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# DEMAND FOR DIRECT BUSINESS SUBSIDIES: TRANSFER OF BUSINESS IN RURAL AREAS

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## ABSTRACT

Transfer of business is one primary stage in the enterprise's lifecycle. Finnish micro-enterprises will need more support to succeed in acquisitions and successions. In the countryside, enterprise continuity is even more critical than in cities. Business is vital for social welfare.

This thesis aimed to understand the demand for the business transfer subsidy. The objective of study was to identify business transfer obstacles and decrease them with business subsidy. The research question was how to direct business transfer subsidy to increase success and volume in Finnish micro and small enterprise transfers in rural areas.

The research method was a qualitative approach with a case study research design. The general interview guide was selected interview type. Interviews of business transfer experts and secondary data provided the database for the research. The theoretical framework was a combination of obstacles to business transfers, suitability of business subsidies, and the business transfer process.

The qualitative method gave an in-depth understanding of the research problem. A key finding predicted that business transfer subsidies for rural area micro-enterprises would increase Finland's success rate and volume of business transfers. In addition, findings indicated the target group and base of the form of subsidy. The commissioner of the thesis – the Ministry of Agriculture and Forestry of Finland, uses the information to encourage a business environment in the rural area of Finland.

**Keywords:** business transfer, business subsidies, entrepreneurship, rural area, micro-enterprise

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## 1 INTRODUCTION

Bengt Holmström (Boxberg 2020) states that a healthy market economy is a precondition for the survival of the welfare state. Business transfer is critical in terms of business continuity stages. It is the third central stage in the business life cycle, after the start-up and growth stages. (European Commission 2003, 5.) The drivers for business transfer are an entrepreneur's retirement, illness, changing market, or change of interests. A profitable business should always find a new entrepreneur than of the termination the business. A new entrepreneur is often found in the family or employees. (European Commission 2012, 5,10.) The constantly evolving business field creates security for future growth (Ketonen-Oksi & Pallasaho n.d., 5).

Starting a new business stands out firmly when thinking of opportunities for new entrepreneurs. An excellent real-life example is the number of publications. Searching "the start-up" word from the Amazon book department, the result is over 30 000 options. "Business transfer" search offers only 131 results. Business transfer is untrendy. Another example is the Employment and Economic Development of Finland. The public office offers training and start-up grants for new start-up entrepreneurs. There is no option to get a grant for business transfer. (Employment and Economic Development Office no date.) The business transfer has poor attention to increasing SME growth, and even the impact can be significant (Koreen et al. 2020).

Small businesses are an essential part of the economic future of rural areas. Over 50 000 enterprises need a new owner during this decade in Finland. Unfortunately, Finnish entrepreneurs are aged. Business transfer is a topic of 26 percent of companies in Finnish rural areas. Yearly only under 3000 enterprises change an owner in Finland. (Varamäki et al. 2018, 5, 11, 14; Huovinen 2019.) The situation is also problematic in many other OECD and G20 countries. The business transfer problem affects companies' competitiveness with adverse effects on the growth and innovative potential, job creation, and cohesion of communities. (Koreen et al. 2020.)

There is less professional support for the business transfer process and a limited number of potential buyers in rural area. The significance of one company is higher than in the urban area. Closing one business can measurably increase unemployment and decrease the vitality of the specific rural area. (Tall et al. 2020, 11.)

**The Ministry of Agriculture and Forestry of Finland (MAFF) commissioned** this thesis to clarify the opinion of the business transfer experts on the need for possible public funding for rural area micro and small entrepreneurs. Obstacles to business transfers and removing those obstacles with business subsidies will need more research. The common agricultural policy fund (CAP) can be part of the solution. The European Union (EU) CAP strategic plans will be implemented in the European Union from year 2023 to 2027. The new CAP strategic plan brings more funding opportunities for enterprises. (European Commission n.d.-b.)

The work started in late autumn 2020 and ended in spring 2022. Mr. Karhinen studied the topic alongside the main work. Hopefully, the results will impact the increasing number of business transfers in rural areas in Finland.

## **1.1 Background of the research**

One of the key objectives of the Ministry of Agriculture and Forestry of Finland is to develop Finnish rural areas. Creating the preconditions for economic activities and higher well-being for areas residents is in high priority. A diversified and vivacious business field creates better conditions for success. (Ministry of Agriculture and Forestry of Finland 2021a.)

One of the essential development tools for MAFF is to “implement the new CAP with a CAP strategic plan at national level”. MAFF prepared earlier the Rural Development Programme for Mainland Finland 2014-2020. More than 8 billion euros were divided into rural area developments. About half of the funding comes from the European Union. The Rural Development Programme is ending. The Common Agricultural Policy is a new program for the years from 2023 to 2027. The national strategy is developing now, and MAFF could direct a part of it to

support business transfers in rural areas with grants. (Ministry of Agriculture and Forestry of Finland 2014; European Commission. n.d.-a.)

Roughly 95 percent of Finland's land area is rural. However, around 70 percent of people live in cities in Finland. The rural classification affects eligibility for funding. Funding makes the Finnish countryside a better place to live. It affects a significant number of people. Also, quite many citizens spend their free time in the countryside in their summer cottages. (Vainio 2013.) It is estimated that over 40 percent of Finnish companies operate from the countryside. Diverse and innovative entrepreneurship is strongly connected with countryside's vitality and progression. (Ministry of Agriculture and Forestry of Finland 2021a; Ministry of Agriculture and Forestry of Finland 2021b.)

### **What is the transfer of business?**

According to the European Commission's Business dynamics report (2011, 90), the business transfer is when "all assets representing in their totality an enterprise as a going concern" transfer to a new owner. Business transfers are divided into two categories: internal and external. Internal business transfer means mainly family business successions. External business transfer means takeovers led by people with no link to an acquired enterprise. There are also some hybrid versions of these. Both transfers can be generally called business transfers. (Deschamps et al. 2021, 14.)

Defining the business transfer process is a complex. There is no universal consensus on when the process begins and ends. (Gomes et al. 2013, 16.) Business transfer is defined in more detail in chapter 2.1.

### **Defining a research problem**

According to the European Commission (2020a, 16), "Successful business transfers ensure continuity of production and business relations, preserve employment, and uphold the value of assets." Making a business transfer is a

critical step in the enterprise's life cycle. Companies in rural areas are typically micro or small-sized. Most SMEs are owner-managed (European Commission 2014, 23). Employee-led strategy is rarely possible for micro and small-sized companies. The European Commission (2014, 9-10) estimates that ownership and management are often separate sections in public limited companies. Public limited companies' ownership nature is often different from entrepreneur-driven companies. Business requires a committed entrepreneur to develop the business forward. The business transfer process is more complicated than in companies where the owner has a dominant role.

The businesses provide taxes to public administration. Taxes collected from companies cover a significant part of social security, health care, education, and the rest of public administration costs. The Finland Chamber of Commerce estimated that 69 billion euros in taxes were collected from Finnish enterprises' in 2019. Taxes include value-added tax, corporate tax, workers' and entrepreneurs' pension contributions, payroll tax, and similar taxes. Half of the taxes are related to employer contributions. (Kujanpää & Kotamäki 2021, 5-6.) The Finnish Government budget amounted to about 54 billion euros in 2019 (Ministry of Finance 2018, 13). Enterprises are a crucial part of the continuity of the welfare polity (Boxberg 2020).

Every year, thousands of mainly small and medium-sized enterprises disappear from the European Union because they fail to overcome the difficulties of transferring ownership (European Commission 2011, 90). According to the Business Transfer Barometer in Finland (Varamäki et al. 2018, 93), 34 000 companies are coming for sale in the next ten years in Finland. There are over 290 000 enterprises in Finland if companies are not included in the agriculture and forestry sectors (Statistics Finland 2020). Every profitable company is essential for Finnish society. The number of jobs and tax revenues will decrease if companies cannot find successors. (Tiensuu 2017, 76-85.)

**The European Union enables its member states to introduce new tools for supporting business transfers.** As the European Commission (2020c, 1, 10,



13) reminds us, “Europe’s 25 million small and medium enterprises are the backbone of the EU economy”. Buying a company can be more advantageous than starting up a new company. The European Union facilitates business transfers and tries to build a transfer-friendly business environment. The European Union is helping countries to shape their policies and design support measures. The Business Dynamics: Start-ups, Business transfer and Bankruptcy study (European Commission 2011, 10) indicates that over 150 000 enterprises fail to achieve business transfer and over 600 000 jobs disappear every year in Europe.

The European Union has seen business transfer as an important issue since 1994. The European Union recommended that member states reduce taxation and improve legislation on generational change. Later the European Union reminded member states of the importance of the matter in 2002 and 2006. The work has included several research projects like A Good Practice guide of measures for supporting business transfer to new ownership or Business Dynamics research. (European Commission 2014, 10,14,17,18.)

According to the European Commission (2014, 10, 14, 17, 18), the main actions to encourage entrepreneurs to do business transfers are:

1. Increase the knowledge
2. Create a better-regulated environment
3. Finance the change of ownership
4. Establish of business advisory services
5. Build an open market for buyers.

An existing company retains an average of five employees after business transfer. A Start-up company will create two places of work. A smooth change of business transfer can save more than three jobs compared to starting a new business. Still, numerous companies do not find a new owner in time, and the productivity and attractiveness of the company will decrease. (Commission of the European Communities 2012, 3-4.) A new active entrepreneur can drive the

company to a growth leap if the business transfer timing and implementation work successfully (Ilmari 2019).

New Common Agricultural Policy funds can be a new opportunity to bring new tools to encourage companies to do business transfers in rural areas. CAP funds are 387 billion euros packed of support to agriculture, forestry, fishery, and other development areas in rural areas in the European Union. Every European Union member state will design its national CAP strategic plans. The CAP strategic plan will allow the publishing of new business transfer subsidies if needed. The CAP funding is for 2021-2027, and the new CAP strategic plan applies from 2023 to 2037. Before that, earlier period rules are in use with the new budget. (European Commission n.d.-b; n.d.-c; Official Journal of the European Union 2021.) The Ministry of Agriculture and Forestry of Finland directs funds of the CAP to the Centre for Economic Development, Transport and the Environment (ELY Centres) and Local Leader groups (LAGs) to grant aid for rural enterprises. (Ministry of Agriculture and Forestry of Finland 2021b).

**The business transfer subsidy is a new topic.** A research problem is required to understand financial support for rural enterprises in the perspective of impact. In-depth information helps direct the subsidy. The issue can be considered a relevant and vital research problem regarding the use of public funds and the importance of enterprises' success for well-being. Limited resources and possible market disruptions require scientific research.

## **1.2 Research aim, objective, and research questions**

As a measure to increase business transfers and decrease the failure rate, the business transfer subsidies are a limited studied subject. **This thesis aims to gain an understanding of the demand for the business transfer subsidy.** More specifically, the beneficiaries of the subsidy are micro and small enterprises in a rural area of Finland.

**The objective of the study is to identify obstacles to business transfers to solve with business subsidies.** The aim is achieved by studying other research

materials to get the primary obstacles of the business transfer process. The obstacles to business transfers have been researched in other studies like in Omistajanvaihdosfoorumi's (OV-Forum) numerous studies or extensive the European Union research. However, acquisitions and successions have been extensively studied in for the past years (Deschamps et al. 2021, 7-10). The topic requires research for the planning purposes of the new funding products to be formulated by Finland's Ministry of Agriculture and Forestry. After identifying obstacles, the focus is to interview Finnish business transfer experts. The obstacles to business transfer are a significant part of the interviews.

**The main research question of the thesis was how to direct business transfer subsidy to increase success and volume in Finnish micro and small enterprises' business transfers in rural areas.** There is one sub-question to help solve the main research question. That sub-question is:

- What are the obstacles to the success of micro and small enterprises' business transfers?

Information from the study helps to outline the form of the funding. The subsidy divides into different parts like beneficiary (seller, buyer, predecessor, successor), the magnitude of the subsidy, eligible purchases, and others. This thesis will provide information primarily to Finland's the Ministry of Agriculture and Forestry. Information can be used to develop new funding products to support business transfers for ELY Centers and Local Actions Groups in Finland. The results may facilitate the planning of the CAP funding from 2021 to 2027. The new rules of CAP strategic plan will be introduced in 2023 (European Commission n.d.-c).

