

Sustainable business management - factors influencing the planning and forms of business succession

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Debating Points

1. To what extent are research results transferable regarding the entrepreneurial pre-founding process to the pre-succession process?
2. How could the concept of “psychological ownership” contribute to our understanding of psychological processes inherent of the pre-succession process and the probability of certain exit-decisions?

Introduction

Over the past decade, the topic of age related successions in small and medium-sized enterprises has been raising attention within the fields of economics, politics and academia. In particular, family businesses and businesses managed by its owner are facing major challenges when it comes to managing the succession process and its high complexity and long-term preparation requirements. One reason for this is the fact that these types of entrepreneurs have ownership of the firm and also act as manager in a top position within the company. Thus, within the process of business succession, both roles need to be transferred to another party (Hauser et al. 2010, p. 8).

Despite raising awareness and numerous support measures, experts still have serious concerns regarding the generation change within the small and medium-sized business sector. Corresponding studies show that entrepreneurs generally first discuss this topic when it is too late (Schumann, Evers 2012). For example, in Germany nearly every second entrepreneur willing to transfer his company failed to coordinate his succession in a timely manner (Schumann, Evers 2012, p. 4). On the one hand, a delayed discussion is understandable because most entrepreneurs only face this challenge once in their life. Additionally, the far-reaching consequences for all stakeholders (e.g. employees, investors, customers) mostly inhibit an open discussion of this topic. On the other hand, a timely planning of the succession process increases options for the incumbent and their active design, possibly contributing to the firm value as well as its future prospects. This in turn ensures the foundations of the success of the next generation.

Family businesses and business owners managing their business of various developed economies are facing similar challenges within the succession process. As research shows, these kinds of companies are characterized by strong and traditional business values and sustainable family interest. It is not surprising that most entrepreneurs wish to keep their business within the family. For

example, a study of 1,143 family businesses within the US revealed that nearly 85 percent of all family businesses indicated that their business should be overtaken by a family member (Raymond Family Business Institute and Massachusetts Mutual Life Insurance Company 2003). Similar results have been found in studies of German family businesses (Sächsisches Staatsministerium für Wirtschaft und Arbeit 2006). However, studies with respect to the children's intent of succeeding the family business show a different picture. Bergman et al. (2012) analyzed the succession intention of 28,073 students from 26 countries with a background of family business. The results show that nearly three of four potential successors do not have the intention of continuing the family business. Compared with the intentions of the incumbent generation, it could be argued that a serious amount of successions will not proceed as desired by the incumbents. A delayed discussion of this topic will only result in increases challenges linked to the succession process.

However, despite its high complexity and low frequency within the lifetime of most entrepreneurs, business succession is in most cases predictable in relation with the age of the owner and can be strategically planned. Thus, the succession process could well be used as a strategic renewal of the firm. Different studies provide evidence that a well planned and executed succession may positively affect the company's ability to innovate and its growth (Diwisch et al. 2009; Grundström et al. 2012; Haveman und Khaire 2004). At the same time, literature suggests that business succession needs to be further investigated from a process perspective (DeTienne 2010; Whatley 2011; DeTienne und Cardon 2012).

On the basis of these facts, research in business succession seems to be promising field when viewed from both scientific as well as practical perspectives. The present paper contributes to this research by integrating the business succession process within the entrepreneurial process. Different factors both fostering and inhibiting the succession decision as well as different possibilities available to the business will also be presented. Furthermore, we discuss the realization of a succession process from different angles. Finally, we highlight several avenues for further research.

Business succession as a strategic process

The scientific field of business succession is still relatively new and underdeveloped in contrast to research on entrepreneurship. Especially the creation of new businesses has gained a lot of scientific attention in recent decades and produced an extensive knowledgebase about the entrepreneurial process. However, the majority of the entrepreneurial literature understands this process as completed by the time of implementation in the new venture. In comparison, a scientific analysis with the entrepreneurial exit, i.e. the withdrawal of the company founder from his business, offers significant potential (DeTienne 2010; DeTienne/Cardon 2012; Nordqvist et al. 2013).

Agitating this situation, the issue often seems to be associated with negative connotations and the failure of the business even though there are many different factors causing an exit due to reasons beyond the lack of business success (Wennberg et al. 2010).

As already mentioned, the age-related exit from business and the associated business succession process are of great economic importance. It has already been mentioned several times that business

owners rarely consider their potential exit options or perhaps too late. That is why more recent approaches arising from international entrepreneurship research argue for developing a perspective of the entrepreneurial process that is more than just the creation of a new venture and that the process does not end with creation, but rather with the entrepreneurial exit (DeTienne 2010). In this context, Nordqvist et al. (2013) suggest an integrative framework for the entrepreneurial and succession process (figure 1).

When approaching the problems, the authors initially distinguished between different levels of examination - the environment, the organizational environment, the relationship between transferor and successor and both individuals per se. In addition, the authors show that the founder of the company or the founding team accompanies the entire process from the creation, through company management to the exit.

In light of this, entrepreneur / team and company in general have two separate life cycles that coincide only at the point of liquidation of the company. If this is not the desired goal, the exit offers the opportunity for the entry of a new leader and thus the extension of the life cycle of the company. In this way the succession process is part of the entrepreneurial process and guarantees entrepreneurial sustainability (Nordqvist et al. 2013, p. 1106).

