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Letting go: The mental difficulty of giving up the business in relation to planned exit time and exit strategy in SME business transfers

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ABSTRACT

We investigate (1) how an aging SME business owner's exit strategy (expectation of family succession or of continuation by selling to outsiders) affects the expectation of mental difficulty in the forthcoming business transfer process and (2) the impact of temporal proximity of the exit on mental difficulty of letting go in light of the temporal construal theory. The analyzed data covers 740 Finnish owners and CEOs of SMEs with succession or sale to an outsider as exit strategy. The results show that mental difficulty of giving up the business indeed varies with exit strategy and temporal proximity of exit. The results suggest that mental difficulty of letting go is one of the first issues to tackle in promoting early business transfer planning.

Keywords: Business transfer, family succession, aging entrepreneurs, exit strategy, temporal construal theory.

1 INTRODUCTION

Interest in entrepreneurs' exit strategies is growing in research (e.g. DeTienne et al., 2015; Alterman et al., 2020), and in family business literature succession has long been a core theme (e.g. Ip & Jacobs, 2006; Rovelli et al., 2022). Deschamps (2020) proposes business transfers can be considered in a more unified manner, taking into consideration both within-family and external transfers.

In every case of exit, whether by family succession, closure, or selling to an external party, the incumbent owner must give up the business. This is often a struggle; the more one has invested of oneself into a business, the greater the degree of psychological ownership (DeTienne, 2010). The mental difficulty of giving up one's business can be a hindrance to smooth business transfers. This study contributes to business transfer research by showing the significance of the exit strategy and the nearness of the exit to the mental difficulty expected in the forthcoming business transfer process with SMEs. The specific objective of the study is to examine how the expected mental difficulty differs in relation to the planned exit time and exit strategy.

The viewpoint is that of the present owner: we investigate how the individual's exit strategy (expectation of family succession or of continuation by selling to outsiders) affects the expectation of mental difficulty in the forthcoming business transfer process. We focus particularly on aging entrepreneurs (aged 55+), which carries the assumption that exit is motivated by impending old age rather, suggesting in turn that stewardship exit strategies are more probable. Further, we apply the temporal construal theory in testing the impact of temporal proximity of the exit on mental difficulty of letting go.

The hypotheses suggested by previous research are tested with data collected from Finnish SME entrepreneurs in 2021. The study provides new insights into the foreseen mental difficulty of giving up the business in relation to the planned exit time and exit strategy. As the majority of the firms examined in this study have only one to ten employees, the study provides new knowledge on small business transfers, in particular, an area less studied than that of acquisitions and mergers of large publicly owned companies.

2 LITERATURE REVIEW

2.1 SME business transfers

An aging population is a great challenge for European societies in the twenty-first century. The proportion of people over the age of 65 in the EU countries will increase to around 31% by 2100 from a base of around 21% in 2021 (Eurostat, 2022). As populations age, so do entrepreneurs. When the time comes for an SME entrepreneur to retire, either firm continuity must be ensured by a business transfer, or the firm—along with its contribution to economic activity and employment—ceases to exist. Successful business transfers are essential for the vitality and performance of national economies (e.g., Van Teeffelen, 2012), for if viable businesses do not find new owners, and are instead forced to shut down, the economic loss is considerable. Furthermore, there is evidence that even prior to the actual business transfer, the expectation of continuity, that is, the firm's continuity outlook, has an impact on the growth intentions of the firm (Joensuu-Salo et al., 2019).

In terms of numbers, SMEs dominate global and European business environments. According to the Annual Report on European SMEs 2021/2022, SMEs account for 99.8% of all enterprises and employ 83 million people in the Member States (European Commission, 2022). Hence, the majority of businesses transferred - or not transferred - are SMEs. Each year approximately 450 000 firms are transferred across Europe affecting two million employees (European Commission, n.d.). In the EU, thousands of economically stable businesses disappear every year due to the insurmountable problems surrounding business transfers (European Commission, 2011). The smallest businesses are recognized as most vulnerable to transfer failures, due to the close connection between business operations and the owner's skills and personal characteristics, and the small value of tangible assets (European Commission, 2011).