### **1.3 Method of the research project**

Research design is like a jigsaw puzzle. The author must find out all the pieces and place them in to correct positions to complete the picture. Qualitative research is best for using narratives, experiences, discourse, content analysis, and spoken word analysis. (Felix & Smith 2019, 94-95.) The chosen method for the research process is **the qualitative approach**. The qualitative approach helps to understand the dilemma better and create in-depth knowledge. A

quantitative approach would better test or confirm assumptions of public subsidy's usefulness. Using numbers and statistical analyses of the dilemma is difficult before cause and effect are understood well.

As described in more detail, chosen research methodology for this thesis was **case study research**. According to Simons (2009, 3-4), the case study purpose is to study a single and specific case. Focus on the case can be on a program, person, or even a process; the list of options is comprehensive. Simons (2009, 4-5) states that case study research can be a complex and diverse method. The case study methodology creates a foundation for the study structure in this thesis. Due to the nature of the study – accurate and specific case, case study research suited well for the study.

### **Primary and secondary data**

This research focused on collecting data from the spoken word. Felix and Smith (2019, 95) state that "qualitative data are often gathered through one-on-one semi-structured interviews". Thesis primary data was gathered by using one-on-one interviews via phone. Interviews created in-depth insights and were an excellent way to consider sensitive issues like business subsidies. Also, a one-on-one interview helps to solve the root causes of business transfer dilemmas more effectively than a survey.

The target group of the interviews was business transfer experts in Finland. Expert knowledge is higher than the entrepreneur who made the acquisition or failed to try to do it. Expertise comes from multiple repetitions of doing the task. Generally, one expert compensates for multiple entrepreneurs. Focusing on experts enabled decreased requirements to collect data. Selecting experts compared to entrepreneurs required a reasonable amount of data to be collected and processed. The Ministry of Agriculture and Forestry of Finland, ELY Centers, and interviewees suggested interviewees. The choice of persons interviewed is based on received personal awards, research on the subject, or a prestigious job position. Experts were interviewed by phone.

Data collection of the work is divided into two parts. Primary data collection was based on gathering data by interviews. The type of interviews were **the General interview guide approach** (Patton 1990, 280). The general interview guide approach uses selected themes in the interview, and it is more unstructured than a structured method. Interviews were done after secondary data collection. Secondary data-focused to support the primary data collection process. The thesis aimed to achieve a deep understanding of the problem, study the effectiveness of solving the problem with public business subsidy, and challenge experts to consider the possibilities of a new form of funding. Secondary data supported to outline of the themes of the interviews. Without secondary data, targeting and selecting relevant themes would have been challenging. Subsidies for business thesis transfers are limited to the studied subject. The secondary data is based on *the Unsuccessful SME Business Transfers article* (Matalamäki et al. 2020).

**Thematic analysis** was selected to analyze qualitative data as a used method. Its flexibility is easy to use for novice researchers and enables possibilities to go beyond interviewees' phrases. In in-depth interviews, the amount of un-relevant data can be large, and analyzing emotionally sensitive topics like business subsidies can affect interview results.

#### **1.4 Framework**

The theoretical framework is a selection of various essential theories, earlier studies, concepts, and definitions of the study subject. It gives a literature base for the study. Literature review summaries earlier database which affects the results of the study. (Kananen 2017, 29; Murray 2011, 122-144.) This study's framework contains relevant research key findings like *Unsuccessful SME Business Transfers*, selected English journal articles like *International Business Transfer – Innovation and growth of enterprises through business transfer in the Alpine space, and important theories such as Succession from an entrepreneurial process perspective* (Matalamäki et al. 2020; Bau 2018). Selected studies and theories create the base of this study. Studies about business transfers in Europe

commissioned by the European Union are a relevant and significant part of the framework. In addition, this study framework includes several different studies by Seinäjoki University of Applied Sciences in Finland. This university publishes Business Transfer Barometer in Finland. (Varamäki et al. 2021, 5.)

The literature review can be divided into three key sections. The sections have critical theories, earlier studies, and used concepts. Sections can be visualized as three circles partly on top of each other. The point where each circle encounters others is the demand for funding: the transfer of business. This study focuses on how applicable would-be public subsidy is for business transfer. The output of this is the information on demand for funding.

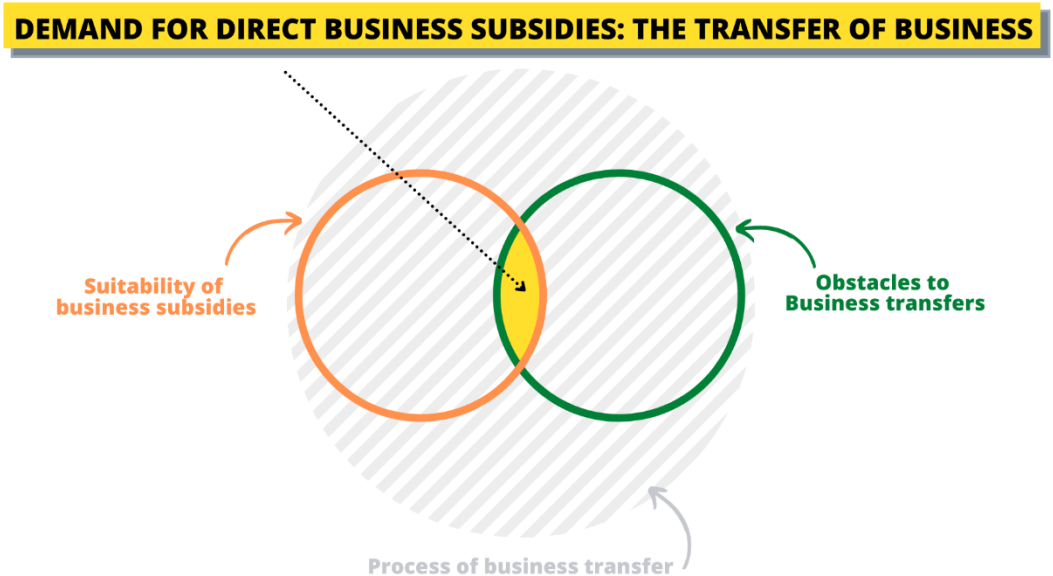


Figure 1. Demand for direct business subsidies: The transfer of business

Figure 1 above visualizes the theoretical framework of the study. It indicates the Demand for direct business subsidies: The transfer of business is formed of the three sections. The first section is about the suitability of business subsidies. More specifically, the suitability of business subsidies is a crucial part of the study. The idea is to use the business subsidy to solve the specific issue as an output. Business subsidies can solve some problems better than others. The outcome of it should be an increased number of successful business transfers. Subsidies for business transfers are a limited studied subject. Several studies

can be found if a subject is approached more widely. Business subsidy is a generally often studied subject. The Ministry of Economic Affairs and Employment of Finland has estimated that 20 relevant Finnish studies made after 2010 (Ilmakunnas et al. 2020. 80-90). The results of the studies are described in the report of the Research Division on Business Subsidies 2020.

The second section is Obstacles of Business transfers. For one reason or another, business transfers fail. The research question is how to direct business transfer subsidy to increase success and volume in Finnish micro and small enterprises' business transfers in rural areas? The low number of business transfers in Finland requires studying more of the obstacles to business transfers. After that, the development of the form of the subsidy can begin. Otherwise, business transfer subsidies cannot direct key and solvable obstacles, and the impact of the grant can be poor. Literature indicates that obstacles are a broad and complex list of issues. This thesis focuses on solving specific and carefully selected obstacles with subsidies.

The foundation of the thesis is the process of business transfers. Understanding the nature of the business transfers correctly helps timing, forming, and targeting the business transfer subsidy.

### **Process of the Business transfers**

The process of the business transfer is the base of the framework. The research topic of acquisitions and mergers is widely researched. However, as the size of the business transfer reduces, and the number of the research will decrease as the commercial interest decline. Luckily, the business transfer process simplifies or stays the same if the size of the business declines. Understanding the business transfer is a requirement for the success of the data collection and forming the subsidy. For example, one primary cause behind business transfer can create criteria to select a suitable target group to raise awareness of business transfer and get better results than general advertising of subsidy.

The European Commission (2011) research like Business Dynamics: Start-ups, Business transfer, and Bankruptcy and the Centre for Strategy & Evaluation Services (2013) research Evaluation of the Implementation of the 2006 Commission Communication on Business transfer are part of the thesis framework. Those studies investigated triggers to sell the business, exit routes, and other essential topics for the process. Gomes (2013) processes the critical success factors in business transfers. In addition, Varamäki et al. (2021), in the report on Business Transfer Barometer in Finland, extensively studied the business transfer process.

### **Obstacles to Business transfers**

Business transfers are researched and formulated in many ways. This thesis uses the following theories: Successions from an entrepreneurial process perspective (Nordqvist et al. 2013), Success of an SME acquisition (Sipponen 2017), and The Success of SME Business Transfers (Varamäki et al. 2014), Understanding Business Takeover Intentions (Joensuu-Salo et al. 2021), the entrepreneurial Exit Decision Process (Deschamps et al. 2021, 22-36) and earlier mentioned theories and articles.

The Unsuccessful SME Business Transfers study shows critical findings of the reasons behind business transfer failures. The study indicates that a buyer's too low offer or seller's too high asking price is an obstacle to a business transfer. 154 Finnish entrepreneurs' have answered to study. All of them have done failure in the business transfer process. The Sampling data is limited, but similar information is rarely available. The European Commission (2011) report on the Business dynamics indicated more general level aggravator factors in business transfer failures. Aggravator factors like the micro size of the firm, legal form, and high level of the firm's debt make business transfer failure more likely to happen. According to Power and Ryan (2008, cited in Matalamäki et al. 2020, 125-126), nine factors can contribute to the failure of business transfers: long age, quality, niche market, business risk, personal motivations, a prosperity of the region, sellers have no previous experience in the industry, insider buyer and future of



market development. The Business dynamics final report and the Influences on the Entrepreneurs Expected Mode of Exit article are inconsistent with the effect of the enterprise's long age.

The European Commission (2011) report indicates that European Union Member States should provide training to increase the number of successful business transfers. The Nebraska States estimates that similar outcome. Transfer and Retention in Rural Nebraska indicate that Nebraska state rural area entrepreneurs are highly interested in having a mentoring program for youth to buy a small business. (Allen et al. 2002.) The central part of the Nebraska state is the rural area (USDA Economic Research Services 2007). Rural definitions are different from Finland, but the amount of business transfer needs to increase in both regions (Helminen et al. 5, 9, 12; USDA Economic Research Services 2007). According to Tall et al. (2020), research shows that the Finnish university of applied sciences and entrepreneurs startup training should add more training to a student for buying an enterprise. Subsidies to subsidize entry fees to help the student take part in training could be one way to increase knowledge of takeovers and increase business transfers.

Seinäjäki University of Applied Sciences (SeAMK) publishes Business Transfer Barometer in Finland every three years. The latest report indicates that Finland has developed diversified funding products and small companies' ownership funding possibilities. An extensive survey was published in the spring of 2020. Survey respondents were working near of business transfer process. (Tall et al. 2020, 90) In addition, SeAMK is also part of the OV-Forum. OV-Forum supports business transfers and successions in Finland. (Varamäki et al. 2021, 210.)

## **Suitability of business subsidies**

The output of the subsidies can achieve several impacts. In the best-case scenario, business subsidies can increase labor productivity and resilience. This outcome is that "accelerate economic growth and improve competitiveness". (Einiö et al. 2022, 12) The usefulness of the business subsidies stimulated discussion in the 21st century in Finland (Haavisto 2020; Korkman 2018). Business subsidies are effective and suitable for solving some challenges of a market economy. The suitability of the business transfer subsidy is a crucial part of the study and one central theme.

The Ministry of Economic Affairs and Employment of Finland report estimates 20 relevant Finnish studies made on Finnish business subsidies between the year 2010 to 2020. The European Union standards approve these studies. Statistics Finland collected the data. (Ilmakunnas et al. 2020. 80-90.) This literature review focuses on using those studies as a relevant part of the theoretical structure. Those studies include R&D Subsidies and Company Performance: Evidence from Geographic Variation in Government Funding Based on the ERDF Population-Density Rule by Elias Einiö. The outcome is that one euro of granted subsidy will increase R&D activities by 1.4 euros. (Einiö 2014, 710-728.) Another study is named Economics of Finnish Innovation Policy. Its outcome is that R&D will increase clearly after the subsidy is granted. (Takalo & Toivanen 2018, 56-59.) All the studies do not indicate that business subsidies have a positive outcome. Karhunen and Huovari (2015, 805-823) state "no significant positive on labour productivity over the five-year period after a subsidy is granted".

