

DOI: 10.2478/orga-2018-0012

The Challenges of SME Business Transfers: The Evidence from Croatia and Finland

Mirela ALPEZA¹, Juha TALL², Petra MEZULIĆ JURIC¹

¹ Josip Juraj Strossmayer University of Osijek / Faculty of Economics in Osijek,
Trg Ljudevita Gaja 7, 31000 Osijek, Croatia
malpeza@efos.hr, pmezulic@efos.hr

² Agency for Rural Affairs/Department of Rural Development, P.O. Box 405; 60101, Seinäjoki, Finland
juha.tall@mavi.fi

Background and Purpose: In the life cycle of a firm, business transfer represents the critical stage of development. Underestimating the complexity and longevity of this process can have negative implications for firms, their owners and wide network of stakeholders. The aim of this paper is to compare the attitude towards business transfer of entrepreneurs aged 55 and more in Croatia and Finland and provide policy recommendations for improvement of the national business transfer ecosystems.

Methodology/Approach: Both surveys targeted entrepreneurs aged 55 and more using the same questionnaire, with some adjustments to Croatian business transfer ecosystem. Finish barometer was conducted through web-based survey among members of Federation of Finnish Enterprises. Survey in Croatia was conducted with combination of CATI and CAWI collection method by a professional data collection agency. Data collected was compared based on a demographic criterion, industry background, experience in business transfer, expected future of the company, support needed and biggest challenges.

Results: The research results indicated a growing number of entrepreneurs in Croatia who will be interested in selling their firm once they withdraw from the business and less than expected family business successions. In Finland the most important challenges are related to business valuation and finding a successor or a buyer.

Conclusion: For further development of business transfer ecosystem in Croatia it is recommended to focus on awareness raising activities, channels for matching sellers and buyers, promotion of takeover entrepreneurship and consultancy support for micro enterprises. In Finland results indicate the importance of investing continuous efforts in raising the effectiveness of the measures implemented.

Keywords: *SMEs; business transfer; business transfer ecosystem*

1 Introduction

Small and medium enterprises have significant importance in the global economy, and they are considered the backbone of the European economy. In 2015, almost 23 million SMEs generated €3.9 trillion in value added and employed 90 million people (Muller et al., 2016), which indicates the importance of ensuring their sustainability.

In the life cycle of a firm, in addition to start-up and

growth, business transfer represents the third critical stage of development. Underestimating the complexity and longevity of the business transfer process can have significant negative implications for firms, their owners, as well as for a wide network of stakeholders – employees, firm owner's family members, suppliers, buyers, banks, local business dynamics and the national economy in general.

It is estimated that each year in the European Union around 450,000 firms with around 2 million employees go

through the business transfer process. The issue of business transfer is not adequately approached in approximately 150,000 firms, which jeopardizes around 600,000 jobs (European Commission, 2011). It is of crucial importance for national economies to ensure the sustainability of such companies and avoid the losses that may arise because of forced closure due to inability to find new owners (Singer et al., 2015).

Since 1994, the European Commission has been providing recommendations on the business transfer of small and medium-sized enterprises, where it invites the member states to take the necessary steps to facilitate the transfers of small and medium-sized enterprises and to ensure their survival and safeguard the jobs which depend upon them. In 2013, the European Commission issued a report which outlined the importance of small and medium-sized enterprises transfers for national economies and the massive numbers of business transfers that are to be expected in future years. European Commission expands this topic outside the framework of family entrepreneurship and indicates a tendency of increase in the number of business transfers to persons outside the family circle (Grant Thornton, 2005; CSES, 2013).

Previous studies have identified the key components of business transfer ecosystem which are contributing to preparation and implementation of business transfer process (van Teeffelen, 2012) and significant differences in national business transfer ecosystems in European countries (Singer et al, 2015). The aim of this paper is to compare the attitude towards business transfer processes of entrepreneurs aged 55 and more in Croatia and Finland and provide policy recommendations for further improvement of the national business transfer support systems, especially in Croatia which is lacking behind the best European practice in supporting SME business transfer processes. In this paper, both family and non-family transfers are encompassed within the business transfer concept and are considered as equally relevant entrepreneurial exit strategies.

2 Business transfer as a research topic

Business transfer as a research topic was introduced through the issue of business succession planning in 1980s, primarily by researchers focused on family entrepreneurship. Family business researchers addressed the issue of succession planning as one of the most important reasons why many first-generation family firms do not survive their founders (e.g. Lansberg, 1988). In the 1990s, researchers continued to focus on the issue of succession and survival through the creation of model of succession determinants (Morris et al., 1997), and in the 2000s through the creation of integrative model of the succession process (Le Breton-Miller et al., 2004).

In 2010, Van Teeffelen defined business transfer 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. The definition encompasses different kinds of business transfers – to family and non-family members.