This approach integrates the successor not only as a natural element in the entrepreneurial process, but will also build bridges to numerous studies - mostly based on an internal family perspective - dealing with the succession process. Thus, the business succession should also be understood as a strategic process involving the mentioned various levels of examination.

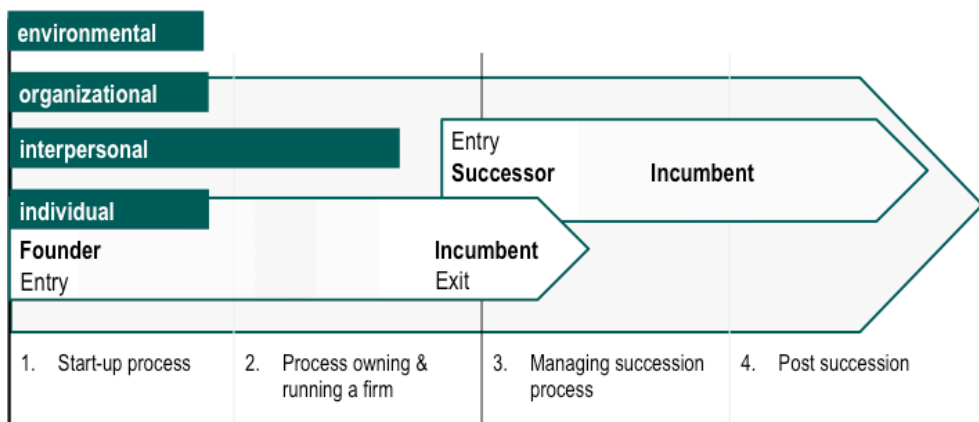


Figure 1: The Entrepreneurial Process by Nordqvist et al. (2013)

One of the first models of the succession process, which integrates various factors and levels, is suggested by Le Breton-Miller et al. (2004). Each step of the model is shown in Figure 1. It should be noted that this model also accommodates the different levels of examination and explicitly integrates them into the succession process. Thus, the succession process is also influenced by the market environment and the social and legal environment. In addition, organizational factors such as

the particular structure, culture, or the complexity and size of the company are considered. At the interpersonal level, the relationship between transferor and transferee as well as between them and other stakeholders is mentioned. Finally, there are also factors at the individual level, such as a person's individual motives and competencies.

In general, the succession process is subdivided into the following four strategic steps:

As a first step, it is necessary to develop a business plan, which contains the basic rules and conditions. These can include shared values, a shared corporate vision between transferor and successor, the future needs of the company and the future needs of the entrepreneur as well as guidelines and an initial time schedule.

To systematically train the successor and to prepare him for his future tasks, related requirements should be determined in the second step. During this step, gaps with respect to skills and knowledge of the successor can be identified to fill these gaps with an individual development plan. In this way it is possible to continuously check the development of the potential successor. In case of insufficient development or changed circumstances, the continuous evaluation also allows for adjustment of the development plan. Le Breton-Miller and colleagues (2004) emphasize the importance of the learning process throughout all phases and that this learning should be actively managed by performance reviews and feedback.

Ultimately, the most appropriate candidate must be selected if more than one potential successor has been considered in order to completely transfer leadership as well as ownership. This implies that the senior leaves the company during a specified time, while the successor takes over the specific position. This is often also associated with the final transfer of ownership in the company.

Based on each individual process step it is recognizable which challenges are associated with the succession process and the additional steps that must follow during the strategic succession planning and implementation. In relation to this it can clearly be seen why experts advise companies to start early with the issue of succession. Otherwise missing or short-notice decisions may lead to long-term negative consequences, or in the worst case, a serious threat for the entrepreneur's life work.

A summary of current research shows that business succession should be seen as part of the entrepreneurial process. Furthermore, since business succession does not constitute a single moment, it should rather be understood as a strategic process which could be actively designed in coordination with different factors and levels throughout the organization and its environment.

Factors influencing the decision to exit from the business

With regard to business practice, it has been repeatedly emphasized that one of the biggest hurdles on the path to a successful business succession is to ensure the timely sensitization of the incumbent. The greatest challenge for the presented process model (Le Breton-Miller et al. 2004) and the potential of the succession process from a strategic perspective lies in the introduction of the first process step for increasing momentum during the development of the company. It is obvious that the entire process can be loaded or prevented by a lack of a fundamental discussion of this issue and the

lack of creating grounded rules. We show below what factors may have an influence on this first step and the basic discussion of the topic.

For quite some time, scientists have been concentrating on factors influencing whether the incumbent deals with his/her own succession or not. In cases of the entrepreneurial process, we differentiate between different levels of examination relating to factors influencing the decision to exit from business: the corporate environment, the organizational environment and the relationship between incumbent and successor at the interpersonal level as well as on the individual level. Handler and Kram (1988) for example, distinguish between limiting and supporting factors with respect to the entrepreneur ("*individual*"), the interpersonal relationships between the entrepreneurial family and the company ("*group*"), the business organization ("*organization*") and the environment ("*environment*").