Data-based decisions are the basis for goal setting (Tuffery 2011). According to the European Commission (2020a, 76-78), Finland has incomplete descriptive data on business transfers. Section of the suitability of business transfers also processes the non-financial methods to solve obstacles of the business transfers. Business subsidies can distort competition and reduce welfare. In the worst case, business subsidies can eliminate the competition. Subsidy should not be granted too easily. (Ilmakunnas et al. 2020. 13, 19-21.) The European Commission has

published several ordered studies of the European Union countries' business transfers. The objectives of those studies have analyzed the European Union member countries' status of business transfers. Reports like improving the evidence base on the transfer of business in Europe, Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers and Business Dynamics - start-ups, business transfers, and bankruptcy, are part of the literature review.

### **Definition of the target enterprises and rural area**

The motive of the research is to support Finnish micro and small enterprises in rural areas to succeed in acquisitions and successions. It is essential to define the target enterprises accurately. There is no universal definition for the terms – micro and small enterprises. The USA defines SMEs from one industry to another differently. (United States International Trade Commission 2010, 18.) Enterprises are mainly defined similarly throughout the European Union member countries. The SME Recommendation by the European Union is a practical tool to determine the selected enterprise. With the definition, grants can be targeted correctly. (European Commission 2020b, 3-4.)

According to the Statistics Finland (n.d.-a), a microenterprise defines as a company with fewer than ten workers. Turnover and balance sheet total are both under 2 million euros. Definition of small enterprise is under 50 workers and 10 million euros turnover or/and balance sheet total (Statistics Finland n.d.-b). In North America, micro company size is less than 20 people (United States International Trade Commission 2010, 18). The Statistics Finland uses the SME Recommendation definition of SME enterprises (Statistic Finland n.d.-b).

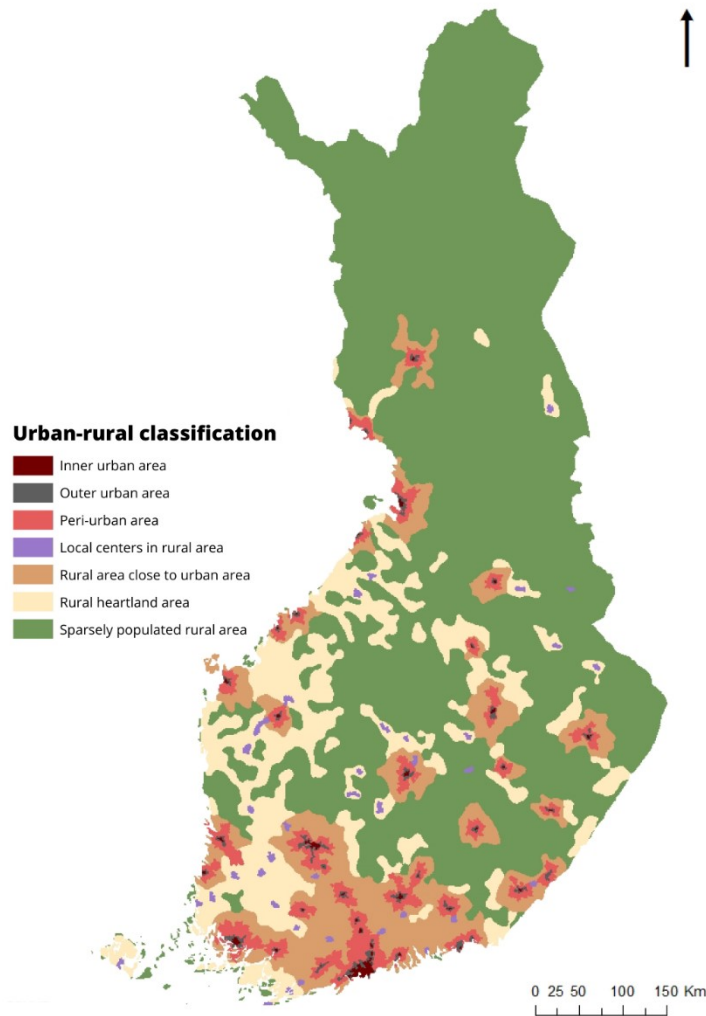


Figure 2. The Rural area in Finland (Helminen et al. 2020, 13)

Figure 2 indicates the rural area in Finland. Urban-rural classification divided Finland into seven different classes. Local centers in rural areas, rural areas close to an urban area, rural heartland areas, and sparsely populated rural areas are classified as rural areas, and other areas are urban areas. Over 72 percent of the Finnish population lives in the urban areas of Finland. Approximately one percentage of people's residence is not specified. The rest of the population lives in rural areas. Cities' area covers only five percent of the surface area in Finland. (Helminen et al. 2020, 13; Finnish Environment Institute 2020.)

Rural-urban area classification is based on the Finnish Environment Institute and Geography Research Unit from the University of Oulu estimation. Every part of the Finnish 250 x 250 meters zones is defined. Classifications are used for rural areas public funding, etc. Classified based on the population, labor force,

commuting, and construction information. Rural-urban area classification is renewed periodically. (Helminen et al. 2020, 5, 9, 12.)

### **What is not studied?**

There is little data available on rural area enterprises' business transfers. The Confederation of Finnish Industries has researched business transfers. It compared rural and urban areas' enterprises turnover after transfer and how familiar business transfer is for entrepreneurs. There was a slight variation in results. (Huovinen 2020, 4-15.) Studies about the suitability of business transfer subsidies are limited. Limited studies are affected most by a limited number of business transfer subsidy products on the market in the European Union. This study couldn't find any direct subsidies for business transfers in the European Union to Literature review. The Center for Economic Development Transport and the Environment grants Business Development services subsidy to get support planning business transfer process in Finland. ELY Center does not grant subsidies for the implementation phase. (Centre for Economic Development, Transport and the Environment n.d.-a, 1-2.)

## **2 DEMAND FOR DIRECT BUSINESS SUBSIDIES**

Business transfer is a process rather than an event. For instance, the process is complicated, and it will involve many individuals like a buyer, seller, employees, and other stakeholders. To understand the business transfer, the researcher needs a multilevel lens. (Deschamps et al. 2021, 156.) Business transfer experts see business transfer as a complex process in the eye of customers. The transfer is often a once-in-a-lifetime event for micro and small-sized enterprise owners. Success at work requires various forms of support. (European Commission 2014.)

Typical supporters are banks, accountants, tax experts, and consultants (European Commission 2003, 10). On the other hand, entrepreneurs often underestimate the acquisition and misuse of expert services (Varamäki et al. 2011, 31-33). Only 50 percent of SMEs have used expert services (Sipponen

2017, 76). And "almost 90 % of all business transfers happen in the micro-business segment of SMEs" (European Commission 2020a, 16). According to the Confederation of Finnish Industries (2020), only 36 percent of Finnish entrepreneurs have experience with an earlier acquisition. Most of the entrepreneurs are beginners and have limited knowledge of it. Buying a company is an investment. (Liimatainen & Lähteenmaa 2019, 23.) However, inexperienced entrepreneurs use more public providers' services in the business transfer process (Varamäki et al. 2014, 56).

The European Union's role in the business transfer process is "helping businesses achieve a smooth transfer" (European Commission 2020a, 16). According to the Centre for Strategy & Evaluation Services (2013, 31-68), there are several ways to influence to business transfers process by the public sector:

- Awareness-raising
- Business support (training and mentoring, availability of financial support instruments)
- Data collection
- Financial environment
- Change of legal form
- The Legal principle of continuity
- Regulation
- Taxation (reduced inheritance tax, retirement tax relief, re-investment tax relief, sale to employees' tax relief, and neutral tax restructuring)

This chapter introduces the business transfer process, definitions, buyers' and sellers' reasons to act, obstacles of business transfer, and others.

## **2.1 Definition of business transfer**

According to Deschamps et al. (2021, 1), a business transfer occurs when ownership and leadership transfer from one or multiple to one or various owner-managers. The company's material assets, immaterial rights, relationships, and social capital transmit to the new owner. The business transfer includes:

- Transfers of a family business,

- Internal business transfers to employees,
- External business transfers.

The European Union definitions add to the previous one that in the case of the limited companies, a transfer of 51 % shares may be considered a business transfer. Public limited companies are mostly large-scale enterprises, and those business transfer definitions can be more complex. (European Commission 2014, 9.) This thesis will focus on micro and small-sized enterprises' business transfers.

### **What is not business transfer?**

Not all the buyouts are business transfers. According to the Accounting Act of Finland (1336/1997), section 1, if "the reporting entity controls the majority of the shareholders' or members' voting rights in the object undertaking and where this majority is based on ownership, membership, articles of association, deed of partnership or similar rules or other agreement", the reporting entity will control the company. In this case, the business transfer is processed. As simplified, if there is sold less than 50 percent of shares, there is no business transfer happened. This is based on the Finnish Accounting Act. Several laws affect the definition of a business transfer in Finland. Applicable law depends on the case. For example, the seller's profit from the business transfer is processed within Act on the Taxation of Business Income. (Act on the Taxation of Business Income 24.6.1968/360; Kukkonen & Walden 2020, 374-525.)

There are also challenges in timing. In the definition of the business transfer, the challenge is to determine when the transaction took place. The trade can take place gradually over a long time, and the form of the trade may change. (Tall et al. 2020, 112.)

Some countries do not see succession succeeding when the new entrepreneur is a woman. For example, women cannot do business in Pakistan and the Democratic Republic of Congo. The issue is not relevant in the European Union. (Marston 2014, 13.)

## 2.2 Reasons behind business transfers

The trigger behind business transfer is often the entrepreneur's retirement (OV-Forum n.d.). A third of the Finnish entrepreneurs were over 55 years old in 2017. For comparison, 22 % of employees were over 55 years old. (Statistics Finland 2017, 20.) This indicates that the entrepreneurs' phase has more pressure to retire.

Retirement is not the only reason behind business transfers. It is a natural way to sell an enterprise when an entrepreneur's resources have dwindled, illness makes it difficult to work, or desire to sell the business to buy something else (Centre for Strategy & Evaluation Services 2013, 61). Also, an essential reason for a sale can be an attractive offer (Kettunen et al. 2015, 26-27).

According to Wennberg et al. (2010), the seller has four different exit routes. Exit routes are based on the enterprise's performance. Those options are distress sale, harvest sale, harvest liquidation, and distress liquidation. The business will ensure continuity under a new owner in the first two options. A harvest sale is often an ideal situation for a seller. Distress sale is avoiding a loss of more money, and an enterprise has the funds and/or potential, but the business takes more money than it brings to owners. Distress liquidations exit route is done to avoid bankruptcy. The harvest liquidation exit route might be done when profitable enterprise assets are distributed to owners for other reasons than financial.

The European Commission (2020a, 23) states: "A business transfer is an important milestone in the life cycle of an SME". The typical time of being an entrepreneur of the same company is shorter than earlier. Interviewee 2 (2021) in the study interview estimated that the new generation sells the company earlier than previous generations. According to Varamäki et al. (2018, 11) younger buyers and sellers in business transfers are increasing.

Table 17 in the Appendix 1/1 indicates predictors' motivations to sell the business or causes of cessation of business activity from four different studies. Retirement



is the main reason to sell a business in three studies. In the fourth study, the main reason behind selling or causes of cessation of business activity is that business is not profitable. Retirement is not surprising because European entrepreneurs are aged. In the year 2017, over 27 percent of the population of Finns was over 60 years old, 28 percent of Germans, and 29 percentage of Italians (Alpeza 2021, 136-137). Finnish study was published in the report *Unfinished business transfers – Seller's and buyer's perspective* (Varamäki et al. 2014). The study indicates that illness, focusing on the remaining business, and attractive offers were other important reasons. Family reasons and starting a new job as an employee were not as common reasons to sell the business. Business Dynamics report was a limited study by possibilities to select a suitable answer. It indicates that ten percent of entrepreneurs will die before business transfer.