In recent years, business transfer as a research topic is increasingly arising the interest of entrepreneurship researchers. It has been effectively embedded into wider management literature and it encompasses topics such as leadership planning, change management, human resources and other areas involving business change (Ip and Jacobs, 2006). Business transfers provide an opportunity to trade otherwise non-marketable resources and to buy or sell resources in bundles (Wernerfelt, 1984). Research results indicate that transferred businesses outperform start-ups with respect to survival, turnover, profit, innovativeness and employment (Van Teeffelen 2012). The survival rate of start-ups after five years generally ranges between 35-50%, depending on the economic climate, while the survival rate of transferred firms is 90-96% (Geerts et al., 2004; KfW 2009). Business transfers also support business growth (Penrose 1959; Barkema and Schijven 2008; Uhlaner and West 2008).

Business transfers have also been studied outside Europe. For example, Battisti and Okamuro (2010) in New Zealand studied the determinants of entrepreneurial intention on exit modes: selling, passing on or closing. Among the entrepreneurs who prefer exit within five years, 71% intend to sell their firms to a third party, 20% intend to have succession (with family members or core employees) and 7% plan to close the firm.

The issue of business transfer is primarily associated with aging entrepreneurs and the question of sustainability of the firm once the owner is retired. Successful business transfer processes ensure employment preservation.

3 Business transfer ecosystem

3.1 The building blocks of business transfer ecosystem

“Entrepreneurial ecosystem” refers to the interaction that takes place between a range of institutional and individual stakeholders so as to foster entrepreneurship, innovation and small business growth (Mazzarol, 2014). It was first brought up by Isenberg (2010), who states that ecosystem is not a static concept, but rather a dynamic one, with the constant need to improve the ecosystem, bearing in mind the interconnectedness of its components. The fundamental hope behind ecosystems thinking is to expand the capabilities of individual actors beyond their own boundaries through collaboration (Adner, 2006). Ecosystems repre-

sent a network of interacting populations of actors residing in an environment (Singer et al., 2015).

To ignite venture creation and growth, governments need to create an ecosystem that sustains entrepreneurs (Isenberg, 2010). Government policy settings, as well as legal and regulatory frameworks, along with infrastructure, financial sector, education and research are the components of entrepreneurial ecosystems (World Economic Forum, 2013; SEAANZ, 2014).

Business transfer ecosystem is the setting in which business transfers occur. In 2012, Van Teeffelen identified the main parties and circumstances involved in SME business transfers: sellers, buyers, advisors, financial institutions, market and economic conditions, and tax and capital conditions (Figure 1), where, according to Van Teeffelen, sellers and buyers represent the key actors. The function of other components of the ecosystem is to provide support and increase the level of success of the key actors in the implementation of the business transfer process. The term 'seller' is frequently used for both the sellers in transfers to external parties and the predecessors in family successions, and the term 'buyer' for both the successors and the external buyers (Viljamaa et al., 2015).

Buyers and sellers often lack the necessary knowledge and experience to implement the business transfer process. Majority of them go through this process only once in a lifetime, which is often the case with aging entrepreneurs. Advisors and financial institutions can make a significant positive impact on the quantity and quality of business transfer processes as their role is to provide advisory support to buyers and sellers in solving organizational, financial, tax, legal and emotional issues (European Commission, 2011). In the context of business transfer ecosystems, market and economic conditions together with tax and

other legal frameworks make up the environment in which buyers and sellers, the key actors of business transfer act (Viljamaa et al., 2015).

In 2014, Varamäki et al. added awareness raising as another component of the business transfer ecosystem and emphasized that the business transfer process consists of three phases: before the business transfer takes part (preparation phase), business transfer itself, and post transfer phase (Figure 2).

According to Varamäki et al. (2014), awareness raising activities are considered to be an essential part of the ecosystem, since they are aimed at promoting earlier planning, thus increasing entrepreneurs' preparedness for business transfers. Awareness raising activities also contribute to the strengthening of business transfer culture and the promotion of business transfer as a common strategic action of firms (Varamäki et al., 2016). Awareness raising activities should be targeting all the actors of business transfer ecosystems (Viljamaa et al., 2015) in order to increase the frequency and quality of business transfer processes, thus making business transfers a common business practice and the preferable exit option compared to closing the business.

3.2 Comparison of business transfer ecosystem in Finland and Croatia

Business transfer ecosystem plays an important role in the transfer of business where developed ecosystems support facilitation of transfer of businesses more efficiently.

