

Business Transfer in Small and Medium-Sized Enterprises, especially in family businesses

Abstract of 'Best practice'

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Business Transfer in Small and Medium-Sized Enterprises, especially in family businesses

Best Practice:

Project (NL/09/LLP-LdV/TOI/123008)

This project aims to develop and test a European programme for Business Transfer and to support VET/Higher Education institutions in order to increase and to improve awareness and preparation for (family) business transfer.

Topic Area:

The role of the government and the private sector in fostering entrepreneurship education/training (in this case regarding business transfer in SME, particularly family businesses).

Purpose

A number of initiatives have been taken by the government and the private sector to increase and improve the awareness and preparation for family business transfer. For example, the Chamber of Commerce set up a Dutch expert group on family business. And, to make entrepreneurs aware of the importance of the preparation of the business transfers in time, a large awareness campaign was set up by the Ministry of Economic Affairs in close cooperation with private organisations (MKB Nederland, VNO-NCW) and the Chambers of Commerce. In addition a Business Transfer Toolkit was developed ('Overdrachtspakket'). This information package on business transfer was developed and sent to entrepreneurs over the age of 55 years. In addition, the target group family business was officially recognized by the Ministry of Economic Affairs and the Ministry of Finance. Moreover, training programmes for consultants and training programmes for family firms were developed. Training programmes for consultants refer to programmes to improve the understanding of the process of advising family businesses. Training programmes for family firms are, for instance, given by the 'Opvolgersacademie' (Successor academy; www.opvolgersacademie.nl), where successors of medium-sized enterprises are prepared for a successful transfer and continuation of the family business.

However, little attention is paid in vocational education to business transfer (BT) so far. Vocational Educational Training (VET) and Higher Education colleges are barely aware of the situation that their students aim to take over the business of their parents, and hardly offer guidance for this to students and parents-entrepreneurs and have almost no training programmes.

For this reason AVANS University, as a governmental educational institution, took the initiative to develop a course on business transfer in SME (particularly family businesses) in cooperation with the private sector.

Relevance

There is an increasing interest in (the transfer of) SME in general and in (the transfer of) family businesses in particular. In random order we point out to six reasons for this growing interest.

Firstly, with respect to the Dutch economy, many of the businesses in the Netherlands are family businesses. Figures differ according to the definition that is applied for a family business. However, according to a study conducted by FBN International (2007), based on a widely accepted definition of family business, about 61% of the businesses in the Netherlands are a family business. These family businesses provide about 40% of the jobs and account for almost 50% of the gross domestic product (GDP). In general, family businesses are a major driver in the Dutch economy (Flören et al., 2010). This applies to most European countries (Cappuyns et al., 2003).

Secondly, family businesses play an important role in the community and perform better with respect to corporate social responsibility as compared to non-family businesses (Flören et al., 2010). Family businesses are often businesses that take a special place in the region and are actively involved in the community and strongly involved with their employees (Gennip, 2006).

Thirdly, business transfer is becoming more important particularly because of the ageing of the population. Due to the ageing population an increase in business transfers is expected. In the next five to ten years many entrepreneurial baby boomers (born 1946-1964) will reach the stage of retirement and will be prepared to transfer their business.

Fourthly, family businesses are more likely to have a long term perspective instead of a short-term profit oriented focus. They therefore have a more stable business culture. A culture that aims at continuity and a stable growth rate. Family businesses prefer ROI on the long term over shareholder value in the short run (van der Eijk et al., 2004; van der Geest and Heuts, 2006; van Gennip, 2006; NIVRA, 2007). Consequently, family businesses are suggested to be the backbone of the Dutch economy and it is for this reason they need to be continued.

Fifthly, it has been suggested that transferred businesses perform better than start-ups. Transferred businesses grow faster, acquire more staff, invest in innovation and are more sustainable. Nevertheless, more interest is spent on start-ups than on business succession.