Snijders et al. (2006) study indicates that early retirement was the second most popular reason to sell a business with 13 percent of answers. Other choices collected few answers. Once an entrepreneur – always an entrepreneur? Post-exit interests of retired entrepreneurs' study had an abnormal result. Tax policy and administration reasons to causes of cessation of business activity, was the second popular answer after that business is not profitable. Another job or business opportunity was the third popular answer. Other responses divide more evenly.

### **Why do buyers want to buy?**

Buyers often understand that the business transfer model skips the startup phase and goes right to running a successful company from the first day off (Deibel 2018). The study indicates that SME transfers often succeed, and buyers are usually satisfied after a business transfer. (Varamäki et al. 2014, 10.) According to the Confederation of Finnish Industries research (2020), 71 percent of the acquisitions and enterprises turnover has risen in a rural area of Finland. Fifty-four percent of entrepreneurs estimated that turnover increased after successions. Responses were collected in November 2019. There were 770 respondents.

### **2.3 Potential buyers in the market**

Approximately a third of the buyers do not have any experience in selling or buying the company in Finland. According to the OV Forum study, buyers often have experience in business transfers. (Tall et al. 2015, 25-26.) The Business Transfer Barometer in Finland study indicates that a quarter of the Finnish entrepreneurs are highly interested or interested to buy a company. The respondents' medium age was 62 years. (Varamäki et al. 2021, 79.) Over 40 percent of buyers make purchases with a partner or team (Centre for Strategy & Evaluation Services 2013, 27).

Table 18 in Appendix 1/3 indicates buyers' drivers to buy a business. The biggest driver to buying a business is earning a livelihood for oneself. On the other hand, an opportunity to get rich got only 3.0 points and was not essential for most responders. The second biggest driver is the opportunity for self-actualization. Also, the desire to be without a boss is a high reason factor. Incredible opportunity to buy a business and good business idea got 3.9 points, which are more critical than average factors to buy a company.

The results of table 18 in Appendix 1/3 show that sellers should offer their business to buyers bravely. The buyer often accepts incredible opportunities to earn a livelihood, an opportunity for self-actualization, or get rich. The likelihood of a sale will improve if the business is good.

#### **Four target groups of buyers**

SMEs can be transferred to individual buyers or corporate bodies. There are four types of individual buyers: one or several employees, family successors, 3rd party buyers, and hybrid versions from previous ones. In hybrid versions, buyers can be, for example, one employee and two 3rd party buyers together. Corporates are typically competitors, expanding companies, or companies buying the technology. (Deschamps et al. 2021, 117-127.) According to the European Commission (2011, 96), transfers to individual 3rd party buyers have a higher

positive or very positive impact on the company than corporate, family members, or employees' buyers have.

**Employee buy-out** can be attractive for several reasons for the seller. Firstly, often buyers can be found easily from the employees. In a Finnish study, sellers in the middle of the transfer process answered that buyers would be an employee in a quarter of cases. (Varamäki et al. 2021, 38.) Secondly, transfer to an employee can contribute to ongoing stability during the transfer process, and the seller can trust the outcome. Employee buyouts have a higher rate of success than 3rd party buyers have. Thirdly, in regional development, current employees often have a lower interest in relocating the company. (Centre for Strategy & Evaluation Services 2013, 57; Deschamps et al. 2021, 117, 128.)

**Family business successions** are a common way to transfer ownership to a new owner. In 2012, the Business Transfer Barometer of Finland estimated that 20 percent of entrepreneurs planned to do family business successions (Varamäki et al. 2012, 26). Business Transfer Barometer in Finland in 2021 estimates that those entrepreneurs who already had buyers chosen answered that only two percent of buyers were relative. Companies with more than ten employees were more interested in finding a successor than an external buyer. (European Commission 2021, 83, 85.) Family business succession transfers have been declining for several years. "Decreasing interest of family members is leading to a lack of successors in family firms." Even those have a lower rate of a failure than others. (Deschamps et al. 2021, 117, 128, 149.) Polish Family Business Institute estimates that the ordinary succession process takes 2 to 5 years (European Commission 2020a, 37).

**3rd party buyer** is selling a business to a non-family person or non-employee. The buyer can be a company or person. Takeovers and mergers often belong to this group. The European Union encourages transfers to third parties because otherwise, enough successful trades cannot be executed. The taxation system is an ideal method to encourage sellers and buyers to seize the opportunity (European Union 2011, 9.)

3rd party buyer is a natural way to sell a business forward if any relative or employee cannot be seen as a potential buyer or successor. Business Transfer Barometer in Finland study (Varamäki et al. 2021, 38) indicates that in 64 percent of cases, a buyer was an individual third-party buyer or the other company. In only 8 percent of cases, buyers had been found. In any case, the figure can be a direction indicator. 3rd party buyer means that business transfer is external. The buyer needs to know about the company culture, employees, and other essential things. (Deschamps et al. 2021, 147.)

3rd party buyer often has two issues in the transfer process. The first one is the transfer of company ownership. The second one is a transfer of management. Taking a new leadership role is crucial to increasing employees' motivation and reducing their resistance to changes. (Deschamps et al. 2021, 137, 167.)

**A hybrid version of buyers** combines two or three types of buyers. The combination of buyers can create new opportunities and reduce risks. On the other hand, complicated ownership can increase other issues. (Deschamps et al. 2021, 117-127.)

## **2.4 Process of the business transfer**

The process is the method of doing something systematically. It helps to lead toward a particular result. (Cambridge Dictionary n.d.) Business transfer ideally happens when responsibility, competence, and information have changed. The process can be supported by coaching or other methods. (European Commission 2014, 23.) Centre for Strategy & Evaluation Services (2013, 81) defines the business transfer process as follows: “a business transfer is the process of transferring, for any reason whatever, the controlling interest in the business of an SME, by means of a transfer of either shares or assets. It is usually accompanied with a change in management”. There is no consensus on the boundaries of the business transfer process when the process begins or concludes.

Critical success factors must divide by stage of the business transfer process for successful business transfer. (Gomes et al. 2013, 14.) “Transferring a business is a complex process, which needs to be assisted by a supportive administrative and regulatory environment, efficient mechanisms of matching buyers and sellers as well as good quality advisory services” (European Commission 2020a, 23).

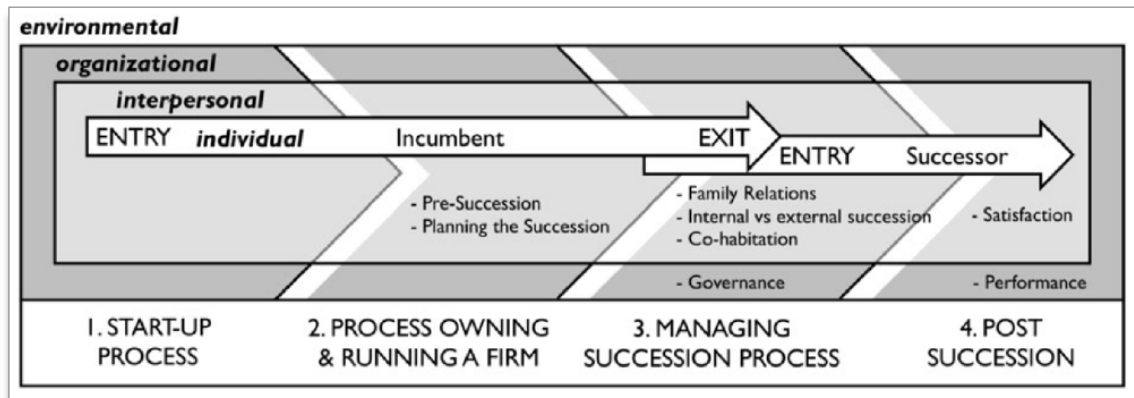


Figure 3. Successions in family enterprises (Nordqvist et al. 2013, 7)

Figure 3 demonstrates the business transfer process in Family succession. The perspective is entrepreneurial. There are many similarities with the takeover process. However, the nature of the successor is different in family successions if comparing to a third-party buyer. Successions in the family enterprises model formulated after Nordqvist et al. (2013) analyzed extensive literature on business transfers. The model includes the successor’s and predecessor’s perspectives. The model divides into four different levels. All the levels and clusters have their own risk of failure in the business transfer process. Entrepreneurial entry and exit roles are critical roles in this process model. “Firms and entrepreneurs have two different lifecycles that often coincide, but also diverge”. The exit stage is when the entrepreneur must decide to sell, pass, or close the business. If the entrepreneur decides to sell and the trade takes place, a new entrepreneur or entrepreneurs takes charge of the firm. (Nordqvist et al. 2013, 1088-1116.)

**The environmental level** represents external factors. Those factors can be legal, political, financial, and national cultures that impact to firm negatively or positively, only factors that are relevant to succession. (Nordqvist et al. 2013, 7-31.) Moreover, as an example, the Association of Suomen Yrittäjät recommends,

and the Business Barometer of Finland suggests reducing taxation to support business transfers in Finland (Varamäki et al. 2021,18, 38-40.)

**The organizational level** or firm level includes primarily social and human capital factors (Nordqvist et al. 2013, 1088-1116). For example, an enterprise is often sold to 3rd party buyer (Varamäki et al. 2021, 38). Taking a new owner-management is a crucial phase to increase the motivation of employees. (Deschamps et al. 2021, 137, 167.)

**Individual level** divided into four new different clusters. These are pre-successions, succession planning, succession management, and post succession. (Nordqvist et al. 2013, 1088-1116.)

### **Critical success factors in business transfer**

A successful business transfer process needs to be identified to get a better outcome (Gomes 2013). According to Gomes (2013), there are seven critical success factors in a pre-and post-merger stage in the Mergers & Acquisitions process. Table 19 in Appendix 1/4 describes the critical success factors of the premerger phase, and Table 20 in Appendix 1/5 describes the critical success factors of the post-acquisition phase.

Companies are getting growth via mergers and acquisitions, and it is one of the fastest tools to get it. It is an option to achieve growth without organic growth. Some business transfers are called M&A. Mergers can be defined as two or multiple companies joining to form one company. After combining, only one company represents the business, and some parts can be divided or sold out. An acquisition defines as one company purchasing another company's assets or shares. (Gleich et al. 2010, 28; Gaughan 2015, 12-39.)

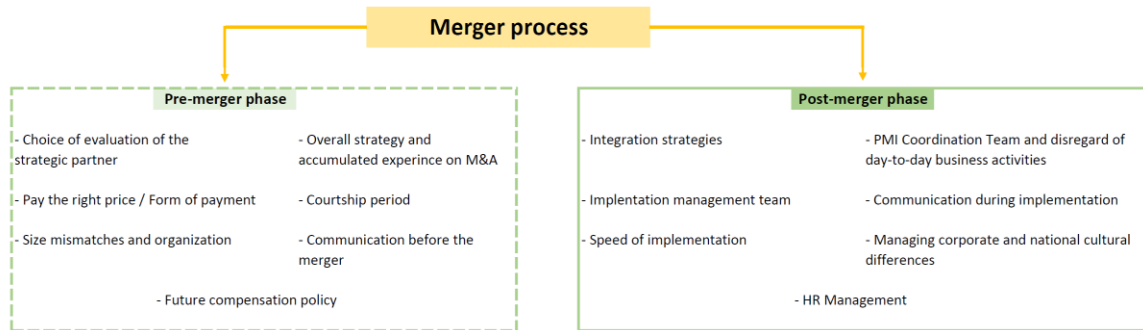


Figure 4. Merger process (Gomes 2013, 28)

Figure 4 presents critical factors in Mergers & Acquisition process and gives a full view of critical factors. The process is presented from the buyers' perspective. The figure indicates factors to focus on to ensure success in the business transfer process. Tables indicate that dynamic relationships between different perspectives are needed. Pre-merger phase shows critical factors before the completion date and the post-merger phase after it.

Table 19 in Appendix 1/4 and Table 20 in Appendix 1/5 describe the background of the factors in more detail. There are three relevant critical factors in the case of this study. **Choice and Evaluation of the Strategic Partner** are crucial after the need for the business transfer is established. The first step that the buyer must accomplish is to choose a strategic partner. The choice is affected by strengths and weaknesses, requirements, the target company management team's quality, and other barriers like cultural differences and human resources. A business transfer expert can classify as a strategic partner. **Paying the right price** helps to avoid many problems. Significant cases of failure are paying too much. It makes it hard to reach a target of return. The failure rate of business transfer is significantly higher for those companies that spend too much. **Courtship time** allows partners to understand each other's better, reduce later conflicts and misunderstandings, and strengthen cooperation, especially in the negotiation process. (Gomes 2013, 19-27.)