The objective of this paper is to compare the entrepreneurs' attitude towards business transfer processes in Croatia and Finland and provide policy recommendations for further improvement of the national business trans-

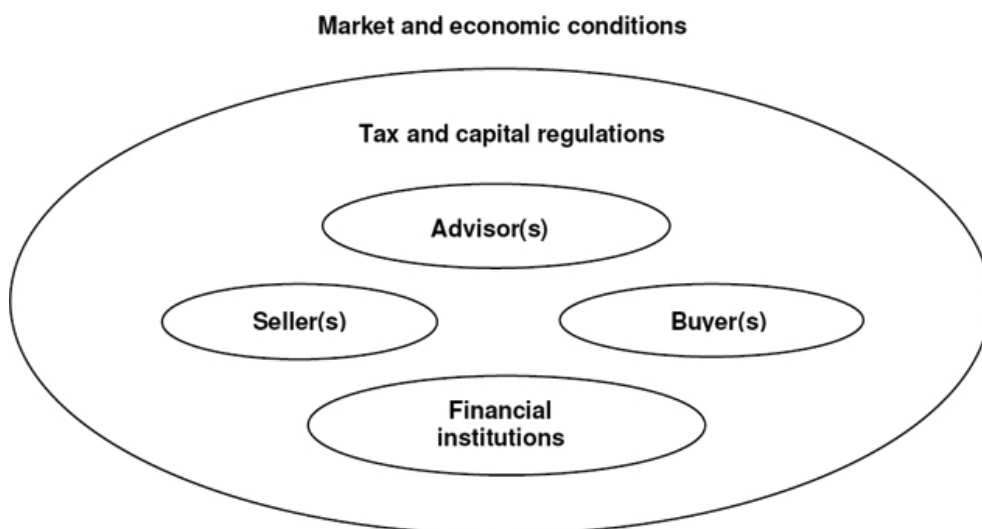


Figure 1. Main parties and circumstances involved in SME business transfers. Source: Van Teeffelen (2012)

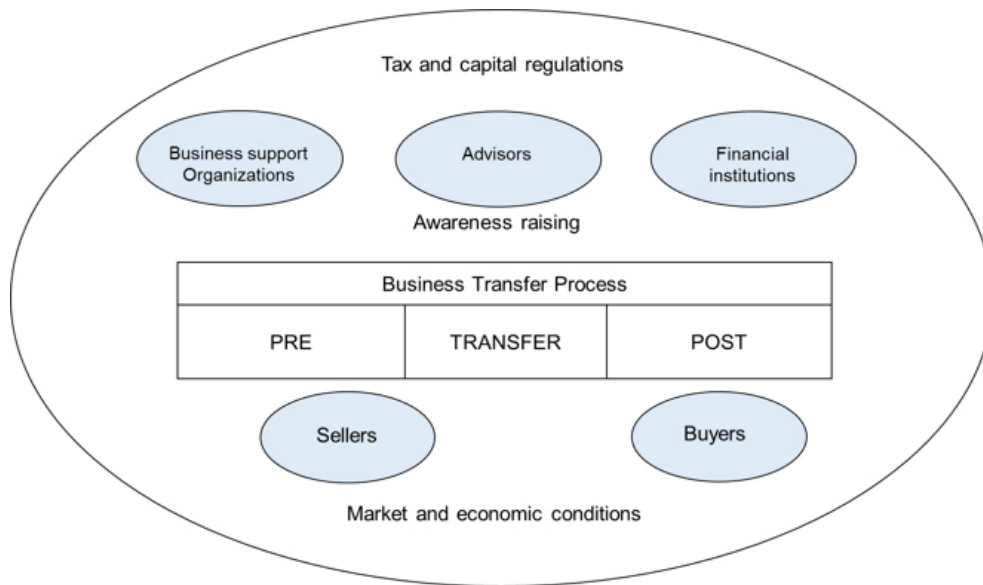


Figure 2. The key elements and content of the business transfer ecosystem. Source: Varamäki, E.; Viljamaa, A.; Tall, J., Lansiluoto, A. (2014) adapted from Van Teeffelen, L. (2012)

fer support system in Croatia. Therefore, it is important to understand the differences in the stage of development of ecosystems in which transfers take place. The analysis of national business transfer ecosystems in five European countries¹ (Finland, Sweden, Spain, France and Croatia) conducted in 2015 identified significant differences between developed countries (e.g. Finland or France) compared to Croatia, where the vast majority of entrepreneurial activity emerged in the beginning of 1990s with the transition to market economy (Singer et al., 2015). Following are the results of the comparative analysis of the main components of Finish and Croatian business transfer ecosystems.

Tax and capital regulation, as external factors, play an important role in facilitating successful business transfers. Both in Croatia and Finland legislation and tax laws do not represent a barrier for business transfer.

Market and economic conditions, along with legislation, have great significance since the market and economic situation and its impact on certain sectors greatly influence the number of firms coming to the market (Meijaard in Van Teeffelen, 2012). In Finland, a number of matching platforms is available, although the volumes of offers are not great, opposite to Croatia in which there are no matching platforms for business transfer of SMEs. Both Croatia and Finland do not have public databases with transparent data on the number of buyers and sellers in the market.