In the following section we provide an overview of the current state of research with respect to the different levels described above. On the one hand, we found correlations between the succession decision and characteristics of the corporate environment. Thus, a stable environment with high industrial requirements and high degree of specialization seems to be obstructive (Handler and Kram 1988). On the other hand, Handler and Kram (1988) mention cultural and structural factors that affect the decision towards company succession as factors at the organizational level. Thus, it is beneficial if the corporate culture is open and friendly towards change and supports an open, trustworthy communication (Morris et al., 1997). Likewise, there is a positive relationship between the succession decision and organizational structures that support a functional delegation. In contrast, a structure in which decisions are made unilaterally by the entrepreneur tends to be negative (Handler and Kram 1988). This has also been confirmed by empirical studies about the exit of founders from their high-tech companies. Thus, as the probability of a business exit decreases, the more organisational power the entrepreneur has. It could be shown that entrepreneurs with high formal power or formal influence over the company - in the sense of high equity or an influential position in the company - are significantly less prone to exit from the business compared to entrepreneurs with less influence. The same could be shown for informal power relations. Founders also exit less frequently when they have a position in research and development, and therefore exert greater influence on future viability and strategic resources of the company. In addition, stable corporate circumstances seem to hinder the decision to exit. However, succession is partially viewed as a way to escape from impending corporate crises. From studies on entrepreneurial exits in the high tech industry, we also know that a growing number of employees increases the likelihood of an exit. In this case, corporate complexity and thus requirements for entrepreneurial management tasks increase (Boeker and Karichalil 2002). However, the age of the firm seems to have no influence on the succession decision (Boeker and Karichalil 2002; DeTienne and Cardon 2012).

At the interpersonal level between the entrepreneurial family and the company there is a particularly positive effect when open communication is maintained, employees are met with confidence as well as staff are notified that training and development are being supported (Handler and Kram 1988).

In addition, all of these factors play not only a key role at various interpersonal levels, but also influence the individual level, i.e. at the level of the entrepreneur himself. Following Handler und Kram (1988), there are supporting effects on the decision to exit from business when entrepreneurs have the ability to distance themselves from the company and are able to delegate tasks. A similar

promoting effect provides new career opportunities as well as other interests outside the company. In contrast, fear of dying, concerns about aging and excessive identification with the company inhibit these processes. There are further indications that a relationship between the intention to exit from business and individual power motives of the entrepreneur exists. That means entrepreneurs who are motivated by "social power" tend to plan their succession more than entrepreneurs, who are interested in their own authority and control over other people ("personal power"). Social power in this context refers to the exercise of power for the welfare of others (Peay and Dyer 1989). Furthermore, literature about individual aspects of human capital of the entrepreneur and their influence on the exit decision is also examined.

As a result, there are currently conflicting results regarding the influence of industry experience of the entrepreneur on his/her exit decision. According to Boeker and Karichalil (2002), there is no shown influence in examined high-tech companies, but the results of DeTienne and Cardon (2012) reveal a more differentiated picture. In their study of more than 1,300 American companies, they were able to find indications of an influence of the industry experience on the founder regarding the decision to exit from the company. Additionally, correlations with the company's size become apparent. Thus, the influence of the experience of the entrepreneur seems to be greater when it is a smaller and owner operated company. A possible explanation of this phenomenon might be the fact that more resources are acquired over the course of corporate growth so that the initial influence of its founder and his/her human capital becomes increasingly unimportant for the company's results (DeTienne and Cardon 2012).

The previous results concerning restricting and promoting factors are summarized in the table below. Additionally, a distinction is made between intrinsic and extrinsic factors.

Table 1: Factors Influencing the Decision of Company Succession

Supportive Factors	Limiting Factors	
<ul style="list-style-type: none"> ■ Excessive demands on the management task ■ Ability to mentally distance themselves from the company and delegating tasks ■ New career opportunities ■ Discovery of new hobbies ■ Entrepreneurial experience ■ Aim: ensuring social power 	<ul style="list-style-type: none"> ■ Fear of dying and of the own transition ■ High identification with the company ■ Objective: ensuring personal power 	Intrinsically

<ul style="list-style-type: none"> ■ Open and change-friendly corporate culture ■ Open and honest communication ■ Organizational structure that supports functional delegation 	<ul style="list-style-type: none"> ■ High industrial requirements, high degree of specialization ■ Large influence of entrepreneur within the company ■ Secure and stable company-specific conditions 	Extrinsically
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As the analysis of recent academic study reveals, there are limited scientific findings on the previously described problem that business owners often are not sufficiently aware of the topic of business succession and therefore deal with his/her own succession at a very late point in time.¹

Interesting aspects for a deeper understanding of the early stages of the succession process and especially the "pre-succession process" can be found in entrepreneurial research. In this context, a number of scientific papers dealt intensively with the "pre-start-up-phase" and include various contextual factors in the consideration of which exist (Geissler 2013; Geissler et al 2010).