#### 2.4.1 Takeover

The most typical method to transfer an existing business to a new owner is the sale of shares or selling the business without enterprise. Other typical ways are

to give an enterprise as a gift or get a legacy. The nature of the trade is affected by the following: company form, tax considerations, other additional assets in the company for sale, buyer and sellers' responsibilities, and others. In Finland sale of shares is an ordinary way to sell a limited liability company. (Lakari & Engblom 2012, 40-41, 45.)

Management buyouts mean that ownership is transferred to an employee or owner in a company. The owner is not a family member. Management buy-ins mean that the business is sold to people outside of the company. (European Commission 2020a, 65.)

**Selling the business without enterprise can be the ideal in many cases.** It is a more secure method for the buyer to buy just a core business. A buyer can more easily control taxation and risks when assets are clear and unexpected obligations do not arise. The assets of the acquired enterprise have often accumulated non-profitable business or other assets in which the buyer is not interested. Buying the core of the business is a simple and often easier way to make a transfer. It is essential to realize that a sole proprietor cannot sell their entire enterprise to a new owner without a change of form of the enterprise in Finland. The sole proprietor only can sell their business activity. (Lakari & Engblom 2012, 41-42, 63.)

#### **2.4.2 Family business successions**

There is typically a no more significant challenge for the family than transferring the business from generation to generation. Emotions have a usefully more significant impact than in other business transfers. (Deschamps et al. 2021, 37-48.) According to Deschamps et al. (2021, 52), "The succession represents the most critical issue a family business must manage to ensure its survival from one generation to another". "It is estimated that one-third of family businesses success into the second generation" and only tenth survival to the third generation. (Deschamps et al. 2021, 52-53.)



Family business successions are complex research topics and processes for successors and predecessors. The process is more complicated and diverse because the transfer is affected by family relations, emotions, and other reasons that are also affected in other business transfers. It is estimated that lack of self-confidence, damaged relationships between successor and predecessor, and problems between family members and successors are the main stressors in family business transfers. (Deschamps et al. 2021, 64-66.)

## **2.5 Obstacles to the transfer of business**

There is not just one primary challenge that needs to be overcome. Obstacles of business transfer are diverse, broad, and challenging to solve because of financial, regulatory, or managerial challenges. (European Commission 2014, 20-23; European Commission 2014, 16.) Many practical measures have been taken to solve obstacles; like awareness-raising, a more friendly business environment, public support to get a loan, etc. (Viljamaa et al. 2016, 23; European Commission 2014, 19-22, 27-35).

According to the European Commission (2011, 14), four different factors make SMEs vulnerable to transfer failure. Those factors are:

- “1. Matching the preferences of buyers and sellers,
2. Building trust,
3. Emotional and psychological issues,
4. Technical issues.”

Under these categories, there are several typical problems in business transfer in the EU region. Most of the problems must be dealt with in the country. The European Union cannot directly affect domestic legislation or taxation. However, The European Union can directly affect, e.g., through communication and financial support. According to the European Commission (2011), the challenges are:

- attract the business owner's attention in good time

- provide enough financial conditions for the business transfer
- support entrepreneurs to make an effective transfer. This includes financial mentoring, legal support, and other kinds of support
- make sure that the business will not die in the case of death of the business owner
- taxation needs to be made more incentive for transfer within family or employees

Micro firms are highly vulnerable to transfer failures (European Commission 2011, 94). Especially private traders are most exposed to transfer failure compared to others. Over 50 percent of Finnish private traders estimate that business mortality risk is high and business transfer opportunities are limited (Varamäki et al. 2021, 32,35). Oertel and Walgenbach (2012, 472) study suggest that "the exit of a partner increases the mortality risk of a SME". The size of an organization affects risk. The larger organization has less risk of failing. Varamäki et al. (2014, 15) estimate that the reasons for the failure of business transfer divide into three different areas:

1. before negotiations, when buyer and seller will not meet each other's
2. during the negotiations
3. after the business transfer, where the integration process or takeover of the business transfer fails. The annotated that business transfer interruption of the eye of seller or buyer is not always a failure.

**All the businesses are not transferable.** A transfer is more difficult for smaller businesses, like micro-enterprises, and particularly for private traders than bigger ones. Private traders' personality is a big part of the business. Customer relationships and competence is tied to the entrepreneur. Entrepreneurs cannot quickly sell the business because they are control oriented. The typical entrepreneur also works on multiple work tasks, and replacement would require multiple employees if a new entrepreneur cannot perform all of these. Those

problems are especially private traders' problems. (Slee 2011, 411.) Sixty-two percent of Finnish enterprises are private traders (Varamäki et al. 2021, 11).

## **2.6 Suitability of the business subsidies**

The public sector grants subsidies to businesses for various purposes and in diverse forms. The business subsidy is the output that aims for the following objectives: security of supply, regional policy targets, economic renewal and growth, socioeconomic reasons to employ, environmental protection, or other essential reasons. In recent years, supporting the business investment in research and development has played a notable role. (Ministry of Economic Affairs and Employment of Finland 2020, 15-16; Malinranta 2019, 11.)

Economic reform is important for all sorts of countries. Economic growth also improves the most developed countries' citizens' well-being. Business subsidies are often based on the conception that the market has failed in renewal. Increasing the innovations is perceived as an effective way to increase productivity closely linked to economic growth. To get more with less is the base of productivity. Start-up enterprises are a particularly substantial part of innovations and renewal of the economy. (Malinranta 2019, 8-12.)

Public business grants can divide into two dimensions. The first dimension is direct grants. The second dimension comprises tax subsidies. Public loans and guarantees for R&D and investment are part of the direct subsidies category. (Ministry of Economic Affairs and Employment of Finland 2021, 47.) Finnish public business subsidies system includes dozens of different types of tax subsidies to businesses that have not defined to disrupt the internal market in the European Union (Ministry of Economic Affairs and Employment of Finland 2020, 35).

For example, the Business Finlands' Innovation Voucher is a grant for a company to buy external services to develop innovation activities. With support to buy services, the SME enterprise can prepare a design strategy, develop services or products, and establish patents. The grant amount is 5 000 euros, and it ensures

the total cost of buying the services. (Business Finland no date.) Another example is Employment and Economic Development Offices start-up grant. The start-up grant is granted for the new entrepreneur if the person is unemployed. Start-up grants idea is to help get a business started. Grant enables livelihood for the entrepreneur for the first months, in some cases, the first year. The grant amount is 34,50 euros per weekday. (Employment and Economic Development Offices no date.)

Overall, a taxpayer will pay the public business subsidies. In addition, business subsidies always have an opportunity cost. Opportunity cost means the loss of the potential benefit that a choice caused. The investment could be redirected to another development target. However, the business subsidies are intended to benefit the whole society. The highest risk of public business subsidies is killing or decreasing competition. The competition will distort, and the well-being of society will decline. (Ministry of Economic Affairs and Employment of Finland 2020, 16, 21; Malinranta 2019, 8-11.)

### **Results of subsidies in Finland**

According to Ilmakunnas et al. (2020), various Finnish studies indicate that public subsidies for business have a mainly positive impact. Results reveal that especially R&D investment has a favorable impact. On the other hand, there is only limited quality research data available. (Ministry of Economic Affairs and Employment of Finland 2020, 16, 80-84, 86.) Bing et al. (2020) estimate that the loan can be an effective way to support SMEs till a certain point. The loan can increase economic benefit and social responsibility growth.

Vihinen et al. (2019, 104, 132, 150, 173, 195, 231-232) have studied the impact of the European Union's co-founded the Rural Development Program from 2007 to 2013. The study included, e.g., development and investment subsidies to companies. Five thousand six hundred ninety-six, mainly in rural areas, micro-companies received subsidies of 239 million euros. Results indicate that enterprises turnover increased by 307 million euros. It created 1700 jobs, and

enterprises businesses renewed. The study indicates that rural area subsidies can help enterprises to grow.

### **2.6.1 Data-based decisions**

The latest European Commission study focuses on improving available quality data of business transfers in the European Union (European Commission 2020a). Data-based decision-making helps to make better-informed and superior decisions (Tuffery 2011). Nine countries of 27 EU-member countries produce up-to-date data on business transfers. Data includes descriptive data of business transfers like – business births and closures. Finland, Austria, Belgium, Germany, Denmark, France, Italy, the Netherlands, and Poland collect descriptive data. Finland's neighbor countries, Estonia, and Sweden are not producing quality data on business transfers. All EU-member countries collected data is still fragmented. (European Commission 2020a, 16, 30, 32.) For example, Finland plans to start collecting the number of acquisitions. Today only 50 % of acquisitions are noted. The situation is mainly similar or worse elsewhere in the European Union. (Tall et al. 2020, 104.)

Descriptive data is needed to understand the historical development and magnitude of business transfers. It can be used for evidence-based policies that guide political parties in decision-making (European Commission 2020a, 75). The OV-Forum publishes the Business Transfer Barometer in Finland. Its primary purpose is to produce information for the decision-making process, generate new knowledge for development and act as a catalyst for business transfers for entrepreneurs. Also, the Finnvera and the Federation of Finnish Enterprises, Confederation of Finnish Industries collect some data on business transfers in Finland. (European Commission 2020a, 83.)

According to the European Commission (2020a, 16, 43-44), the data collecting level varies significantly between different European Union countries. Three different components affects to the results. Those components are data quality, data stewardship, and data depth. Insufficient qualitative data makes it more challenging to analyze the market and plan evidence-based actions.

The European Commission (2020a, 76-78) states that more European Union countries are collecting predictive data than descriptive data. Predictive data helps to analyze the social-economic impacts of potential business transfers. The Figure 5 illustrates how different countries are collecting predictive data on business transfers.

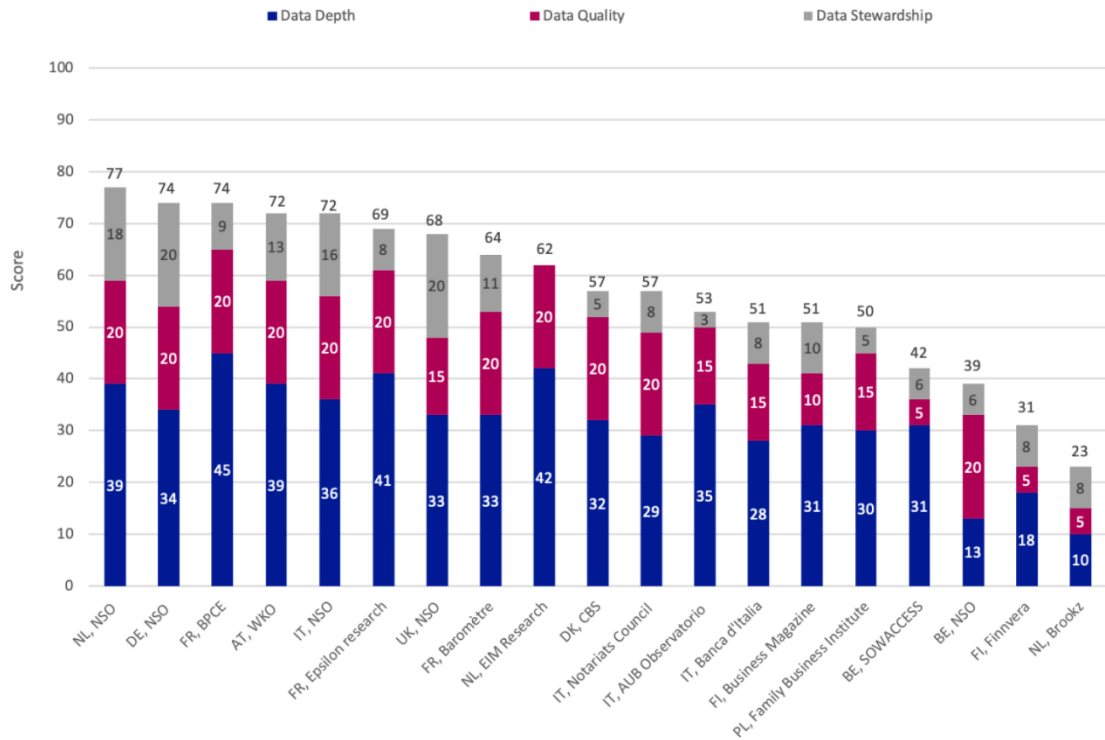


Figure 5. Data collecting performance (European Commission 2020a, 44)

Figure 5 demonstrates that Statistics Netherlands (NSO) obtains most of the data collecting points in the European Union. NSO is an abbreviation for National Statistical Offices. Also, Germany’s Federal Statistical Office (NSO) and France BPCE L’Observatoire (BPCE) obtained a high score in data collecting performance analysis. NSOs and BPCE are official organizations, and they publish quality data. The OV-Forum collects the best business transfer data in Finland, which has published the Business Transfer Barometer every three years since 2012. OV-Forum scored in the review with 51 points. Data do not affect socio-economic outcomes like employment, investment, revenue, and value-

added. Those factors reduce points. (European Commission 2020a, 114, 116.)  
However, the data is accurate enough to set goals.