Financial institutions involved in business transfers are one of the crucial elements of the business transfer eco-

system because many buyers often lack their own capital and need external financing. In Croatia, there are no public financial institutions supporting the process of business transfer. In Finland, the state-owned financing institution Finnvera is providing loans and guarantees for buying a business. It is involved in about 50% of business transfers in the country. On the other hand, private equity financing is not very well developed and it is rarely available for business transfers in both countries.

Availability of expert advice in these countries is very different. When looking at the situation in Croatia, there is little expertise available that is focused specifically on SME business transfers. Advisors with expertise and experience in dealing with SME business transfer issues are lacking and only the Big Four consultancy companies provide expert services, but they are focused on large and medium-sized enterprises. In contrast to Croatia, external advisors in Finland are important stakeholders in business transfers for both sellers and buyers, but entrepreneurs often underutilize competent experts, and seek expertise at a too late phase of the business transfer process.

Business support organizations in Croatia did not identify business transfer as a relevant topic and they are not offering services related to business transfer. Only a few support organizations offer services related to business transfers. In Finland, there is a variety of business support organizations dealing with business transfer. There is also some cooperation and coordination apparent among local actors.

¹ The comparison of the national business transfer ecosystems of five European countries was conducted within EU project BTAR – Business Transfer Awareness Raising (2014-2016), funded within CIP Programme, EU

Awareness raising activities were also analysed in these two countries. Awareness raising activities in Croatia are still at a very low level. Annual conferences on family businesses and round table discussions are held, but mainly with the focus on family businesses. In 2015, the first national research on business transfers was conducted in Croatia, focusing on aging entrepreneurs. On the opposite side, business awareness activities are very well developed in Finland. There is a variety of activities, such as national Business Transfer Barometer research targeting aging entrepreneurs, activation letters that are being sent out to entrepreneurs, events, calls and visits focused on both sellers and buyers.

Comparison of these two ecosystems enabled an understanding of the setting in which transfer of business occurs in these countries.

In Croatia, there is a lack of matching platforms, public financing agents, business transfer expert services and business support organizations highlighting the importance of SME business transfers. In Finland, there are a number of matching platforms, Finnvera – state agency specialized in funding business transfers, some expertise available for business transfers, and the Federation of Finnish Enterprises, focusing on business transfers at the national level. In both countries, there is need for a systematic and long-term approach in planning and implementing business transfer awareness raising activities.

Based on business transfer ecosystem comparison it can be concluded that Finland has developed business transfer ecosystem. On the other hand, Croatian business transfer ecosystem is still in its development phase and requires significant improvements related to the number and quality of actors in the business transfer ecosystem, as well as of their interactions.

In 2015 based on the Business Transfer Barometer research results CEPOR – SMEs and Entrepreneurship policy center identified policy recommendation for the improvement of business transfer ecosystem in Croatia through six key recommendations (Alpeza et al, 2015): (1) Launching awareness raising campaigns about the complexity of the business transfer process and the importance of timely preparation; (2) Co-financing of training and advisory services for entrepreneurs in that process; (3) Enhancing the quality of counseling support, especially for micro firms; (4) Statistical monitoring of family businesses in Croatia, and developing of special programs for successful generational transfer; (5) Promotion of business takeover as a model for starting entrepreneurial activity, and creation of financial instruments for business takeover; (6) Development of a national virtual market to facilitate matching of

buyers and sellers of small and medium-sized enterprises.

In 2013, based on the Finnish Business Transfer research results, three key policy recommendations were identified for further development of national business transfer ecosystem in Finland: (1) awareness raising activities are effective in the long run - there is a need for a national advisory board on business transfers in order to coordinate awareness raising activities; (2) business transfers should be tax neutral - less taxes on business transfers and more simple tax regulations; (3) there should be business transfer service development focusing into micro sized firms (Varamäki et al, 2013).

4 Comparison of business transfer barometer research results from Croatia and Finland

4.1 The objective of Business Transfer Barometer research in Croatia and Finland

In 2012, a group of researchers from the Seinäjoki University of Applied Sciences in Finland conducted the Business Transfer Barometer research at the national level. The objectives of this research were: (1) to investigate the business transfer potential in firms owned by entrepreneurs in the age group of 55² years or more, (2) to study the attitudes of the potential sellers towards succession inside the family, (3) to study the business transfer related challenges experienced by the potential sellers and the need for external advisors in the business transfer processes, (4) to investigate how the entrepreneurs aged 55 or more develop their firms in general, and whether the development efforts are correlated with the business transfer potential of the firm, and (5) to study the potential roles of sellers after the transfer (Varamäki et al., 2013). The research results were used for preparation of policy recommendations for improving the business transfer ecosystem and for creation of awareness raising activities.