The data for this study were gathered from Finnish SMEs. In Finland, the proportion of firms looking for an external buyer is 44–46%, while 20–24% are looking for a successor within the family (Varamäki et al., 2018; 2021). Approximately 32 000 firms will be up for sale in the next decade, and approximately 11 000 firms expect to continue through succession within the family. A total of 25 000 businesses can be expected to close down in the next decade due to the entrepreneur’s retirement. Exit is a complex process. As Wennberg and DeTienne (2014) note, many entrepreneurs seek exit but fail to find a good acquirer. In small and medium sized firms, IPOs are an option for only a select few.

A business transfer refers to transition from outgoing owner-manager to another, incoming owner-manager, involving transfer of leadership as well as ownership, with the aim of sustaining the firm (Deschamps, 2020). Business transfers and succession plans have been extensively examined in the family business context (e.g. Lam, 2011; Marshall et al., 2006; Ip & Jacobs, 2006) but few studies consider simultaneously family and non-family succession, especially in the small business context (cf. e.g. DeTienne & Cardon, 2012; Viljamaa et al., 2022).

Business transfers also contribute to the strategic renewal and transformation of firms (Haspeslagh & Jemison, 1991; Niemi, 2005; Priem & Butler, 2001). Becoming an entrepreneur through buying a business, ending a career in entrepreneurship by selling the business, and developing the business by buying or selling parts of it have all become more common choices (Varamäki et al., 2018). The increasing number of firms becoming available as entrepreneurs age offers great potential for younger entrepreneurs to either become business owners or to grow their existing businesses, through acquisition. This is important from the societal perspective since it appears that compared to start-ups, successfully transferred businesses have better performance in terms of turnover, survival, employment, and innovativeness (e.g. Van Teeffelen, 2012; Meijaard, 2007; Xi et al., 2020).

In summary, the promotion of business transfers in society is an important issue in terms of the national economy. To ease the business transfer process and to benefit entrepreneurs planning the process, it is necessary to understand not only the challenges involved in business transfers but also the expectations of business owners concerning these challenges.

2.2 Exit strategies

Literature on entrepreneurial exit has in the past often focused on exit as failure (DeTienne & Cardon, 2012; Wennberg & DeTienne, 2014), but it is increasingly recognized that exit may have little to do with failure (e.g. Jenkins & McKelvie, 2016). DeTienne and Cardon (2012) point out that all entrepreneurs will exit their firm eventually, whether they founded the firm or came to possession through a business transfer. Van Praag (2003) distinguishes between voluntary and involuntary exit from self-employment. Here, our interest is focused on intended exit strategies. It is important to distinguish between intention to exit in general, and intention to exit by a specific exit strategy (Drapeau & Tremblay, 2020), and furthermore between actual exit and intentions. A business transfer is potentially recurrent; not just the founder but also the subsequent owners can exit the business and transfer it to the next owner (Deschamps, 2020).

Exit strategy here refers to the entrepreneur's planned mode of exit, i.e., their preference as to how to eventually exit the firm. In this we follow DeTienne et al. (2015), who define exit strategy as the mode through which the entrepreneur intends to exit the firm. They consider a three-category typology of exit strategies: financial harvest exits (IPO, acquisition), stewardship exit strategies (family succession, employee buy-out, independent sale), and voluntary cessation strategies (liquidation, discontinuance). Chirico et al. (2020) added a merger as fourth exit strategy, whereas Van Teeffelen and Uhlaner (2013) and Leroy et al. (2015) compare sales and liquidations, with the latter also including family succession in the category of sale.

Wennberg et al. (2010) find that entrepreneurial experience positively influences the probability of a harvest sale over distress liquidation or sale, and that age increases the likelihood of a harvest sale or distress sale over continuation of the business or liquidation. In DeTienne et al.'s (2015) study family succession, although theoretically aligned with stewardship strategies, emerged as a separately category. Alterman et al. (2020), who focus specifically on small business owners' retirement decisions, consider four options: family succession, retirement from management but not ownership, independent sale, and liquidation. We focus here on aging entrepreneurs (aged 55+), which carries the assumption that exit is motivated by impending old age rather than desire for financial harvest, which in conjunction with the ideas of psychological ownership suggests that stewardship strategies are more probable. Voluntary cessation strategies suggest that neither harvest nor stewardship strategy is possible due to the state of the business in question.