Table 1. Comparison of data collection (European Commission 2020a, 93)

PREDICTIVE DATA COLLECTION IN DIFFERENT COUNTRIES					
Country	NSOs	Private companies / Business Associations / NGOs	Universities / Research Institutes	Chambers of Commerce and Industry	Other public bodies (banks, government ministries etc.)
Fi		x			x
AT			x		
ES			x		
BE			x		
FR	x			x	x
DE			x		
DK		x			
IT	x				
NL		x			
PL		x			
SE		x			
US			x		

Table 1 shows the different organizations collecting predictive data on business transfers. Predictive data is mainly produced based on surveys. Different kinds of institutions are collecting and analyzing predictive data. Data collecting institutions are classified into five different types. Only Italy and France are producing predictive data by NSOs. In Finland, the OV-Forum states that Statistics of Finland and other public authorities should start to plan the collection statistics and analysis them better. (Tall et al. 2020, 112.)

### 2.6.2 Measures to increase business transfers

According to The Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises "set the objectives for the Member States to facilitate the transfer of SMEs and ensure their survival." The Commission Recommendation focuses on improving Member states' measures to increase successful business transfers. Measures included raising awareness, providing a supportive financial environment, offering adequate business and legal support, ensuring continuity in the case of death, ensuring successful

successions, and encouraging the owner to sell the business by reducing taxation. Recommendations **did not directly encourage Member states to develop subsidies to support business transfers** by then, but they recommended improving adequate financial instruments like loans and others. (Commission Recommendation ACT 385/14.)

In 2006, the European Commission estimated that the financial environment was not conducive to business transfers after 12 years of Recommendation. An adequate financial environment meant reduced loans, guarantees for equity or quasi-equity fund investments, and tax reliefs to the report. Those measures were missing in more than half of the Member states. Communication states that business transfers should receive the same political attention as start-ups. Those days the European Union had multiple direct subsidies for start-ups. For example, the Cohesion Fund 2000-2006 helped start-ups promote innovations. Reduced loans can be seen as an example of direct subsidy for business transfers. It can be concluded from the Communication that direct subsidy could be developed to increase business transfers. (Commission of the European Communities 2006; Communication of the Commission 1999.)

Table 21 in Appendix 1/6 examines three different European Union countries' measures to increase successful business transfers. According to a Business Dynamics study (European Commission 2011), there are no direct subsidies to increase success and amount of business transfers in any European Union member states if tax reliefs, reduced loans, and supported guarantees are not included. However, it is good to note that the study does not review all kinds of subsidies in detail. The study objective was to "examine improvements on business transfers legal procedures as a result of measures taken by the Member States in response to the objectives set by the 1994 Recommendation and reinforced in the 2006 Communication of the Commission". Direct subsidy to support business transfers can be understood as legal procedures because The Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises is diverse and inaccurate. Business Dynamics study is



studying the implementation, and direct subsidy can see a measure to increase the success of business transfers.

Table 21 in Appendix 1/6 indicates that Finland and France fulfill the Recommendation to raise awareness of business transfers. In Denmark, awareness-raising of the importance of the subject was low, and the country had taken few measures. Denmark needs to do more measures to increase knowledge in entrepreneurial communities like professional associations, legal firms, and consultants. France and Finland had done special financial products for business transfers. Products are mainly loans from banks. Countries are creditor friendly. Subsidies are not described to provide adequate financial conditions. All countries did training and mentoring on business transfers under study. However, Denmark and Finland are on a medium level, and there are measures to take. In the taxation, Denmark has done all required. Finland and France have several measures to improve before all requirements are met. (European Commission 2011, 11, 93, 98-99, 104, 142.)

However, the report does not notice that the Center for Economic Development Transport and the Environment grants Business Development services subsidy to get support planning business transfer process in Finland. ELY Center does not grant subsidy for the implementation phase. (Center for Economic Development, Transport and the Environment n.d.-b, 1-2.)

### **3 RESEARCH PROCESS**

This chapter describes the selected research method. It includes basic information about the method. The research process of this thesis is described with information on how the data was collected. Information also includes a description of the analysis of the interviews and analysis.

#### **3.1 Research method**

Collected data will solve the research problem. In the thesis, data can be collected via different methods. With data, the author studies the research

question and solves the problem. (Kananen 2017, 67.) According to Taylor et al. (2015, 18-19), “research produces descriptive data – people’s own written or spoken words and observable behavior.” Next, figure 5 illustrates the full process of research.

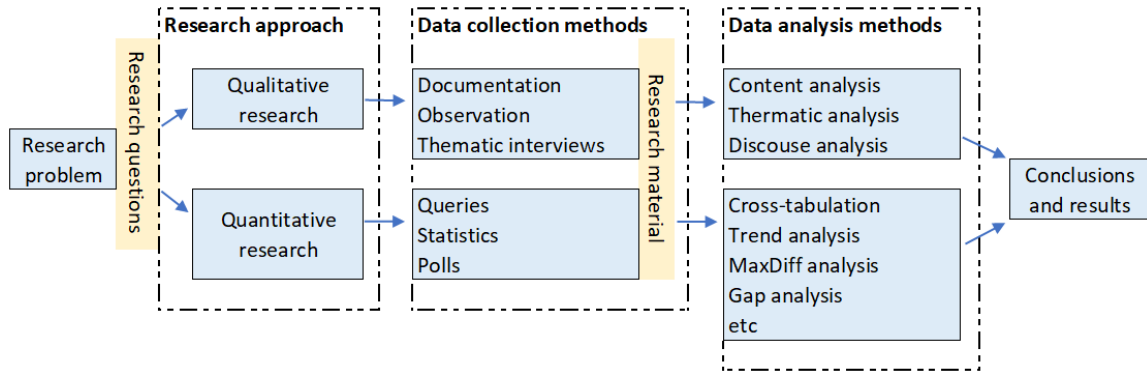


Figure 6. Process of the research (Kananen 2017, 67)

Figure 6 indicates that the research process is systematic and based on the data. The process starts with the research problem and becomes more precise – the research question after the aim and object. The answer to the research question will solve the research problem. The research problem and character select the research approach. Qualitative research data is based on documentation, observation, or interviews. In quantitative research, data collection is based on polls, statistics, or/and queries. Collected data will be analyzed by an appropriate method. (Kananen 2017, 60, 67.)

**An interview is a commonly used method to collect data in qualitative**

**research.** An interview is a comprehensive way to collect data in the research process. The interview is a flexible and helpful tool to collect data for many purposes. Collected data will give profound knowledge of the topic. In general, interviewees consider that interview is a pleasant method. For these reasons, interviewing is a very commonly used method in studies. (Hirsjärvi & Hurme 2008, 11, 34.)

Interviews cauterized into individual and group interviews. Interviews can be divided into categories by the structure of the interview. Structured interviews are a rigid and straightforward method to do an interview. Questions are pre-defined

in order, and the interview requires answers to all questions. The procedure is easily made to the standardization, and a large sample of the target population is done faster in other forms. The disadvantages of structured interviews are rigidity, the limited scope of answers, and the poll would provide better time efficiency in some cases. Semi-structured interviews provide flexibility and some structure for interviews. However, comparing answers is more complex than in structured interviews—unstructured interviews are based on the average conversation with a specific subject. The unstructured interview can help to build a bond between interviewee and interviewer. This focus is to get detailed insights that would be difficult to gather in other methods. (Hirsjärvi & Hurme 2008, 41-48.)

It is useful to evaluate the advantages and disadvantages before starting the interview process. Hirsjärvi & Hurme (2008, 35, 68) reveal that interview is a suitable method if it is known in advance that the answers are diverse, the question is little mapped, and the answers are unpredictable. The challenges are that the interviewer must be skilled and know the content, interviews take time, reliability is undermined by the interviewee's willingness to provide appropriate answers, and analyses are challenging.

**The General interview guide approach** was selected to be the data collection method. In Finnish, the type of interview is **teemahaastattelu**. According to Hirsjärvi & Hurme (2008, 47-48), **teemahaastattelu** word does not have a directly translated version in English. The General interview guide approach is a semi-structured interview method, and corresponds to **teemahaastattelu**. It allows flexibility and in-depth discussion of the raised subtopic in the interview and help build a bond with the interviewee. The themes and topics of the interviews are the same for all interviewees, and some structure is formulated. The method takes a model from the focused interview but does not require gaining common experience from an experiment. It is based on selected specific themes. The goal of the interview is to understand the studied phenomenon (Kananen 2017, 90). Patton (1990, 280) named the method the general interview guide approach. The

general interview guide approach does not include straightforward questions for the interviewees, but themes and subjects must be defined.

The General interview guide approach was selected because the data collecting process involves advantages of structured and unstructured interview methods. The method allows preparing to interview with defined themes, subthemes, and specified issues. This means that prepared specific questions are not needed. The format of the question can change with the progress of the interview. Only well-defined topics are clear before the interview. Still, the defined themes will create an accurate structure for the interview. This enables building a bond with the interviewee, deepening sub-topics and comparing data more quickly than in an unstructured interview. The outcome of this is in-depth data and diverse observations.

The author ended up telling the goal of the study interviewees. The default here was that it would increase the interviewees' interest in participating in the interview. On the flip side, Hirsjärvi and Hurme (2008, 20) compose that the information about the goal may skew the results or change the subject's behavior. The interviewee must accept the study. Otherwise, the interview is not ethically correct. (Homan 1991, 60; Hirsjärvi & Hurme 2008, 20.)

Hyvärinen et al. (2017, 184,193, 230) write that specialist interviews can be done via telephone or Skype. This can be useful because specialists in the subject can be challenging to get to interview. The most common reason for conducting a quality study over the phone is the long distance. This study used phone interviews for this reason. The longest distance between the two interviews was over 800 kilometers, Turku and Rovaniemi.

### **3.2 Collecting data and analysis**

This thesis process started in the summer of 2020 by searching for different topics from the field. The researcher was interested in the Ministry of Agriculture and Forestry of Finland as a topic provider. Interest arose from commissioners' good opportunities to promote entrepreneurship in Finland. Supporting

entrepreneurship in Finland is the motive for the researcher. In the beginning, it took several months to choose a suitable topic with the commissioner. The topic was selected in the late autumn of 2020. The work schedule is estimated to be ready before the European Union new period rules are set. The timing gives the thesis opportunities to influence the CAP strategic plans.

The chosen topic indicated that the matter needs further research because there is a lack of information about rural areas' enterprises' need for public subsidies. The OV-Forum is doing a great job in business transfer research in the field. In December 2020, identifying a research problem and literature review were mainly done. In the following, the step methodology of the research work was selected.

**A Qualitative research method** was chosen for this study. According to Kananen (2017, 32-43), a qualitative research method should be chosen if the focus is to explore and describe the phenomenon without statistics or using other quantitative methods. Qualitative research is trying to answer the question, "What is this about?". This study aims to explore and understand rural areas' enterprises' need for public subsidies in the business transfer process. Qualitative research responds well to this phenomenon. Understanding the phenomenon creates the theory. Quantitative research starts with a theory, and the theory will be tested in practice. Understanding the phenomenon can lead to good topics for further studies. (Kananen 2017, 44.)

After that, in the spring and summer of 2021, the researcher formulated the structure of interview themes and started to choose suitable interviewees. It was clear that the number of specialists in business transfers in Finland was small. The goal was to find the best and most respected specialist in Finland. At this point, the researcher also thought to interview entrepreneurs who failed in the business transfer process. This plan was later canceled as the scope of the subject would have been too large and laborious.

