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PLANNING AND SUCCESSOR CHARACTERISTICS AS DETERMINANTS OF SUCCESSFUL OWNERSHIP TRANSFER IN SME'S. AN EMPIRICAL STUDY (INTERACTIVE PAPER)

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INTERACTIVE PAPER

PLANNING AND SUCCESSOR CHARACTERISTICS AS DETERMINANTS OF SUCCESSFUL OWNERSHIP TRANSFER IN SME'S. AN EMPIRICAL STUDY

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Principal Topic

This study examines the relationship between successor characteristics, transfer planning characteristics and post-transfer profitability within Dutch SMEs. On the one hand, based on the resource dependency view, it is assumed that successors with more knowledge and experience, derived from work experience from outside the target firm, will be able to extract higher rents from the firm than those with less (diverse) work experience. On the other hand, based on the knowledge management literature, and in particular, concepts such as *tacit knowledge*, this research makes the contrasting prediction that post-transfer profitability is likely to be higher in firms where the successor is an insider and is related to the predecessor. Moreover, this paper proposes, based on the theory of planned behavior, that having a written succession plan and strategic intent both have a positive association with post-transfer profitability.

Method

The data were collected in 2008 through a telephone interview from a longitudinal panel survey of Dutch SMEs. Data about business transfers were collected from 604 firms that were transferred within last 15 years. This data was combined with profitability data measured in 2006 and 2007. The sample only includes those firms in which ownership had been transferred at least three years before the data collection period to assure that profitability reflected the post-transfer period. The final sample includes 146 firms. The source of information is the current director (the successor).

Results and Implications

Results from the current study suggest that determinants of post-transfer profitability may be quite different in the family-to-family (FTF) vs. nonfamily (NF) ownership transfer (i.e. whether or not the successor is related to the predecessor). First, the FTF transfers are slightly less profitable than NF transfers. Moreover, for both types, transfers involving successors with more outside work experience are also somewhat less profitable after the transfer. A written succession plan, furthermore, has no effect for either type of transfer. However, in the case of a FTF transfer, strategic planning has a positive effect, whereas in the case of a NF transfer it has no effect. This may mean that much more important for the family business is to plan for change (and, probably to introduce changes) than to strive for knowledge retention.

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