Thus it could be shown which basic psychological determinants influence the intention of founding a business; in particular, the perception of entrepreneurial opportunities, the attitude towards entrepreneurship and perceived behavioral control illustrate significant influence (Geissler 2013). From the perspective of the individual, promising links to transfer these results to the pre-succession-process can be found in Marshall and colleagues (2006). They discuss which factors influence the "succession importance" as a psychological construct. This concept seems to be promising since it could be empirically shown that with a high significance the probability for the creation of formal succession plans increases (Marshall et al. 2006). The empirical results show that the importance of succession for the incumbent can be enhanced by cooperative conflict resolution. Surprisingly, it also proves that both an autocratic and a relationship-oriented leadership style can have a positive impact on the importance of succession. With respect to actually undertaken succession-planning, a negative impact of a competitive-based conflict resolution in the company could be uncovered. Finally, the relationship of these variables to the age of the entrepreneur was investigated. The analysis showed that older entrepreneurs tend to implement cooperative conflict resolution significantly less than a rather competition-oriented encounter, which in turn can negatively affect a satisfactory solution. In addition, with the increasing age of the entrepreneur, the likelihood of a formal succession plan increased. However, there are no indications of the quality of the desired solution.

Furthermore, based on research from other scientific disciplines, DeTienne (2010) brings the role of psychological ownership into the scientific debate. For more than a century, researchers from various disciplines have been discussing the role of possessions and associated feelings (cf. Pierce and Jussila 2011, p 2). Ownership is usually understood as a multidimensional construct that includes

¹An overview provides the meta-study by Nordqvist and colleagues (2013). In the analysis of 125 articles in the past 35 years, they assign 27 of them to the "pre-succession"-phase.

both an objective and a subjective component. Ownership therefore arises as formal (objective) and psychological experienced phenomenon (see Pierce et al., 1991, p 124).

The most widely used understanding of psychological ownership is the one of Pierce, Kostova and Dirks (2001, p 299), who define it as a “*state in which individuals feel as though a target of ownership (material or immaterial in nature) or a piece of it is, theirs*”. It is therefore assumed that individuals feel psychologically connected with the object in this state and that the object, even if outside the physical self of the individual, becomes part of the extended self (cf. Belk 1988).

In the context of business succession, the transfer of ownership is an essential aspect. Independent of which type of business succession is desired, the incumbent faces special challenges due to the loss of ownership and associated consequences and negative feelings. To illustrate this, some authors compare the creation of a new company with the birth of a child which is associated with strong emotions and a deep identity connection (cf. Cardon et al. 2005, pp. 23 f.). Often entrepreneurs themselves describe their own company as their “baby”, which indicates how much they identify with it and personally feel connected (cf. *ibid.*). Therefore, it can be assumed that the loss of this ownership is neither psychologically easy nor a negligible process.

Therefore, it is surprising that the current scientific discussion on business succession, in most cases, only focuses on tangible ownership, i.e. ownership based on equity capital or shares (DeTienne 2010, p 208). In this context, the equity ratio also expresses the balance of power and influence within the company. Nevertheless, legal ownership within the succession process it is not the only aspect to consider. In contrast, according to the meaning of Pierce et al. (1991), ownership should be understood as a kind of attitude or state in the thoughts of individuals. Looking at the corporate ownership from a psychological perspective, we can speak of psychological ownership (Pierce et al 2001; Pierce et al 1991). In the case of high psychological ownership towards the company, the potential transferor feels a strong psychological attachment to the company and sees it as part of his/her extended self.

From previous research, it is known that there are three causal factors for the emergence of psychological ownership (cf. Pierce et al. 2001, pp. 301 f.):

1. Controlling the target
2. Coming to intimately know the target
3. Investing the self into the target

In context of business succession, this means that the potential transferor usually has high psychological ownership towards his company through his role as company founder as he usually has comprehensive power of decision and of supervision due to his property rights. Moreover, especially in the start-up phase but of course also during the entire entrepreneurial process, the founder has invested a lot of time, energy, labor and attention in the company so that almost no other person can have more knowledge about the company. Exceptions can be derived for strongly growth-oriented entrepreneurs. They may need additional financial resources, for instance those provided by venture capitalists. By doing so, their control, e.g. over the target, is restricted (see DeTienne 2010).

Previous research in other disciplines, e.g. in organizational research, focuses mainly on positive attitudinal and behavioral effects of organizational members. High psychological ownership of

employees can relate to increased job satisfaction or higher organizational commitment (see e.g., Pierce and Jussila 2011, pp. 205 ff; Martins 2010). In contrast, negative consequences of strong ownership feelings such as knowledge hiding, resistance to change or territorial behavior, with few exceptions, were neglected from research (Peng 2013; Dirks et al. 1996; Pierce and Jussila 2011; Brown et al. 2005). In particular, the debate about potential negative consequences of psychological ownership in the context of succession appears to be promising. Thus, the concept of psychological ownership and its influencing factors and effects could provide a contribution to the question of why some entrepreneurs cope better with the changes associated with the transfer process and better distance themselves from their own companies and others cannot. All in all it becomes obvious that an exploration of psychological ownership and its development during the entrepreneurial process can provide a significant contribution to the understanding of the psychological background of business succession. Through this approach, it appears to be possible to expose important relationships between the company's development and succession decision and to discover important behaviors within the succession process.

