business transfer occurs in three phases which may take a decade for an individual firm (Van Teeffelen, 2010): the pre-transfer phase (the owner and his options), the transfer phase (the matching of seller and buyer) and the post-transfer phase (period focusing on the successor, i.e. the buying party).

Traditionally, the first solution was the most common ant the ideal way to transfer a company from one generation to the next thanks to "*the family context, the existing framework of mutual relations, trust and the shared information about the business itself*" (European Commission, 2006:14), which diminish the transaction costs and increase the transfer of assets, of information knowledge and of partnerships, for instance. However, let us note succession concerned only a quarter of the SMEs in France (FBN International Monitor, 2007). Consequently, succession is not the main option if the owner wants to exit the business. In this situation, Birley and Westhead (1990) defined four choices open to the owner: (1) Sale to a third party; (2) Sale to the management and/or employees; (3) Public quotation on the Stock Exchange; (4) Liquidation. If we apply these choices to SMEs' owners, and especially to the micro firms with less than ten employees (the mainstays of Europe’s economy in 2008), we can eliminate several options. First of all, micro firms are not a target or a customer for IPO (*Initial Public Offering*). Second, the sale to the management and/or employees represents only 16% in France (Grant Thornton International, 2002). In short, the sale to a third party is the main option (European Commission, 2006), with an estimation of almost 60% of the potential business transfers on the small business market in France. The last option, liquidation, can also occur if the business transfer failed and the consequence will be the inactivation of the business (Malinen, 2004).

When an owner-manager decides the passing of the leadership baton (Beckhard and Dyer, 1983) to a new individual, it is not a trivial decision. According to Van Teeffelen (2010), most commonly mentioned reasons which explain why 10% to 40% of all intended transfers lead to liquidations are: a lack of succession planning, no appropriate successor, an excessive emotional attachment, no financing from the bank, a lack of trust between seller and buyer or a lack of agreement about the selling price. According to “Cédants & repreneurs d’affaires” (CRA) (a French specific association specialized the SME business transfer) 5 000 to 6 000 enterprises from 5 to 50 employees per year (CRA, 2010) are potentially and truly transferable SMEs in France.

Data and results

Due to the nonexistence of a websites database on business transfer, the sample was built from the French webpages provided by internet. Our sample size consists of websites that explicitly mentioned “*entrepreneurship, takeover, buyer, seller, advisers, private advertized sale*” without any boundary on time period. [1]From the given links, we created a panel data, which includes 56 webpages (namely websites) and conducted the analysis of the websites until saturation and redundancy.

In order to answer to the first research question (Q1 : who are the actors who support them?), we have introduced information from the following relevant variables: *name of the website and its link*; *actor on the online business transfer* (potential transferee or “buyer” who wants to take over a business; future transferor or “seller” who wants to sell his firm, “institutions” who provide an impartial mediation service, and the “intermediaries” namely brokers or private companies, professionals in the business transfer) ; *origin of the sector* (distinction

[1] Data collection was staggered over a period of six months (from August to December 2010) in order to check the webpages’ life expectancy.

between public or semi-public sector such as State Agency or Chamber of Commerce, and private sector, namely consultant or business corporation).

Then, in order to answer our second research question (Q2: what kind of information is proposed by these actors?), we have introduced the variable *information*. Taking over a business involve many complex technical issues (*i.e* financial diagnostic, legal aspects of the acquisition strategy, business transfer scenarios available, sellers and buyers rights, required documentation necessary throughout the entire process…) and some entrepreneurial attitudes for which buyers and sellers will also need attention and help (strategic planning and human resource management, for example). Given that websites provide a lot of information, advices, tools, advertisements or testimonies online to help entrepreneurs starting and/or running their business transfer process, they are really opportunities for those who cannot afford it. Thus, items are completed by the *cost to acquire information* (distinction between free of charge or not free).

Our data collection includes 56 websites and excluded none. The table 1 provides descriptive statistics of the data collection.

Table 1 – Sample characteristics

Variables		*n*	Percentage
Actor	Buyer	2	3.6
	Seller	0	0.0
	Institutional	23	41.1
	Intermediary	31	55.3
	Total	*56*	*100.0*
Origin of sector	Public sector	20	35.7
	Private sector	36	64.3
	Total	*56*	*100.0*
Cost to acquire information	Free of charge	35	62.5
	Not free	21	37.5
	Total	*56*	*100.00*

Discussion and pratical implications

On the one hand our results confirm the opacity of the market and the secrecy around the business transfer. Concerning the actors, we did not find websites from the actors who should play a leading role in this matter: the sellers and the buyers. It means that owners prefer to keep their information and to protect their business from unknown online visitors. A business transfer, as a key step in a company's life, can destabilize the stakeholders. For instance, the employees will be astonished and disappointed to discover by accident that the company they work for is for sale. More, that could be easily explained because both sellers and buyers have not experienced business transfer.

On the other hand our findings highlight the important role of the intermediaries (public and private) on the business transfer market (96.5%) balanced between the “institutions” (41.1%) and the “intermediaries” (55.3%). It means that the complexity and the extent of the process require various skills and knowledge in different fields, such as economical, legal, social and psychological ones. Considering the origin of sector, the result shows an advantage for the private sector (64.3%) against public (35.7%). The relative emphasis of public actors as entrepreneurship enhancers is a key mechanism for economic development policies. In the French context, public sector uses to be present on administrative and formal procedures, leaving the business activities to private sector. Presumably the private sector is demand driven while public institutions are active promoters of a concept.

First, this study contributes to the business transfer literature by broadening the definition of business transfer to incorporate the whole picture of the small business transfer market (Kesner and Sebora, 1994; Leroy and Meuleman, 2007). Regardless of the specific approach taken, business transfer studies over the past twenty years have focused on succession (De Massis, Chua and Chrisman, 2008; Debicki and al., 2009) or on business exit (De Tienne, 2010; Van Teeffelen, 2010). Since 1994, the policy makers at the European level are aware of the risk regarding failure due to insufficient preparation, lack of accompaniment and advices, legal and transnational framework, and more generally an effective climate for business transfer (Matser and Lievins, 2011).

Second, the findings of this study support the view that the main actors present online are institutional and intermediaries, at the macro or meso level. Sellers are indirectly present on webbased marketplaces, with advertisements and some pictures while buyers start to exploit straightforwardly websites to convince sellers of their credibility and to get more visibility. More specifically, websites are not relevant tools at the micro-level for the moment.

Third, this study also contributes to the business transfer literature by shedding more light on how online tools can help matching preference and building trust from virtual exchange to real business transfer (European Commission, 2006). The results provide support for policy makers to continue to stimulate individual countries, to provide the necessary funding and to invest in concrete instrument with an important database for researchers and practitioners (Matser and Lievens, 2011).

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