**The General interview guide approach** per interviewee turned out to take more time than planned. The planned use of time was 45 minutes per interview. The

actual spent of time was, on average, 1 hour per interview. The General interview guide approach interview would be easier to manage over time. Also, the passion and commitment of the specialist surprised the young researcher.

In the last phase, the analysis of research findings, the conclusion of the analysis, and reporting took much time. Figure 6 indicates the process of the research in the rough timeline.

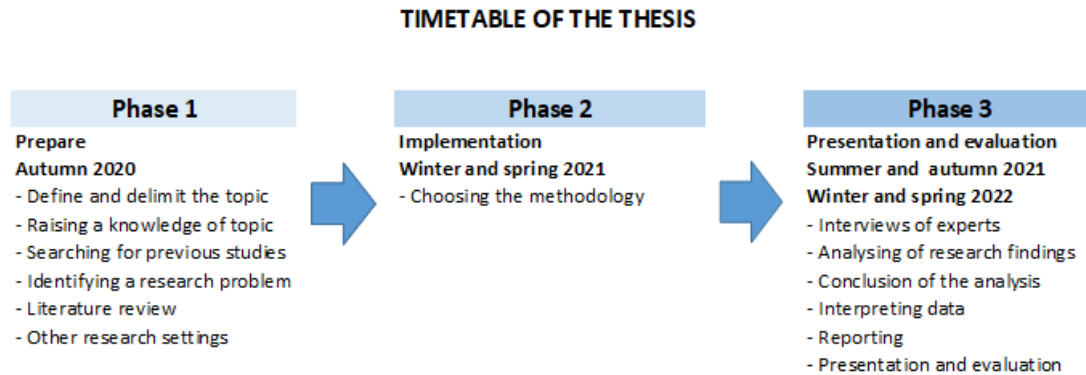


Figure 7. The timetable of the thesis

Figure 7 visualizes the process. The process categorizes into three-phase. The first phase focused on defining and raising knowledge of the topic, searching for other studies, writing a literature review, and identifying a research problem. Phase 2 main task was to select the methodology. In the last phase, the focus was on interviews, analyzing data, writing conclusions, presenting, and reporting.

**Thematic analysis** was chosen as a method to analyze the General interview guide approach to interviews. According to Juhila (n.d.), thematic analysis is one kind of content analysis method. The themes which are used in the General interview guide approach to interviews are not the same themes as in analyzing the data. If the themes are the same, the researcher might not give enough space for interviews.

In thematic analysis, themes are based on selected themes that are critical in the perspective of the research problem. Chosen themes for thematic analysis are:

- Attitudes toward public subsidies for enterprises

- Demand for increasing the business transfers
- Aggravating factors behind business transfers
- Services provided by the public side and the private side
- International perspective to improve business transfers
- Demand for the business transfer coaching
- Upside down startup grant for buyer or seller
- Form of the business transfer grant

After interviews, thematic analysis themes were highlighted in interviews and repeated frequently. The selection of themes was made after the automatic transcription and coding process. During the interview, the memo was done by the interviewer. The memo is based on the themes of the interview structure.

### **3.3 The General interview guide approach for experts**

Research data was collected via phone interview between 22.1. – 3.3.2021. Calls were recorded with the interviewees' permission. Experts were challenging to reach for geographical and schedule reasons. Phone calls made it possible to interview almost every planned expert in business transfers.

Due to confidential reasons, personal details will not be published. Only the researcher, supervisor, and responsible person from the Ministry of Agriculture and Forestry of Finland will know the details and get access to raw data. An essential part of this research project was an interview of experts by the General interview guide approach. The purpose was to collect the best business transfer experts in Finland and interview them to get a deep understanding of the thesis objects.

The criteria for interviewees were based on their work history of business transfers, recommendations, and writings articles or books on the subject. Emails were sent to potential interviewees to inform interviewees about the subject. After emails, interviews were arranged by telephone. Telephone interviews work better in a more structured interview because time is limited, interviewees are more

challenging to observe, and it is difficult to know whether the interviewee has understood the question (Hirsjärvi & Hurme 2008, 64).

Business transfer specialist represents respected experts in Finland. Names will not be published, but interviewees are treated by the names Interviewee 1, Interviewee 2, etc. The interviewees are in random order below Table 2 which illustrates the basic information of interviewees.

Table 2. Interviewee's background in industry

NRO of Interviewee	Date of the interview	Public, private or NGO	Experience (YRS)	Duration (min)
Interviewee 1	29.1.2021	Public	5	58
Interviewee 2	22.1.2021	Private (earlier public sector)	25	84
Interviewee 3	22.1.2021	Public	not specifiel	26
Interviewee 4	21.1.2021	Public and private	20	82
Interviewee 5	21.1.2021	Private	22	100
Interviewee 6	3.3.2021	Private	25	61
Interviewee 7	2.3.2021	Non-governmental organization	not specifiel	55
Interviewee 8	2.3.2021	Non-governmental organization	not specifiel	17
Interviewee 9	not completed	Private	not specifiel	-

Table 2 displays that interviews were implemented in two phases: late January and the beginning of March 2021. The number of interviewees remained at eight because of saturation. According to Marshall et al. (2013, 15), Nissen (2005) states that "scope of the interviews continue until theoretical saturation is reached". It means that the researcher must ensure enough data to make a credible analysis. After the fifth interview, the interview started to repeat itself, and fewer new data stood out. Vilka states (2021) that in some cases, content can be systematically skewed, which means that some groups can be over or underrepresented in the data processing. This will distort the results. In these interviews, the focus was to have public, private, and NGO sector experts in balance. The private and public sectors are in balance, and the NGO sector also represents 22 percent of respondents.

*Interviewee 9* did not want to participate in the interview. The interviewee represented the chief executive officer of a well-known enterprise in the broker sector in Finland. CEO did not feel the topic of the interview was necessary. It is



difficult to draw conclusions that make the interview's subject less critical or whether the interview request failed.

The interviewees represented a good sample from different organizations. All organizations have different objects and challenges. Two of the interviewees represented fully public sectors. Interviewee 2 had a long history in the public sector and the private sector. There were three other interviewed persons in the private sector. Two persons represented non-governmental organizations.

The work history of all participants could not be fully verified for different reasons. One reason was that the interviewee had been an earlier part-time broker and becoming full-time was challenging to define after years of work history in the sector. Other reasons also emerged. All participants had years of relevant work history in the micro and small enterprises business transfer sector.

The average duration of the interviews was 60 minutes without interviewee 9. The interview of interviewee nine failed. The shortest interview was only 17 minutes. However, the interview achieved the goals. The longest 100 minutes, 84 minutes, and 82 minutes of interviews contained some of the not relevant contents. However, the interview duration does not directly indicate the interview's success.

Table 3. Interviewee's location

<b>NRO of Interviewee</b>	<b>Location</b>
<b>Interviewee 1</b>	Uusimaa
<b>Interviewee 2</b>	Central Finland
<b>Interviewee 3</b>	Pohjanmaa
<b>Interviewee 4</b>	Pohjanmaa
<b>Interviewee 5</b>	Tavastia
<b>Interviewee 6</b>	Southwest Finland
<b>Interviewee 7</b>	No results
<b>Interviewee 8</b>	Lapland
<b>Interviewee 9</b>	No results

Table 3 indicates the locations of the interviewee's work areas, which covered much of Finland. Åland and Savonia were not under anyone's responsibility. The researcher did not experience this to be necessary. The more critical factor was that experts represent rural areas than just urban areas business transfers. According to Kytö et al. (2006), fewer business transfer services are available in rural areas than in urban areas.

### **Form of the interview**

Puusa & Juuti (2020) states that The General interview guide approach structure is suitable for studying multiple phenomena. Successful data collection from interviews requires that all interviewees have experienced or gone through the same process or matter. The general aim of the interviews is to collect data for the study. This study's interviews had specific aims and themes.

### **Interviews aim to study:**

- *How to direct business transfer subsidy to increase success and volume in Finnish micro and small enterprises business transfers in rural areas?*

Interviews aim to study the research question and its sub-question by collecting data from business transfer experts. The outcome is to understand and outline better the phenomena of this study.

The General interview guide approach structure involves specific themes to collect qualitative data (Puusa & Juuti 2020). The themes listed below were based on the secondary data. The interview consists of four selected themes.

### **List of the interview themes:**

- basic information about the survey and interviews background
- feelings about enterprises' public funding
- expert services

- learning process

Interview themes remained the same throughout all interviews. According to Kananen (2017, 131), data collection and analysis progress in cycles in qualitative research. There can be several cycles. It is not possible to know the amount of information required by anticipation. Hyvärinen et al. (2017, 193) write that interview structure can be edited after new information. In this study, the content of the themes becomes more exact. The learning process theme received less attention. Other significant changes during interviews were new ideas about the grants form, challenges of the business transfers, and training need. The changes affected the sub-questions, not to themes. The formation of themes is presented in more detail in the next chapter.

### **Progress of the interview**

At the beginning of the interviews, the interviewer went through the basics of the interviews to open up the discussion. Calls were recorded, and the interviewees were asked for their permission to record. Basics included background information for the interview, the main target, and knowledge of today's public funding products of ELY Centers and LAGs for enterprises in rural areas. The aim was to keep the information as limited as possible. Otherwise, the information may affect the results of the interview.

Collecting the interviewees' backgrounds gave assurance of the choice of selected suitable interviewees. Reliability of the interviews was on high priority. It is essential for reliability that the interviewees are experts in the business transfer process. Otherwise, the data can be corrupted. The interviewees have been selected in collaboration with the commissioner, ELY Centers, and interviewees. Interviews background check included name, job position, and work experience of micro and small enterprises business transfers. The ideal interviewee was experienced and highly considered an expert. According to Damary (2014), the difference between an expert and a specialist is that specialist can be a person with a certification or degree. An expert can be after clients have approved a high

level of the expertise and required skills of the job. For the reason of qualitative data, experts were selected carefully for interviews.

The General interview guide approach can be used to study beliefs, experiments, and subjective perceptions (Puusa & Juuti 2020, 105). As an opening theme, public funding for enterprises was first processed. The interviewer identified the participants' opinions on subsidies. A negative attitude toward public subsidies affected more talk on the subject to understand the interviewees' perspectives.

The General interview guide approach is a semi-structured interview method. This allowed for a flexible way to interview participants. Question types were open and closed, direct and indirect, primary and secondary, complex and straightforward, and neutral and leading. The use of the question techniques varied.

### 3.4 Secondary data

The thesis uses Varamäki et al. (2014) data as a secondary source. OV-Forum published the results of *Kesken jääneet yrityskaupat* on their website. OV-Forum produces information on acquisitions and succeeds. After publishing the study results in Finnish, the writer team published the **Unsuccessful SME Business Transfers article** in the Journal of Enterprising Culture. Both are based on the same data and analysis. Time in interviews is limited and secondary data aims to define themes for interviews.

Selected data processed failed business transfers in Finland. Publications were by Seinäjoki University of Applied Sciences. The primary use for the data was to create new data for a project of Kilpailua liiketoiminnan omistajanvaihdoksilla ja markkinaorientaatiolla. Funding came from the European Social Fund. The project worked under the OV-Forum. Survey data was collected by internet questionnaire in the summer of 2014. Data includes 156 answers from Finnish entrepreneurs. (Varamäki et al. 2014, 5, 8,13, 18.)










**Secondary data aims** to help find obstacles in the business transfer process from a seller, buyer, successor, and predecessor perspective. Reasons behind failures have differences between buyers and sellers. Successions failures perspective is limited in the study. Varamäki et al. (2014) emphasize that sellers perceive the buyer's access to a loan as a more significant reason for failure than buyers. Several of the sellers felt the financing terms were too tight. Only a small number of the buyers agreed. Sellers might misunderstand the reasons behind failed business transfers. (Varamäki et al. 2014, 47-51.)

There were other alternative ways of choosing the themes for interviews. Like the European Commission research of Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers (2013) describes the challenges at the European level in Business transfers at a more general level. Correspondingly, Deschamps et al. (2020) describe the different challenges and opportunities in the French business transfers culture and at the European Union level. The Unsuccessful SME Business Transfers articles and Varamäki et al. (2014) study offered challenges at the national level, recent research, and very detailed results. For this reason, the data select as secondary data.