In 2015, CEPOR – SMEs and Entrepreneurship Policy Centre from Croatia identified a gap in the entrepreneurship support system in Croatia related to the issue of business transfer of small and medium-sized enterprises. Based on secondary research, it was established that in 2014 there were 16,590 limited liabilities firms³ owned by the entrepreneurs aged 55 or more years. These firms employ 179,087 employees, which is a 16.1% share in the total number of people employed in limited liability

² According to numerous studies (e.g. Varamäki, 2013), 55 years of age is considered as a turning point in which it is necessary to start preparation for business transfer, since it is a process that usually takes several years. In case of Finland, most entrepreneurs retire and exit from their business before the age of 65.

³ Taking into account only those that have at least 1 employee and at least EUR 13,300 of annual income.

companies, and they generate revenue of EUR 15.2 billion (18.9% of the total revenue generated by all limited liability companies in Croatia).

In order to raise awareness among aging entrepreneurs and policy makers and promote the importance of implementation of the European Commission's policy recommendations for the development of national business transfer ecosystems, CEPOR conducted the first Business Transfer Barometer research in Croatia. The objectives of the Business Transfer Barometer survey in Croatia were to: (1) determine the number of enterprises in Croatia, which, with regard to the age of the majority owner (55 years and older) and their attitude towards business transfer represent a risk group; (2) determine the way in which they plan to conduct business transfer, and the need for support in that process (Alpeza et al., 2015).

The Business Transfer Barometer research in Croatia adopted the same methodology as the Finnish Barometer research implemented by researchers from the Seinäjoki University of Applied Sciences, with several adjustments to the Croatian context. In both studies, the survey was conducted among owners of small and medium-sized enterprises aged 55 or more years.

Comparison of the business transfer ecosystems of Croatia and Finland in combination with the comparison of the research results of entrepreneurs' attitude towards business transfer in these two countries will provide the insight into future development path of the business transfer ecosystem in Croatia. Data collection process of the Business Transfer Barometer research in both Croatia and Finland, as well as research results will be discussed in more detail.

4.1.1 Methodology of Business Transfer Barometer research in Croatia

The survey was conducted on a random sample of 200 majority owners of small and medium-sized enterprises aged 55 and over. The sample of respondents was representative regarding the geographical criteria and the size of the company. Based on the secondary data analysis, it was determined that the share of enterprises whose owners belong to the 55+ generation amounts to 31% of the total number of enterprises in Croatia. Data was collected through a combination of CATI and CAWI collection methods, by a professional data collection agency. The database of all the SME owners in Croatia aged 55 and more years with 16,590 contacts represented the framework for data collection. For the purpose of data collection in total 2,118 SME owners were contacted. The questionnaire from Varamäki et al. research from 2012 from the Seinäjoki University of Applied Sciences, Finland was used, and adjusted to the specific Croatian context.

4.1.2 Methodology of Business Transfer Barometer research in Finland

The data collection for the Business Transfer Barometer research in Finland was conducted through a web-based survey distributed to the members of the Federation of Finnish Enterprises. The target group consisted of entrepreneurs in the age group of 55 years or more. A total of 14,355 questionnaires were sent out. During the data collection process, one reminder was sent to the entrepreneurs. Finally, 2,843 responses were received, the response rate being 19.8% (Varamäki et al., 2013). According to previous experience, mail survey would result in an even higher response rate, but it would be much less cost-effective. The questionnaire has been developed in a number of regional surveys, but this was first time that the survey was implemented at the national level.

4.2 Comparison of Business Transfer Barometer research results in Croatia and Finland

4.2.1 Demographic data

The first level of comparison was conducted on demographical data of surveyed entrepreneurs. In Croatia, the age of respondents ranged from 55 to 81 and in Finland from 55 to 93 years. The average age of 62 years in Croatia was similar to the average age of 61 years recorded in Finland.

There were no significant differences in gender structure between the two countries. In Finland, 73% of respondents were men and 27% were women entrepreneurs, while there were 74% men and 26% women entrepreneurs in Croatia.

Looking at the educational background of respondents, the results differed for the observed countries. Surveyed entrepreneurs in Finland mostly had vocational degrees (43%), while fewer respondents in Croatia (37.5%) had the same degree. On the other hand, 61.7% of surveyed entrepreneurs in Croatia had a higher education degree, in contrast to Finland, where there were 35% of those with the same degree level.

Aside from the demographic data and personal characteristics of entrepreneurs, the research results provided more detailed information about the firms that entrepreneurs aged 55 and more years are running in both countries. Table 1 shows the comparison of the share of the firms owned by aging entrepreneurs by the number of employees in each country.

Based on this comparison, it can be concluded that the majority of entrepreneurs aged 55 and more years in both countries have 1-4 employees: 63.1% in Croatia and 70% in Finland. Table 2 provides the basis for the comparison

of the industries aging entrepreneurs are operating in, in both countries.