2.3 Mental difficulty of letting go

Entrepreneurs in small and medium firms, in particular founders, can be expected to exhibit a high degree of psychological ownership towards the firm (DeTienne, 2010). The more of oneself an individual has invested in the business the higher degree of psychological ownership is. As more time is expended on the firm, the sense of ownership grows. Psychological ownership is associated with venture persistence (Zhu et al., 2018). An entrepreneur is likely to always tailor the firm to their own image to some degree, and unavoidably experiences the three major influences of psychological ownership (Pierce et al. 2001); control of the business, intimate knowledge of the business and self-investment of energy, time, effort, and attention. According to self-expansion theory, individuals seek to expand the self out of a desire to grow, and self-expansion is achieved through a close relationship (Aron & Aron, 1986). Although originally formulated for interpersonal relationship, the model has been utilized other contexts as well (Aron et al., 2013), ranging from brand loyalty (Reimann & Aron, 2014) to fictional characters (Shedlosky-Shoemaker et al., 2014). Alterman et al. (2020) suggest that small business owners include their business as part of the definition of themselves. They argue that having a potential successor increases the preference for retirement options that maintain a close touch to the business such as family succession.

Hytti et al. (2011) demonstrate that a business transfer involves bounded emotionality, and that business transfer processes are fragile and easily disrupted; emotional attachment to the firm is one of the private sphere factors that may hinder completion of a transfer in family business. Similar mental difficulty and stress relate to external sale as well: a feeling of attachment may delay the exit decision (Yamakawa & Cardon, 2017), and emotional attachment may also have an impact on the preferred exit route (Dehlen et al., 2014). Resigning incumbents may engage in emotional pricing to leave their firm “in good hands” (Kammerlander, 2016), and indeed family successors often expect a discount on the price due to family ties (Zellweger et al., 2016). Moreover, emotional attachment can prevent a positive exit outcome (Van Teeffelen, 2012), and in family successions, emotional attachment has been identified as the key obstacle (Sharma et al., 2003, see also Juric et al., 2020).

2.4 Exit strategy and mental difficulty of letting go

Prior experience of business transfers predicts to some extent exit choice and transfer success. For example, self-employed entrepreneurs more often choose liquidation (87%) compared to firms with employees (23%) (Van Teeffelen, 2010), and acquirers tend to sell their firm eventually, whereas founders are more inclined to end up in liquidation (Amaral et al., 2007; Viljamaa et al., 2022). Chirico et al. (2020) analyzed business exit choices between family- and non-family-controlled firms and found that in family-firms exit via merger was more likely and in non-family firms, the choice was more likely to be exit via sale or dissolution. The same study suggests that the choice of exit strategy is largely connected with possible adverse effects on the family's socioemotional wealth. Dehlen et al. (2014) show that information asymmetry has an effect; the incumbent has inferior knowledge about the abilities of family-external successors.

The choice of the form of exit also affects the firm's future. The expectation of continuity in itself has an impact on intensity of development efforts (Joensuu-Salo et al., 2019). In comparing small business transfers to the firm's employees versus those to outsiders, Bastié et al. (2018) note that employees who became owners pursued job creation dynamically whereas outsiders were more growth oriented. The same study also reveals that transfers to employees lead to a longer survival period for the firm when compared to sales to outsiders. Similarly, Wennberg et al. (2011) find that among family firms, survival rates are better when the transfer is made internally but that business performance, in the short- and long-term, is inferior. Overall, the success of transgenerational succession depends heavily on successors' confidence and perceptions of incumbent support (Gagné et al., 2019).