In recent scientific literature, a variety of factors can generally be found at different levels of examination that promote or inhibit entrepreneurs dealing with the issue of business succession. However, recent meta-studies emphasize the importance of further research at the level of the individual and its connections to other corporate members, the organization and the environment. In spite of great economic importance, in particular the process before, the actual transition ("pre-succession") has so far received little attention at the individual level. Thus, the academic discussion could help to remove obstacles of the business succession management. Nevertheless, relatively little is known thus far about how the entrepreneur becomes aware of the succession-problem, which needs and goals are relevant and how this affects the further succession process. Further research is required to understand determinants of the pre-succession process at the individual level. Initial studies about the psychological concept of "individual importance of business succession" show that these approaches may be fruitful. In this context, further psychological concepts have been noticed that might provide significant explanatory power for the pre-succession process. One of these concepts is psychological ownership, a construct which is known from other research areas. Additional research on the relationship of psychological ownership of the own company and the individual importance of business succession also appears to be promising.

Types of Business Succession

As mentioned above, when it comes to a business succession in owner-operated medium-sized enterprises, it is necessary that decisions be made on both the transfer of ownership and its management. There are various ways in which the entrepreneur can arrange the succession and its related exit (see Fueglistaller et al. 2008, p. 174; Pott and Pott 2012, pp. 315ff.). These exit opportunities differ in their complexity and related strategic demands as well as the possibility for the entrepreneur to commit himself even after the succession. In addition, the alternatives for the transferor vary in both potential risk and potential revenue (DeTienne and Cardon 2012, p. 355).

In international literature, transfer within the family, the sale of the company to third parties, management of company employees, the sale to another company, initial public offering and liquidation are often considered (e.g. Detienne and Cardon 2012). German literature partly complements these options by the establishment of a foundation (see Fueglistaller et al., 2008).

Individual exit types will be characterized below.

Family-internal business succession

In terms of a family-internal business succession, two variants can be determined. When it comes to *pure corporate asset succession*, corporate management and corporate assets will be separated. Consequently, the company remains family property and only the management is transferred to one or more external persons. This approach seems to be suitable, if for example no successor is available in the family, or if the successor has yet to be prepared for succession (Fueglistaller et al. 2008, pp. 171f.). In the second case, *corporate asset and business succession*, both corporate assets and management remain within the family. A requirement is the intention of an offspring succession and willingness to take entrepreneurial risks and management responsibility as well as the investment of a part of the assets (Fueglistaller et al. 2008, p. 171).

Company Sale

If there is no suitable successor available or a lack of willingness for a business succession and the company has difficulties, a company sale may be considered. In this case there are many different options available. A prerequisite for family external regulations is to prepare the company for the sale in terms of legal, organizational and financial aspects. With regard to the company sale and acquisition of substantial shares, or rather majority shares, the following target groups come into consideration (cf. Fueglistaller et al 2008, pp. 172f.):

1. External executives (“*Management-Buy-In*”, *MBI*)
2. Internal executives / employees (“*Management-Buy-Out*”, *MBO*, “*Employee-Buy-Out*”, *EBO*)
3. Competitors, partners, companies within the industry or financial investors

All types of corporate sales have both advantages and disadvantages. When selling to *external executives*, the so-called management buy-in, or *MBI* for short, mostly experienced managers come into the company. Besides technical advantages, the external managers’ knowledge, entrepreneurial ideas and visions brought into the company are also advantageous. Moreover, the company retains its previous form. For the entrepreneur, a successor’s limited resources can have a detrimental effect. The transferor is not likely to get the maximum purchase price in this case. Similarly, conflicts with transferred employees or with the transferor can occur as a result of organizational changes, changes in work procedures or a new corporate vision.

In return, *succession by internal executives (MBO)* or *employees (EBO)* has significant advantages. For example, there is a reduced risk that existing customers are made uncertain by the successor. Furthermore, the motivation of managers can be raised as they can now directly contribute to the company's success due to their company share. Further advantages can be seen in the familiarity of the management with the company and the low risk of loss of information and know-how. Moreover, transferor and transferee have a strong trusting relationship due to the long-standing cooperation which usually also makes contract negotiations easier. With the *MBI* as well as the *MBO*, limited resources of the successor may adversely affect purchase price maximization. Also in this case, conflicts with the transferred employees can occur, for example, if several employees come into

consideration for the succession.

Finally, the *sale to a financial investor or another company* also offers both advantages and disadvantages. One advantage is the often higher financial resources of one or more companies, resulting in purchase price maximization (see DeTienne and Cardon 2012). It should be considered, that for financially driven investors, return expectations are decisive which can lead to the reduction of costs in the company, the break-up of the company or changes in the business area (Fueglistaller et al. 2012, pp. 395f.). It is also conceivable that the acquiring party is only interested in the intellectual property (rights, such as patents, trademarks, etc.), specific know-how of the company (e.g. employees of the research department), sales organization, individual key products or investments (tangible assets, property or production facilities) instead of a continuation of the business as a whole. At this point, the non-focused areas including their added value and jobs may be at risk.

Initial Public Offering

In many cases, an initial public offering is not used as an exit strategy by the entrepreneur, rather capital generation for future business growth (Pott/Pott 2012, p. 361). It places high demands on the size and management of the company and is therefore only considered by a limited number of companies (Fueglistaller et al. 2012, pp. 395f.). Also high costs are associated with this type of succession and a so-called lock-up period also exists. In these 6 to 18 months, the contractor is prohibited to sell his company shares (Pott/Pott 2012, pp. 361f.). A quick income through the sale of the shares is therefore not possible. For this type of succession, intensive preparation is required over a long period of time.