The industry background comparison indicates that the majority of aging entrepreneurs in both countries are operating in the service sector. In Croatia, more firms are manufacturers than in Finland, while in Finland more firms owned by aging entrepreneurs are operating in the retail trade industry than in Croatia.

It is important to emphasize that 64% of respondents in Finland consider their firm as a family business, while Croatian research indicated only 38% of family firms in the sample. This is not surprising, since Finland has longer tradition of entrepreneurship and private ownership, while Croatia is a relatively young economy in the phase of the first wave of succession of the firms that were founded in the 1990s.

Among Finish entrepreneurs, 76% were founders, 14% bought their firms and 10% were family business successors. In Croatia, 93% of entrepreneurs that participated in the research were founders, 5% bought their firms and only 2% inherited the firms from the previous generation. In Croatia, majority of firms owned by the entrepreneurs aged 55 and more years were established in the 1990s (76%), their owners are still managing their companies (in 88% of the cases), and have no personal experience of participation in the business transfer process (93%). The comparison of these data indicates that 24% of entrepreneurs in Finland had previous experience in business transfer process, while only 7% of entrepreneurs in Croatia have experienced business transfer.

4.2.2 Business transfer potential

Aging entrepreneurs in both Croatia and Finland were asked to project the future of their companies once they have withdrawn from the business. Table 3 shows the comparison of their answers.

When asked about the expected future of the company after the owner's withdrawal, 65% of owners in Croatia expect that the company will continue its operations, and more than half of them (61%) believe that they are going to be replaced by a family member. Only 6% of owners in Croatia are planning to sell the company to an outside buyer once they retire. This is the biggest contrast to the Finish research results where 39% of aging entrepreneurs plan to sell the company to an outside buyer.

It is important to emphasize that only 20% of owners in Finland believe that they will find a successor within the family (comparing to 40% in Croatia). The worrying part is the number of companies whose owners are planning to close down the business once they retire in both countries: 28% in Finland and 17% in Croatia.

According to Finish Barometer, a large number of aging entrepreneurs in Finland start preparing for the business transfer too late. Finding a buyer and implementation of the business transfer process takes time, which is difficult to predict, so preparation for the process is supposed to be initiated in the earlier stage. Finnish Business Transfer Barometer results also indicate that, as they become older, entrepreneurs express pessimism about the business transfer outcome and that family entrepreneurship setting positively affects the future outlook for business transfer.

Croatian Barometer results show that 32% of company

Table 1: Comparison of the share of the firms owned by aging entrepreneurs by the number of employees in Croatia and Finland. rSource: Adapted from Alpeza et al., 2015 and Varamäki et al., 2013

Company size	Croatia	Finland
One-person-enterprise	20.9%	37%
2-4 employees	42.2%	33%
5-10 employees	20.4%	17%
11-20 employees	8.5%	7%
More than 20 employees	8%	5%

Table 2: Comparison of the share of the firms owned by aging entrepreneurs by industry in Croatia and Finland. Source: Adapted from Alpeza et al., 2015 and Varamäki et al., 2013

Industry	Croatia	Finland
Manufacturing	23%	12%
Services	54%	54%
Retail trade	9%	20%
Construction	14%	14%

Table 3: The expected future of the company after the owner's withdrawal in Croatia and Finland – owners' perspective. Source: Adapted from Alpeza et al., 2015 and Varamäki et al., 2013

The expected future of the company after the owner's withdrawal – owners' perspective	Croatia	Finland
The company will continue its operations	65%	30%
The company will be sold	6%	39%
The company will be closed	17%	27%
Something else or the owner hasn't thought about the future of the company after his/her withdrawal	12%	3%

owners that are 55 or more years old are not aware of the inevitability of change of their role in the management and ownership function in the company's future. Another concerning fact is that 22% of entrepreneurs in the Croatian survey underestimate the duration of the business transfer process and believe that less than a year is enough time for the transfer to take place, while 50% believe that it would take 1-3 years. With regard to awareness of the complexity of the business transfer process, Croatian research results show that more than 5,300 firms with about 57,000 employees represent a risk group whose owners underestimate the complexity and length of duration of the business transfer process.

4.2.3 Challenges in the business transfer process

Croatian research results indicate that a significant number of entrepreneurs (65%) expect support in the business transfer process, primarily regarding the technical implementation of the business transfer (43%), business valuation (42%) and harmonization of enterprise and family interests when making the decision on the future of the business (36%).

The two biggest challenges according to the respondents of the Barometer conducted in Finland were finding a successor or a buyer, and business valuation. This is consistent with previous research (e.g. Thornton, 2002; Van Teeffelen, 2012). Almost half of the respondents (48%) viewed finding a successor or a buyer as a very significant or significant problem, while firm valuation was rated the same by more than one-third of respondents (36%). Following these, other challenges were transfer of knowledge from predecessor to successor, taxation and financing.