In this study, we concentrate on two exit strategies: family succession or selling the firm outside the family. We argue that the exit strategy affects the expected mental difficulty of letting go of the business. The incumbent has easier access to information on a successor candidate within the family and knows his/her abilities better than would be possible for candidates from outside the firm (Dehlen et al., 2014). At the same time, the incumbent may have the expectation that a family succession will enable them to maintain a connection to the business (Hytti et al., 2011); the business will "stay in the family" and thus the incumbent is not forced to fully let go. While this may not be a desirable outcome in all cases, we hypothesize that

H1: The exit strategy affects the anticipated mental difficulty of letting go the business in the forthcoming business transfer; selling to outsiders increases the severity of the mental difficulty of letting go.

2.5 Exit time and temporal construal processes

Business transfer planning takes time, and hence time is a critical variable. The planned exit time may be in the near future, or at a more distant point in time. In the case of family successions, the preparation level of the heirs to the business has a positive impact on future performance (Mokhber et al., 2017), and preparation requires time. Marshall et al. (2006) showed that greater owner age is directly associated with formal succession plans. The older the owner gets, the closer is the forthcoming business transfer process and exit time.

From a psychological perspective, the level of problems expected may vary depending on the nearness of the planned exit time. We argue that temporal construal processes (Trope & Liberman, 2003) are present in business transfer planning. Eyal et al. (2004) showed that people consider the benefits of an action more when the action will take place in the more distant future, and more disadvantages when the action is in the near future. Prior studies have shown that in the context of preferences concerning future actions, temporal distance increases the weight of the aspects of desirability and decreases the weight of aspects of feasibility (see Eyal et al., 2004). Based on temporal construal process and construal level theory (Trope & Liberman, 2003), we thus suggest that the mental difficulties involving the business transfer process are more salient, and hence appear greater, if the planned exit time is in the near future rather than in the more distant future. Thus, we propose the following hypothesis:

H2: Exit time influences the anticipated problems of mental difficulty of letting go the business in the forthcoming business transfer; anticipated mental difficulty of letting go the business is greater if the exit time is in the near future rather than in the more distant future.

3 METHOD

3.1 Data collection

The data used in this study were collected from owners and CEOs of Finnish SMEs in 2021. In Finland, the retirement age is usually between 60 and 64 and we therefore chose respondents in the 55 and over age group for this study based on the expectation that the respondents in this group have already thought about firm continuity and exit time. The web-survey was sent to members of the Federation of Finnish Enterprises, of the Confederation of Finnish Industries, and the Finnish Chambers of Commerce. A total of 1217 responses were received from the selected target group of 55 or over. Table 1 presents the background information on the respondents (gender, age, educational background, firm size, and industry).

Table 1. Background characteristics of the respondents.

Gender	73% men, 27% women
Age	min 55 years, max 89 years; 22% 55–58 years; 32% 59–62 years; 18% 63–65 years; 29% 66 years or over
Education	45 % higher education; 42% vocational education; 13 % basic education
Firm size	36% one-person-enterprises; 31% 2–4 employees; 18% 5–10 employees; 8% 11–20 employees; 4% 21–50 employees; 2% over 50 employees (and under 250)
Industry	55% services; 18% retail; 12% construction; 15% manufacturing

The exit strategy was family succession for 18% of the respondents, 46% planned to sell the firm outside the family, 8% expected other owners to continue the firm, 26% planned to close down the business, and 2% answered something else. The majority of the respondents planned to give up the firm in seven years: 55% reported they would exit the firm during the following four years (2021–2024), 31% planned to exit between the years 2025–2028, 11% between the years 2029–2032, and 3% later than 2032.

3.2 Variables

The mental difficulty of letting go the business was measured with a Likert scale. It was part of larger item set where the challenges of business transfers were measured with 11 items. The instrument was created by several researchers based on prior qualitative interviews with business owners and has been used in National Business Transfer Surveys in Finland (Varamäki et al., 2015; Varamäki et al., 2018; Varamäki et al., 2021). The respondents were asked to rate how big a problem they considered the challenge of mental difficulty of letting go the business to be in their business transfer process. We used a 5-item Likert scale anchored with *not a problem at all* (1) and *a very serious problem* (5).

Exit time was measured with an ordinal scale. Respondents were asked to estimate the time at which they would give up the business. The options were 1) during the years 2021–2024, 2) during the years 2025–2028, 3) during the years 2029–2032, or 4) later.