Foundation Solution

When it comes to a business succession in the form of a foundation, the company becomes independent of total assets that ensure a permanent continuation. It serves the alignment of the company towards charitable purposes (culture, research, science, society and environment) or for the purpose of a limited group of people (family or staff). Advantages are that the company and the company's purpose for the future are secured through this solution, as well as the reduced tax burden and the related minimization of the outflow of liquid assets. However, this solution also has disadvantages. The family has no influence in this case. Moreover, the foundation is entrepreneurially restricted when looking at the purpose of the foundation and legal framework which may prevent the use of future entrepreneurial opportunities (Fueglistaller et al. 2008, pp. 174ff.).

Liquidation

The liquidation of a company is necessary if there is neither a successor in the family nor in the company, if no purchaser can be found on the market, if no suitable external manager may be appointed on a temporary basis or if the company can not be continued by the present shareholder / general manager. This is associated with the closing down of the business (termination of all contracts, including all employees) and the sale of assets. This type of succession therefore focuses on the exit of the entrepreneur and not the continuation of the business. Compared to the other exit types, the least revenue is usually generated during liquidation. In addition, liquidation also produces

costs that diminish proceeds. A company's assets minus total costs are bound to a blocking period of one year (Pott/Pott 2012, p. 369).

Table 2: Differences of Types of Business Succession Following DeTienne und Cardon (2012)

	IPO	Company sale	MBI	Family-internal succession	MBO / EBO	Foundation	Liquidation
Risk	High	High	Low	Low	Low	Low	Low
Revenue chance	High	High	Low	Low	Low	Low	Low
Complexity	High	High	Low	Low	Low	Low	Low
Opportunity to commit oneself in the company after the succession process	Possible, holding period	Possible to a limited degree	Possible, decreasing over time	Possible	Possible, decreasing over time	Possible, e.g. as a board member	Not possible, holding period

In summary, Table 2 presents the different possibilities available to an entrepreneur for leaving a company. This shows once again that there are significant differences in risk, revenue chances and complexity according to the succession solution. At this point, it should also be pointed out again that the revenue chances depend on the respective preparation of the business exit. In addition, the table shows that there are different possibilities available for a continued employment and that both the initial public offering and the liquidation are associated with a certain holding period of the assets which legally restricts the temporal flexibility of these solutions.

Factors that have an impact on the arrangement of the succession process and types of entrepreneurial exits

As already mentioned in previous chapters, there are different factors and objectives when it comes to an entrepreneurial exit. Furthermore there are different ways for an entrepreneur to leave the company. Both, the individual objective and possible types of exits should be considered early in the planning process of the business succession. Thus, there will be some types of entrepreneurial exits that will better comply with wishes and needs of the transferor than others. Against this background it is also necessary to critically analyze the criteria that determine the success of the successor arrangement.

Economically the sales price and further positive development of the company should be taken into consideration. This economic success can be evaluated by looking at the increase in turnover, profit

growth, increasing number of employees, fixed assets or the development of new markets or products (Wright et al. 1992; Cabrera-Suárez 2005, Morris et al. 1997). However, approaches that only aim at financial success or failure when looking at the decision whether to leave or remain in a company are not sufficient. From the perspective of an individual, more aspects need to be considered when trying to answer the question about whether to exit a company or not (DeTienne and Cardon 2012, S. 353). For instance the exit performance might differ according to other factors beyond just the sales price.

Against the background of a succession process and sustainable management, there are more possible (success) criteria that have an impact on decisions regarding an entrepreneurial exit and its various types.

Both, at the individual and interpersonal level (e.g. the relation between transferor, transferor's family and successor), the mere satisfaction with the succession process can play an important part when evaluating its success (Cabrera-Suárez 2005, Cabrera-Suárez und Martín-Santana 2012, Handler 1994). With regard to the transferor as an individual with certain needs and motives, it can be assumed that aspects like duration or quality of the entrepreneurial exit will be included in the exit decision. In this case it can be important for the transferor that his company will be run according to his wishes (continuity) or to ensure a continued employment of his employees (DeTienne 2010, S. 205).

Both aspects, if transferor and transferee will be still working together after the company sale or if they share knowledge for the purpose of the company, can be regarded as a further success criterion. Again, satisfaction with the succession process, mutual trust and the conviction about a fair sales process and outcome play a vital part (Howorth et al. 2004). For that purpose information asymmetries between the transferor and successor must be reduced. Attitudes and behavior that support the simultaneous sharing of information become relevant to success.

It can therefore be assumed that the decision regarding company succession and its arrangement is not only seen from an economic point of view and the sale of company shares. The succession process and its result are also characterized by significant psychological criteria regarding the transferor and transferee.

Therefore there is evidence that factors at the individual level not only affect the examination of the topic of business succession, but also significantly influences the type of exit and its perceived success. For example, DeTienne and Cardon (2012) show that the entrepreneurial experience, the age of the entrepreneur as well as his training and industrial experience have a different influence on the preference over various exit options. Therefore entrepreneurs with greater entrepreneurial experience will select types of exits that promise a higher selling price (initial public offering, corporate sales). Wennberg and colleagues (2010) come to similar conclusions in their empirical study by analyzing realized succession types of 1,735 Swedish companies. They confirm that more experienced entrepreneurs seek to sell a successful company.