5 Discussion, conclusions and policy recommendations

Comparison of the research results from Business Transfer Barometer in Croatia and Finland showed that about one-third of all entrepreneurs in both countries are about to retire within the next ten years. This group of aging entrepreneurs in these two countries represents a risk group because of their impact on the economy and employment, as well as growth perspectives of the SME sector in general.

There are many challenges that entrepreneurs are facing while going through the business transfer process. The complexity of business transfer is the result of legal, financial, tax, organizational and psychological aspects of this process. Business transfer requires thorough and timely preparation of owners, as well as of their companies. For that reason, it is of critical importance to develop a support system and main institutions and professionals that will be able to provide quality support to SME owners in this process.

The comparison of research results from Croatian and Finnish Business Transfer Barometer provided information on similarities and differences in the profiles and attitudes towards business transfer among SME owners that are 55 and more years old in these two countries. The similarities are in the size of the companies owned by aging entrepreneurs (mostly 1-4 employees), the share of women entrepreneurs (approx. one quarter), sector in which majority of entrepreneurs operate (service sector) and valuation of the company being identified as the most important challenge in the business transfer process.

The differences among entrepreneurs in Croatia and Finland are more apparent in the level of education of the entrepreneurs (more highly educated in Croatia), share of family businesses (significantly more in Finland), more entrepreneurs with experience in business transfer in Finland, more entrepreneurs expecting their companies to be sold after their retirement in Finland, and more entrepreneurs planning family business succession in Croatia, more entrepreneurs planning to close down the business once they retire in Finland. The biggest challenge aging entrepreneurs are facing in Finland is finding a successor

or a buyer, while in Croatia it is the technical implementation of business transfer.

Based on the results of the analysis of the business transfer ecosystem in Finland and business transfer barometer survey the policy recommendations for further development of ecosystem in Finland were developed. Most important recommendations are directed toward raising the level of effectiveness of the already existing awareness raising activities. The practical implementation of this recommendation includes establishing of the national advisory board on business transfers to coordinate different awareness raising activities. Further recommendations emphasize the importance of tax relief for business transfers and more simple tax regulations as well as development of specialized support for micro-sized enterprises.

Based on the comparison and analysis of the similarities and differences between profiles and attitudes of aging entrepreneurs in Croatia and Finland, together with the comparison of the development of the business transfer ecosystem in Croatia, the following *conclusions* can be drawn about the future needs of aging entrepreneurs in business transfer processes in Croatia:

- There will be a growing number of family businesses in Croatia in the future, and the share of family business in the SME sector will become increasingly important. The increase in the share of family business will be the result of the withdrawal of the first generation entrepreneurs who founded their companies in the 1990s and who are going to retire in the next 5-10 years' time
- There will be a growing number of entrepreneurs with personal experience in the business transfer process, obtained either through inheritance of a family business or through sale of a firm
- Despite the continuous development of the business transfer ecosystem, a certain number of firms will be lost in this process
- There will be a growing number of entrepreneurs who will be interested in selling their firm once they withdraw from the business
- There will be less family business successions than projected by aging entrepreneurs – despite their vision to transfer the firm to the next generation of the family – in many cases this scenario will not take place
- The most critical challenges for aging entrepreneurs in Croatia related to business transfer will be business valuation and finding a successor or a buyer.

Based on these conclusions, the following *recommendations* for further development of the business transfer ecosystem in Croatia can be proposed: 1) Emphasis on understanding family businesses – how they operate, grow, employ, transfer knowledge and cope with challenges – through formal education and policy measures; 2) Initiating and supporting awareness raising activities in order to

foster timely preparation of owners for business transfer, thus minimizing the number of closed businesses in this process; 3) Establishing channels for matching of aging entrepreneurs who are interested in selling their companies with potential buyers on the national level. These may include: on-line platforms for matching sellers and buyers of micro and small firms, matchmaking events, promotion of takeover entrepreneurship among potential entrepreneurs; 4) Ensuring quality consultancy support related to company valuation for entrepreneurs.

The above identified recommendations represent further development of the policy recommendations provided by CEPOR in 2015. These new recommendations are based on results of the comparison of Business Transfer Barometer research results in Croatia and Finland and the comparison of national business transfer ecosystem support in both countries.

The recommendations are aligned with the European Commission recommendations for the development of a national support system for business transfer processes of SMEs from 2013.

Based on the conclusions and recommendations of this research, new insight for defining measures and policies at the national level was created, which will enable prevention and resolution of problems in the process of business transfer of small and medium-sized enterprises in Croatia. In order to ensure sustainability and growth of small and medium-sized enterprises, involvement of competent ministries and other relevant institutions is necessary in creation of an appropriate support system for owners of small and medium-sized enterprises in successfully dealing with the challenges of the business transfer process.