The exit strategy of the firm was measured with a nominal scale. The respondents were asked the question: What do you think your firm's future will be after you have given up the main responsibility for it? The options offered were: (1) Succession within the family, (2) Co-owners will continue the firm, (3) Selling the firm outside the family, and (4) Closing down the firm. The question relating to mental difficulty of letting go the firm was presented only for respondents that were planning a business transfer, i.e. to respondents that were planning succession within the family or respondents that were planning selling the firm outside the family. Thus, the data in the analysis includes 740 respondents.

3.3 Preliminary analysis

The minimum value for the mental difficulty of letting go the business was 1 and maximum 5. Mean value was 2,3 with a standard deviation of 1,2. We compared the distribution of the mental difficulty of letting go the business between the respondents that planned succession within the family (mean value 2,6) and respondents who planned to sell the firm outside the family (mean value 2,2). Kruskal-Wallis test showed that the groups differed significantly (p<0,001). There were some differences in mental difficulty of letting go the business in relation to planned exit time. Table 3 presents the pairwise comparisons (Kruskal-Wallis test) for different sample groups. It shows that there is a significant difference in mental difficulty of letting go the business between two groups: those, who are planning to exit in the following three years (mean value 2,3) in contrast to those, who are planning to exit later 2032 (mean value 2,8). Each row tests the null hypothesis that the Sample 1 and Sample 2 distributions are the same. Asymptotic significances (2-sided tests) are displayed. The significance level is 0,05, and significance values have been adjusted by the Bonferroni correction for multiple tests.

Table 2. Pairwise comparisons of exit time groups.

Sample 1-Sample 2	Test Statistic	Std. Error	Std. Test Statistic	Sig.	Adj. Sig.a
years 2021 – 2024 vs. years 2025 - 2028	-15,192	17,064	-,890	,373	1,000
years 2021 – 2024 vs. years 2029 – 2032	-32,260	27,063	-1,192	,233	1,000
years 2021 – 2024 vs. later than 2032	-106,884	49,594	-2,155	,031	,187
years 2025 – 2028 vs. 2029 – 2032	-17,068	28,770	-,593	,553	1,000
years 2025 – 2028 vs. later than 2032	-91,692	50,546	-1,814	,070	,418
years 2029 – 2032 vs. later than 2032	-74,624	54,737	-1,363	,173	1,000

For the next phase, we combined exit time groups 1 and 2, and groups 3 and 4. As a result, we had two groups: those, who are planning to exit in the next seven years and those, who are planning the exit later than in the next seven years.

We used ordinal regression analysis to examine the effects of exit strategy and exit time on the mental difficulty of letting go the business. The background characteristics of the respondents, namely age, gender, education, firm size and industry were used as control variables (see e.g., DeTienne & Cardon, 2012; Varamäki et al. 2018).

4 RESULTS

The results of the ordinal regression analysis are presented on Table 4. Our first hypothesis is partly supported. The exit strategy affects the problems of mental difficulty of letting go the business anticipated in the forthcoming business transfer, however, selling to outsiders decreases the severity of the mental difficulty of letting go (-.466, Wald 8.474, $p<.01$). This is opposite what we hypothesized. It seems that when compared to exit strategy of succession, it is easier to let go the business when you sell it to an outsider than in the case of family succession.

Our second hypothesis is also partly supported – exit time influences the problems of mental difficulty of letting go the business, but the effect is opposite than was hypothesized. If the exit time is later than in the next seven years, the problem of mental difficulty of letting go the business increases (.471, Wald .4.343, $p<.05$). We expected the problem to be more severe if the exit time is in the near future, but the results show the opposite effect.

We had several control variables. Results show that age, education, or industry do not have any effect on the mental difficulty of letting go. However, firm size does. The larger the firm, the greater is the mental difficulty of letting go the business (.149, Wald 4.996, $p<.05$). Gender has also an effect. Women expect the mental difficulty of letting go the business to be more severe than their male counterparts (.377, Wald 5.261, $p<.05$).