Regarding the aspect of success, Haveman and Khaire (2004, p 440) draw the conclusion that business successions have a tendency to fail if entrepreneurs use their company as a personal expression and philosophy of life. When studying the life cycle of magazine publishers, they found that the ideological influence of the founder is very dominant. Founders that communicated their

own philosophy of life by means of the company or included it as a strong influence were more likely to fail with the publishing company and were not able to transfer it to the next generation. The authors revealed the same results when analyzing founders who had held various positions in the company or who were substantial decision-makers. They were responsible for core processes in the company which also placed high demands on the successor. In contrast, more publishing companies were able to manage the corporate succession if founders were only involved in the procedural organization and staff responsibility.

In addition, the current literature shows that confidence of the transferor in his successor and the assignment of responsible and challenging tasks as well as sufficient willingness for autonomy is important. In this context, an open supportive atmosphere, confidence and active mentoring can support a successful transfer (Cabrera-Suárez 2005, Nordqvist et al., 2013). Therefore it is also necessary that the transferor tries to understand the motives of the successor (Nordqvist et al., 2013).

Finally Scholes et al. (2007) point out that when aiming predominantly at financial goals regarding a business succession, the exchange of information and the transfer process seem to work more smoothly. Hence the potential for conflicts increases if non-monetary aspects such as the pattern of family life or rather philosophy of life or intrinsic goals with the company are the center of attention.

Based on the previous factors involved and the discussion of the success of a business succession it becomes clear that personal factors also need to be considered when deciding on the type of company succession. Therefore, it is recommended to supplement the previous chapter about the systematization of succession types.

Table 3: Systematization of Different Types of Handing over a Company by the Possible Fulfillment of Individual Goals

Liquidation	Foundation	MBO / EBO	Family-internal succession	MBI	Company sale	Initial public offering	
Low	Low	Low	Low	Low	High	High	Risk
Low	Low	Low	Low	Low	High	High	Revenue Chance
Low	Low	Low	Low	Low	High	High	Complexity
Not possible, holding period	Possible, e.g. as a board member	Possible, decreasing over time	Possible	Possible, decreasing over time	Possible to a limited extent	Possible, holding period	Possibilities to commit oneself in the company after the succession process
Not possible	High	Low	Hoch	Low	Low	Low	Possible influence after the succession

No	High	High	High	Low	Low	Low	Continuity of future corporate management
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As clearly apparent in Table 3, especially profitable exit types are related to less influence and less continuity on the company's future development. This can lead to conflicts, especially among entrepreneurs with high psychological ownership as they consider the company being a part of their extended self and individual expression. It is probable that especially these kinds of entrepreneurs have high demands with regard to the future continuation of their company based on similar values. Therefore, these entrepreneurs are more likely to choose exit opportunities which assure a high degree of continuity and a certain degree of influence after the succession.

However, with advancing age as well as the postponement of succession decisions and relevant preparations, the options of an entrepreneurial exit decrease and complex types of exits with high revenue are less likely due to the intensity of the preparations. There still remains the possibility of a succession by establishing a foundation, but the foundation option also requires a financial value in order to perform the foundation work. Entrepreneurs who do not have a potential successor in the family or within the company are more likely to be forced to liquidate the company. This assumption is also supported by empirical findings. Hence with advancing age, entrepreneurs favor the liquidation of their company to succession within the family, (DeTienne and Cardon 2012).

In relation to these obstacles during the succession process, evidence for possible solutions can also be found in the literature. Thus, it is known that with regard to family owned businesses and family-internal succession, an early entry of the successor leads to the generation of values similar to the ones of the transferor as well as similarities in the management of the company (Garcia-Alvarez et al. 2002).² Therefore entrepreneurs have to face the challenge of dealing with business succession at an early stage. On the one hand it enables entrepreneurs to identify potential successors with similar values. On the other hand, there is the opportunity to support appropriate learning processes through a values-based corporate culture. These entrepreneurs are mainly faced with the challenge of strategic development of the workforce and the corporate culture.

Contrary to this, entrepreneurs that favor financial objectives at first glance with regard to a business succession have to face long-term challenges of promoting growth and development potential of the organization as well as a professional management (see DeTienne and Cardon 2012).

The discussion in this chapter shows that individual factors may influence the arrangement of a business succession at an early stage. Especially the strong emotional bond to the company can inhibit the choice of certain exit types. Furthermore it has been shown that entrepreneurs who want to make sure that their life's work will be continued in accordance with their desires, have to deal with the topic of succession at an early point in time in order to strategically plan human resources and

² In this context, the authors emphasize that a continuation under similar results, especially in a stable business environment, shows positive effects on the company's success. If the environment is subject to a dynamic and to changes, it can have a negative impact on future success. New processes and strategies may therefore prove to be profitable (Garcia-Alvarez et al. 2002).

corporate culture development. Entrepreneurs who primarily want to generate high sales revenues should also face planning the succession at an early stage in order to strengthen the development and growth potential of their organization and professionalize the company's management.