6 Limitations

A comparison of the results of Business Transfer Barometer surveys implemented in Croatia and Finland was conducted in the paper. Although there are differences in the methodological aspect of the research conducted in two countries and the time period when the research was implemented, it was important to compare the results of these two studies in order to identify similarities and differences in the attitudes of entrepreneurs aged 55 and more years towards business transfer in these two countries. Additionally, comparison of business transfer ecosystems, which was also presented in this paper, provided a framework for understanding the wider context in which business transfers in these two countries occur. For further research, it would be important to ensure higher consistency in methodology and time frame for implementation of the survey in two countries (preferably parallel surveys with the same questionnaire and controlled consistency in samples), in order to raise the reliability of the data and research results, which, at this point, researchers consider as limitations of this paper.

Acknowledgement

This work is funded by the Josip Juraj Strossmayer University of Osijek Grant No. IZIP-2016-126 "Business Transfer Challenges in small and medium enterprises – Comparison of Finland and Croatia".

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Mirela Alpeza, PhD is Associate Professor at Faculty of Economics at J.J. Strossmayer University in Osijek, Croatia. She is involved in teaching and researching activities in the field of SME business transfer, corporate entrepreneurship, franchising and competitive intelligence. She is director of CEPOR – SMEs & Entrepreneurship Policy Center in Zagreb. Alpeza promotes the importance of development of national business transfer ecosystem and conducts training and counseling of SME owners in that aspect. She is member of European Council for Small Business and Entrepreneurship (Vice-President for Croatia).

Juha Tall, PhD works as a business transfer expert at the Seinäjoki University of Applied Sciences. His research interests are in business transfers, acquisitions and business transfer ecosystems. He is a founding member of the Finnish Business Transfer Society. His thesis published in 2014 was about acquisition and strategic renewal. In 2013 he represented Finland in EU Commission Business Transfer Expert Group. The results of this work are published in final report "Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers." At Finnish business transfer conference he was nominated as a national business transfer expert 2015.

Petra Mezulić Juric, MA works as a teaching and research assistant at J.J. Strossmayer University in Osijek, Faculty of Economics. Her research interests are in entrepreneurship, family business, business transfer and acquisition of small and medium enterprises. In 2017 she finished Postgraduate specialist program Entrepreneurship by defending her postgraduate thesis titled Challenges of business transfer in small and medium enterprises. She is currently attending International inter-university postgraduate interdisciplinary doctoral program Entrepreneurship and Innovativeness and working on her PhD. She is member of ECSB European Council for Small Business and Entrepreneurship.

Izzivi prenosa lastništva malih in srednjih podjetij: primerjava med Hrvaško in Finsko

Ozadje in namen: V življenjskem ciklu podjetja prenos poslovanja podjetja predstavlja kritično stopnjo razvoja. Podcenjevanje kompleksnosti in dolgotrajnosti tega procesa lahko negativno vpliva na podjetja, njihove lastnike in široko mrežo zainteresiranih partnerjev. Cilj tega prispevka je primerjava odnosa do prenosa lastništva podjetnikov, starih 55 let ali več, na Hrvaškem in na Finskem, in oblikovanje priporočil za izboljšanje nacionalnih ekosistemov za prenos lastništva podjetij med generacijama.

Metodologija / pristop: Populacija, ki smo jo raziskovali, so podjetniki, stari 55 let in več. Uporabili smo vprašalnik, ki je bil naprej uporabljen na Finskem in ga delno prilagodili za hrvaški podjetniški ekosistem. Raziskava na Hrvaškem je potekala s kombinacijo metode CATI in CAWI s strani profesionalne agencije za zbiranje podatkov. Zbrane podatke so primerjali na podlagi demografskega merila, industrijskega ozadja, izkušenj pri prenosu podjetij, pričakovane prihodnosti podjetja, potrebnih podpore in največjih izzivov.

Rezultati: Rezultati kažejo na vedno večje število podjetnikov na Hrvaškem, ki bodo zainteresirani za prodajo podjetja, ko se bodo umaknili iz poslovanja, in razmeroma malo tistih, ki pričakujejo, da bodo družinski dediči prevzeli podjetje. Na Finskem so najpomembnejši izzivi povezani z vrednotenjem podjetij in iskanjem primerne naslednika ali kupca.

Zaključek: Za nadaljnji razvoj poslovnega transfernega ekosistema na Hrvaškem priporočamo, da se osredotočimo na dejavnosti ozaveščanja načinov, ki bi olajšali prodajalcem najti primerne kupce, spodbujanje podjetništva pri prevzemih in svetovanje mikro podjetjem. Rezultati na Finskem kažejo, da je pomembno vlagati stalna prizadevanja za povečanje učinkovitosti že izvajanih ukrepov.

Ključne besede: mala in srednja podjetja; poslovni prenos; ekosistem za poslovni prenos podjetij