When examining the Wald estimates, it shows that the most important factor in the model is the exit strategy. Mental difficulty of letting go the business is firmly related to the respondent's plans of exiting the firm.

Table 3. Results of the ordinal regression analysis.

							95% Confidence Interval	
		Estimate	Std.error	Wald	df	Sig.	Lower Bound	Upper Bound
Threshold	[1]	,364	,929	,153	1	,695	-1,456	2,184
	[2]	1,545	,930	2,758	1	,097	-,278	3,368
	[3]	2,583	,934	7,655	1	,006	,753	4,413
	[4]	4,101	,946	18,808	1	<,001	2,248	5,954
Location	Age	,018	,014	1,782	1	,182	-,009	,046
	Firm size	,149	,067	4,996	1	,025	,018	,279
	Exit strategy (selling)	-,466	,160	8,474	1	,004	-,780	-,152
	Exit strategy (family succession)	0a	.	.	0	.	.	.
	Exit time (later than in seven years)	,471	,226	4,343	1	,037	,028	,914
	Exit time (in the next seven years)	0a	.	.	0	.	.	.
	Education (basic)	-,109	,219	,246	1	,620	-,539	,321
	Education (secondary)	,121	,152	,636	1	,425	-,177	,419
	Education (higher education)	0a	.	.	0	.	.	.
	Industry (manufacturing)	-,215	,224	,918	1	,338	-,654	,225
	Industry (construction)	,067	,254	,069	1	,793	-,431	,564
	Industry (expert service)	-,037	,231	,026	1	,872	-,491	,416
	Industry (other service)	-,188	,188	1,000	1	,317	-,558	,181
	Industry (commerce)	0a	.	.	0	.	.	.
	Gender (woman)	,377	,165	5,261	1	,022	,055	,700
	Gender (man)	0a	.	.	0	.		

The model fitting information indicates good fit (Chi-Square 26.392, p<.01), as does goodness-of-fit test of Pearson Chi-Square (2499.942, p=.168). Pseudo R-Square values are as follows: Cox and Snell .037, Nagelkerke .039, and McFadden .013. Test of parallel lines indicates that the proportional odds assumption was not violated (Chi-Square 33.981, p=.420).

5 DISCUSSION

The purpose of this study was to capture the expectations of Finnish entrepreneurs over the age of 55 relating to the mental difficulty of letting go in upcoming business transfers. The aim of the study was to examine how the expected mental difficulty of letting go the business differs in relation to the planned exit time and exit strategy in forthcoming business transfer. The results show that both the temporal proximity and exit strategy explains the level of foreseen mental difficulty associated with the business transfer; however, the direction of the effect was counter to our expectation.

We hypothesized that selling to outsiders would increase the level of mental difficulty of letting go, and that a business transfer in the near future would involve higher levels of mental difficulty than a business transfer in the distant future.

Based on prior research (Alterman et al., 2020; Hytti et al., 2011; Dehlen et al., 2014), we argued that family succession as exit strategy decreases the mental difficulty of letting go expected in a business transfer. We suggested that family succession may provide for an ongoing connection to the business, thus easing the mental difficulty of letting go. However, the results demonstrate that family succession as exit strategy is associated with greater mental difficulty of letting go. This leads to an interesting speculation: is the mental difficulty greater because there is little information asymmetry in family succession? Prior research (Dehlen et al., 2014) has suggested that information asymmetry is diminished in family successions, and incumbent has thus a thorough knowledge of the potential successors' interested, attitudes and skills. If the incumbent has concerns over successors' ability to cope, the mental difficulty would be increased rather than decreased by thorough knowledge. Another, more pleasing possibility is that expectation of mental difficulty relates to the incumbents' self-knowledge. The fact that the business will "stay in the family" means that the incumbent would have, also after the business transfer, an opportunity to be at least peripherally involved. If the incumbent has a strong sense psychological ownership, not having a complete disassociation from business might cause them to expect a greater difficulty of letting go. Our study also supports the findings of Sharma et al. (2003) and Juric et al. (2020) who identified emotional attachment a key obstacle in family successions.