Implications and Outlook

The aim of this paper was to give an overview on the status quo of the scientific discussion regarding the topic "age-related business succession" and represent opportunities for future research. It was shown that the succession process should be considered as a natural part of the entrepreneurial process. This perspective, supported, for example by DeTienne and Cardon (2012) and Nordqvist et al. (2013), can enrich the scientific discussion and help reduce current barriers and obstacles in the succession process.

The integration of the succession process in a larger entrepreneurial process offers the opportunity to build a bridge for the results of start-up research. The proposed framework gives the possibility to transfer findings from the start-up research in the succession context and use it as a promising starting point for future scientific discussions on the topic. The results of the pre-succession process and their transfer in order to sensitize companies for the subject of business succession are of special interest (Geissler 2013). Starting points can already have been found in today's succession literature. For example, former motives as to why the company was originally founded and led might be decisive for the succession process. Initial considerations show that the process of the entrepreneurial exit can vary according to whether a business start-up was the result of financial motives or intrinsic motives (cf. DeTienne and Cardon 2012, Haveman / Khaire 2004).

However, the use of a holistic perspective also has implications for the preparation of future entrepreneurs. If potential entrepreneurs are trained and advised from this point of view, there remains the possibility that the subsequent generation of entrepreneurs will strategically plan their own entrepreneurial exit at an early point. This generation would therefore be enabled to both reap the fruits of one's success and make a major contribution to the future success of the company.

In addition, various factors involved in the succession process have already been discussed at different levels (environmental, organizational, interpersonal and individual levels). The literature analysis has shown that the individual factors that influence the course and outcome of the succession process play an essential role. In this relation, it could be shown that only very few scientific papers deal with the psychological contexts of the "pre-succession process" (Bruce and Picard 2006 DeTienne and Cardon 2012). At this stage of the process it is possible to understand the connections and influencing factors that inhibit and promote the decision to deal with the subject of business succession. Against the background of the current economic challenges, this topic represents an important area of future research and suggests extending the established succession process by Le Breton-Miller et al. (2004) through the level of sensitization.

Initial research results in this undeveloped field show that dealing with this part of the succession process also reveals fascinating connections between the entrepreneur as an individual, and other levels of consideration such as the interaction between transferor and transferee or the organization.

Furthermore, our understanding can be extended on how certain decisions are both unconsciously influenced and at an early time regarding the type of succession, and thus the success of the final succession solutions. Future work will have the opportunity to shed more light on these relationships (see also DeTienne and Cardon 2012). In particular, the examination of the poorly researched topic of psychological ownership in the succession context, which binds the entrepreneur to his company and can have a significant influence on the design of the succession process, appears promising in this context.

Thus research in other fields of science show that psychological ownership is related to attitudes and behaviors that affect the sharing of information (Peng 2013). In the context of this paper it was shown that the reduction of information asymmetries is a factor that can promote a sustainable and satisfying succession solution for all stakeholders.

In terms of psychological ownership in the succession context, investigations need to be done as to whether specific features for entrepreneurs occur. So far, the concept was used for employees without de facto assets of a company or means of production. It also remains uncertain for which objects the entrepreneur develops strong feeling of ownership and its importance of having these feelings for the founder. If even 'ordinary' possessions are perceived as part of the (extended) self, it is natural to assume that this also applies to the life's work of the company founder. However, the question remains as to what the entrepreneur thinks about what is important of certain objects and its future. In this case, it might be important for an entrepreneur that the company continues as he would have wished or that its employees will retain their jobs (DeTienne 2010, p. 205).

If possessions are perceived as part of the (extended) self, their loss will lead to a reduction of the self (cf. Belk 1988, p. 142). This is painful for the former founder and negative emotions as well as negative consequences in terms of problematic behaviors go hand in hand. The aim of future research should therefore focus on negative aspects of psychological ownership in the succession context and on the derivation of instructions to avoid them. An approach to implications on a business transfer could be to keep up the psychological ownership when transferring de facto assets of the company. This can be made possible if there is still access to intimate knowledge of the organization and further investment in the company (e.g. time, ideas), but handing over de facto control and decision-making powers at the same time. An entrepreneurial element, with which this can be realized, is the establishment of a corporate advisory board. Thus, the senior entrepreneur may continue to contribute after the succession (Woywode et al. 2011, p. 630).

Also at this point interesting approaches can be found in the start-up research. For example Hoang and Gimeno (2010) introduced the concept of "role identity" in the context of business creation. The focus of the work is the individually perceived role in working life and the fact that their role should also change in the context of the start-up. The aim of their work is to investigate which factors influence individual role perceptions. They provide theoretical connections between the individual novelty of the role as a founder and potential role conflicts with the likelihood of a successful role transfer. In addition, they found evidence of the role complexity and importance of the role for self-identity having moderate connections. Also this approach appears promising in the context of business succession and change in the individual entrepreneurial role.

In addition, the current works show that a vast majority of previous studies is concentrated on

succession within the family (Nordqvist et al., 2013, p 1107). An extension of our understanding to other forms of succession and the succession outside the family appears to be of high practical relevance with particular regard to the current challenges and developments in the economy and succession intention of entrepreneur children (Bergmann et al., 2012).

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