The sixth and last reason for the growing interest in family business transfer that we point out here has to do with the transfer process itself. Transferors underestimate the time it takes to plan the transfer, if the transfer is prepared at all. Where transferors expect they need one year, it ultimately takes five to seven years to transfer their business, due to the complexity of the process and the emotional impact it has on the transferor. Planning the business transfer is a critical success factor for turning a family business into an excellent company (Lievens and Lambrecht, 2007).

Despite these outcomes, hardly any attention is paid to family businesses and family business transfer in the Dutch educational system, which focuses primarily on start-ups and growth. By providing more knowledge on family businesses, these businesses will be appreciated more (Duitman et al., 2007). Also future research needs to focus more specifically on business transfer in family firms (Flören et al., 2010).

This project therefore aims to develop and test a European programme for Business Transfer (BT) and hence support VET/Higher Education institutions to increase and improve awareness and prepare for (family) business transfer.

Description

The BT project aims to develop and test a European programme for business transfer, in order to support institutions for VET/Higher Education to increase and improve awareness and prepare for business transfer from parent-entrepreneur to children or employees.

In this respect the following 'products' are seen as the main deliverables of the project group:

1. a BT educational programme (curriculum)
2. a cartoon
3. a communication plan

Started October 1, 2009, all deliverables should be available at the end of 2011.

BT educational programme

A programme (curriculum) has to be developed, tested and adapted for VET/HE institutions that can be offered to students, and in particular to graduates.

Business family succession is a multifaceted challenge that demands a multi-disciplined process and a well-designed succession plan.

In this respect the vocational education programme on business transfer introduced here contains two parts. The first part of the programme consists of an introduction to the different but interrelated disciplines that play a role in business transfer, e.g. legal aspects, finance, valuation of the firm. With a special focus on the social and emotional aspects, participants get a profound understanding of 'what it takes' to transfer their (family) business. Moreover, in this part of the programme participants learn about the phases of planning the business transfer by using processes of business transfer.

In the second part of the programme participants are actually asked to develop and document their business transfer plan. Ultimately, the many disciplines have to deliver one solution. Personal assistance and coaching are available to participants.

The institutional framework and policy initiatives regarding family businesses differ from country to country. It is for this reason that this programme generally outlines business transfer that has to be specified in detail by the individual programme partners, located in Belgium, Germany, Lithuania, Portugal and the Netherlands.

Cartoon

Ultimately, the BT programme has to be integrated in existing educational programmes within institutions for VET and Higher Education. A cartoon, we think, helps making the complex and difficult issues involved more accessible, interesting and easy to consume. The story told through the cartoon can be used as a case study in which (most of) the disciplines come up and can be discussed extensively and coherently. Therefore, a

cartoon is used as a means to offer the contents of our programme in a pleasant and light way. Besides, a cartoon is also an effective content marketing device that is part of our communication plan to promote our BT programme in a creative way.

Communication plan

Besides a cartoon, a website is available. This website, <http://www.business-transfer.nl/index.php>, helps to link partners in the project, participants and institutions, and it supports the exchange of information among them. The website provides information about the project, the current status, the progress and the results achieved. The site supports the advertisement and the description of the programme for those who are interested and is helpful in the dissemination process of the project partners.

Another element in our communication plan is participating in conferences on entrepreneurship, education and training.

Evaluation

Evaluation is a process in this project and not a single action. We aim to present progress reports on a regular basis, since the process and the products can be adjusted with this information. Ultimately, the evaluation takes place by the National Agency and European Commission, since this project is funded by the European Commission under the Leonardo da Vinci programme.

Conclusion

This programme contributes to raising the awareness of the importance of planned (family) business transfer and helps transferring the (family) business more successfully to the next generation. Ultimately, this will save jobs, capital, and support society economically as well as socially.

Keywords

Vocational education; business transfer; family business

Presentation

We would like to present our paper using the presentation and poster option.

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