We also argued that temporal construal processes affect the succession planning process, and that the proximity of the planned exit time has an impact on the anticipated level of mental difficulty in the forthcoming business transfer. According to construal level theory, people create abstract mental construal of distant objects (Trobe & Liberman, 2010). Accordingly, an incumbent who has a longer time before a forthcoming business transfer may think of it with more abstract representations and at the same time omit some details of the process than an incumbent who has started to think about specific required action. Hence, one would expect that the mental difficulty would also appear lesser if the letting go was in the more distant future. However, our results show that the opposite is true: mental difficulty of letting go is expected to be more severe if the anticipated exit time is in the more distant future. This may indicate that the group expecting exit in the near future must have addressed the issues of giving up and letting go in already; it they had not, perhaps the planned exit time would have been pushed forward to the more distant future. Exit choice can also be viewed as a personal career choice (Battisti & Okamuro, 2010), and hence the incumbents may have already done some mental work on transferring the business and planned their life after the transfer, although still involved in the business. The aging entrepreneur has to confront identity paradoxes in any attempt to transform older activity patterns into new ones (see Garcia-Lorenzo et al., 2020).

Our study also revealed that firm size and gender affect the mental difficulty of letting go. The larger SME, the more difficult it is to let go. Larger firms employ more people, and the incumbent may feel personal responsibility for these employees. This may affect the difficulty of letting go and passing the ownership to someone else. Furthermore, Umans et al. (2020) showed that firm size is related to board involvement in the succession process, and CEO's emotional inability to let go has a negative impact on succession planning and on the governance outcomes in family firms. Thus, firm size, mental difficulty of letting go and succession planning are linked. In addition, gender plays a role. According to Harveston et al. (1997), among female-led family businesses, increase in the size of the firm and formality of the firm both significantly increase the comprehensiveness of the succession planning process compared to male-led businesses. Our study adds to this knowledge by showing that gender has also an impact on the mental difficulty of letting go the business.

The study has some practical implications, especially for policymakers and advisors working on promoting and supporting business transfers. The study demonstrates how important it is to consider the expectations incumbent entrepreneurs have when planning business transfer promotion. The aging business owners' expectation of mental difficulty of letting go is greater for the more distant exit, suggesting that this represents an obstacle to the early planning of business transfers recommended e.g., European Economic and Social Committee in a recent own-initiative opinion (European Economic and Social Committee, 2022). Business transfers take time; and postponing succession planning cannot but increase the difficulties. The results of this study suggest that mental difficulty of letting go is one of the first issues to tackle in promoting early planning. Raising awareness of the emotional issues triggered by giving up the business should target entrepreneurs at a relatively early stage: the entrepreneurs nearing the actual transfer have tackled the issue already.

6 CONCLUSIONS AND LIMITATIONS

The promotion of business transfers is important for society in creating continuity and well-being in terms of jobs, economic renewal, and growth. This study contributes to understanding the one of the problems expected in business transfers, thus providing a better basis for making recommendations to policymakers. Our study shows that the mental difficulty anticipated in a business transfer varies between exit strategies and planned exit time. As SMEs are most vulnerable to transfer failures (European Commission, 2011), it is important to tackle the expected problems in business transfers. Moreover, business takeovers have a higher survival rate than new venture start-ups (Xi et al., 2020), making support to SME business transfers a matter of importance in the society.

There are some limitations to this study. The data were gathered from only one country (Finland) and thus, the results cannot be generalized in all contexts. Furthermore, it should be noted that as the instrument of data collection was self-administered, there is a possibility of self-selection playing a part, which may have some impact on the data. Although our analysis of the respondents shows no evidence of bias, this cannot be completely ruled out.

Further, (longitudinal) research on exit planning by aging entrepreneurs would give greater insight on how views on upcoming business transfers develop over time; although family succession planning has been extensively studied, studies adopting the perspective of the incumbent regardless of exit strategy could increase our understanding of the phenomenon. A qualitative study of in-depth cases might reveal in greater detail the evolution of expectations and their impact on the preparations for business transfer and, later, on the success of the business transfer. Clearly, the mental difficulty of letting go is a major issue for SMEs owners approaching retirement age.

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