#### **3.4.1 Failures of buyers' perspectives**

Failures of buyers' perspectives are an essential subject for study. According to the Centre for Strategy & Evaluation Services (2013), a recommendation is that business transfer obstacles should be reduced. For this reason, a planned public funding product could focus on solving the obstacles of business transfers. The survey results of failures in buyers' perspectives are presented in Table 4 and Table 5.

Table 4. How many of the following things were problems for the buyer in business transfer?  
(Varamäki et al. 2014, 48)

How many of the following things were problems for the buyer in business transfer?	1 %	2 %	3 %	4 %	5 %	Averages on a scale (1-5) 1=non problem 5 =high problem
The seller is asking for too high price	11	5	8	22	54	 4.0
Valuation	19	11	19	30	22	 3.2
Getting funding	30	11	30	16	14	 2.7
Preparation and selection of implementation options	30	27	27	5	11	 2.4
Agree on the last part of the trade agreement	33	22	28	8	8	 2.4
Finding a right company to buy	43	19	14	16	8	 2.3
Taxation	53	8	28	8	3	 2.0
Getting to know the buying company	55	18	13	8	5	 1.9
Writing a trade agreement	66	17	11	3	3	 1.6

According to Table 4, the supreme aggravating factor for buyers was the high price of the enterprise. The average of responses was 4.0. The weakest possible average was 5.0. Responses represented the buyer's view. Also, getting the financing and calculating enterprise value were aggravating factors.

Design of implementation form, trade finishing, and finding the right company to buy caused some obstacles to doing the business transfer. Data also shows that the smallest enterprises, like one person's companies, had the most problems in the valuation phase.

Table 5. Significant reasons for the failure of the business transfers – buyers' responses (Varamäki et al. 2014, 52)










Significant reasons for business transfer failure - buyers' responses	The most important reason	The second most important reason
The seller is asking for too high a price	47 %	21 %
The enterprise didn't meet expectations	11 %	34 %
Buyer didn't want to buy for some reason	21 %	13 %
Seller didn't want to sell for some reason	11 %	13 %
Buyer didn't get the finance	11 %	3 %

Table 5 demonstrates that the primary reason for business transfer failure is that "the seller is asking too high a price." Also, "The enterprise did not meet expectations" gathered many respondents. The second most important reason for business transfer failure was that "the Buyer did not want to sell for some reason." The other two reasons collected fewer responses.

### 3.4.2 Failures of sellers' perspective

Failures of sellers' perspectives were also an essential subject for study. Comparing buyer and seller perspectives helped direct subsidy to the correct target group. These results are fascinating because buyers' and sellers' results differ. The survey results of sellers' failures' perspectives are presented in Table 6 and Table 7.

Table 6. How many of the following things were problems for the seller in business transfer?  
(Varamäki et al. 2014, 50)

How many of the following things were problems for the seller in business transfer?	1 %	2 %	3 %	4 %	5 %	Averages on a scale (1-5) 1=non problem 5=high problem
Getting funding	14	19	22	9	35	 3.3
Finding a potential buyer	21	18	13	16	33	 3.2
Valuation	7	26	34	23	10	 3.0
The buyer offered too low price	13	30	24	17	16	 2.9
Taxation	19	41	24	10	6	 2.4
Agree on the last part of the trade agreement	31	25	22	17	6	 2.4
Preparation and selection of implementation options	26	27	33	10	3	 2.4
Getting to know the buying company	49	26	23	1	0	 1.8
Writing a trade agreement	55	27	13	2	2	 1.7

The survey results presented in table 6 demonstrate that buyers getting the funding was a supreme aggravating factor for business transfers in the perspective of the seller's view. The average of responses was 3.3. The weakest possible outcome was 5. Almost as challenging aggravating factors were perceived as finding the right buyer and calculating an enterprise value. Buyers' too low bid was also perceived as a moderate problem. The average response was 2.9 of it. Some problems were caused because of the design of the implementation form, tax, and trade finishing.

In some cases, sellers did not want to sell to a private equity investor. Sellers want the buyer would work for the company. Customers also must accept the new entrepreneur. (Matalamäki et al. 2020.)



Table 7. Major reasons for failure of the business transfers – sellers' responses (Varamäki et al. 2014, 52)

<b>Major reasons for failure of the business transfers - sellers' responses</b>	<b>The most important reason</b>	<b>The second most important reason</b>
The Buyer didn't want to buy in some reason	<b>42 %</b>	<b>21 %</b>
The Buyer didn't get the funding	<b>38 %</b>	9 %
The Seller is asking for too high price	5 %	<b>19 %</b>
The enterprise didn't meet expectations	6 %	17 %
Seller didn't want to sell for some reason	10 %	6 %

Table 7 indicates that the primary reason for the failure of the business transfer was that the buyer did not want to buy for some reasons. The answers of responders did not specify the reasons. The buyer did not get the finance was the second most important reason for failure. Buyers answered that the seller was asking for too high a price (table 11). Only 5 % of sellers answered that reason for failure was that the asking price was too high. Also, 17 % of sellers thought that the second most important reason for failure was that "The enterprise did not meet expectations".

### **3.4.3 Bought services before failure**

According to the Commission of the European Communities (2006), supporting services to facilitate business transfers are essential. The following tables will indicate the organization offering business transfer services and the price range of bought services.

Table 8. Whose service did you use in the failed business transfer process? (Varamäki et al. 2014, 55)

Whose service did you use in the failed business transfer process?		Buyer %	Seller %	Total %
Accounting firm or external auditor	Yes	50	68	64
	No	50	32	36
Association of entrepreneurs	Yes	34	44	41
	No	66	56	59
Bank	Yes	34	17	22
	No	66	83	78
Broker	Yes	29	26	27
	No	71	74	73
ELY Center	Yes	29	19	22
	No	71	81	78
Business transfer specialist or consultant	Yes	29	19	22
	No	71	81	78
Lawyer	Yes	21	19	20
	No	79	81	80
Finnvera	Yes	26	12	16
	No	74	88	84
The Finnish Enterprise Agencies	Yes	16	9	11
	No	84	91	89

Table 8 indicates that most sellers and buyers used their accounting firm or external auditors' services to get services on the business transfer process. Association of entrepreneurs raises second-highest level on bought services list. Surprisingly the brokers are left third on the list. According to Varamäki et al. (2014), results are similar after successful business transfers.

Table 9. How much money did you use for buying business transfer services before failure? (Varamäki et al. 2014, 59)




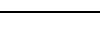
How much money did you use for buying business transfer services before failure?	Buyer %	Seller %	Total %
0 €	67	36	 44
1 - 500 €	17	23	 21
501 - 2000 €	10	23	 19
Over 2000 €	7	18	 15

Table 9 indicates that almost half of the buyers and sellers did not buy any business transfer services in the failed transfer process. 21 percent used over one and under 500 euros for services. A similar result was in the 501 – 2000 euros option. Fifteen percent of buyers and sellers used over 2000 euros to buy business transfer services.

#### **3.4.4 Summary of secondary data**

The conclusion of the secondary data is processed by thematic analysis. Results of the data were used to create themes for experts' interviews. The previous subchapters highlight parts of the secondary data. The following parts of this chapter focus on explaining why expert services and the learning process were selected as two main themes in interviews. The themes also included 12 subthemes and supportive questions if needed.

##### **Expert services**

Secondary data shows that over a third of the sellers did not use any money to get expert services in the business transfer process. Buyers' results indicate that sellers overpriced over 44 percent of cases of failed business transfers. However, there is less interest in investing in business transfer services if the business is micro and not profitable. Buying expertise services becomes an essential part of the study after thematic analysis.

##### **Learning process**

According to Varamäki et al. (2014, 65), study data notes that there should be more training for young entrepreneurs buying companies. Business training and education importance is one finding in the Evaluation of the Implementation of the 2006 Commission Communication on Business Transfer study (Centre for Strategy & Evaluation Services 2013, 48, 67). The 1994 Recommendation (Commission Recommendation ACT 385/14) highlights the importance of business training and education.

Other interview themes are "Feelings about enterprises' public funding" and "basic information about the survey and interviews background." Those are less essential themes in interviews. Other themes include necessary information about the study and facilitating warm-up topics for interviews. Secondary data did not affect the form of other themes.

#### 4 RESULTS OF THE RESEARCH

This chapter focus on describing specifically results of the research. Kananen (2019, 43) states: "The research results are the answer to the research questions posed". According to Hirsjärvi & Hurme (2008, 180), focused interview results can present quantitatively or qualitatively. In this chapter, the data is presented and analyzed with thematic analysis. More specifically, data were analyzed with an inductive approach. In the inductive approach by thematic analysis, data will determine the analysis themes (Caulfield 2019).

The raw data proceeds to findings in analyzing process. The findings are formed from the raw data of interviews. Interviews based on the eight Finnish experts of business transfers interviews. Raw data has been processed from the memory and emotions of the researcher, audio recording, and jotted notes from the interviews. Interviews were transcribed digitally by Microsoft Word.

Analyzed data were first sorted and classified according to research objectives. **The study's objective was to identify business transfer obstacles to solving with business subsidy.** In the second phase, data was open-coded. The second phase is based on breaking the data and coding it. The third phase based of axial coding, where codes are grouped. The last phase focused on selective coding, where a deeper understanding of the data is observed.

The research findings are analyzed, and data is divided by thematic analysis themes. The themes of thematic analysis are represented in Table 11. The results of the thesis are not presented in order of importance. Results are partly overlapping. Secondary data results are presented in chapter 3.4.4. Summary of secondary data.

Table 10. Research results and analysis of the thesis

<b>SUMMARY OF THE RESULTS</b>		
<b>Theme</b>	<b>Results of the data</b>	<b>Analyze</b>
Attitudes towards public subsidies for enterprises	7/8 positive attitude towards business subsidies	No effect on the results of the findings
Demand for the direct business subsidies	Goal setting is problematic without accurate data. Awareness-raising is an essential measure for the public sector.	The subsidy can work as an awareness-raising tool. There is a high level of need to raise awareness of the importance of business transfers
Obstacles behind business transfers	1. Business transfer process is started too late 2. Entrepreneurs use too few experts' services for micro-enterprises business transfers 3. Enterprises are in too weak shape to be sold	Obstacles to business transfers can be decreased if enterprises use more business transfer experts' services
Services provided by the public side and the private side	Private and public sector services are competing with each other's in some parts of Finland	There should be better cooperation between the private and public sector
International perspective for to improve business transfers	A limited number of business transfer subsidies exist	No analysis – no reliable information
Demand for the business transfer coaching	Effective method but challenging to get participations	No need to direct business transfer subsidy to increase participation in external training
Upside down startup grant for buyer or seller	Upside-down startup grant o For micro-entrepreneurs o Granted by Public employment and business services of Finland o Allows entrepreneurs and successors to work at the same time as in apprenticeship training o The amount of the grant and other terms corresponds to the startup grant	Expanding startup grants to involve business transfers is a potential way to boost micro entrepreneurs' business transfers
Form of the business transfer subsidy		Four solutions to develop business transfer subsidy: <ul style="list-style-type: none"> <li>• Cost-based subsidy to buy business transfer expert services</li> <li>• Voucher to buy business transfer expert services</li> <li>• Direct more effort to investment subsidies</li> <li>• Upside-down startup grant</li> </ul>

Table 10 indicates the results and analyzes by theme. Below this, results and analysis of the thesis are described by theme level.

## Attitudes towards public business subsidies for enterprises

Beliefs and experience with the public subsidies were the first themes of the interviews. The theme is also near to the first analysis of the theme. The first analyzed theme focused on analyzing the interviewee's attitudes toward public subsidies for enterprises. The first theme helped interviewees to get into the topic, open the scale and complexity of the phenomenon, and direct the content of the interview's themes. A negative attitude towards public subsidies for enterprises needs a more detailed discussion of the interviewee's views. There is a risk that a strong negative attitude will affect the results.

Table 11. Attitudes towards new public funding

<b>NRO of Interviewee</b>	<b>Positive or negative</b>
<b>Interviewee 1</b>	Positive
<b>Interviewee 2</b>	Positive
<b>Interviewee 3</b>	Positive
<b>Interviewee 4</b>	Positive
<b>Interviewee 5</b>	Negative/Neutral
<b>Interviewee 6</b>	Positive
<b>Interviewee 7</b>	Positive
<b>Interviewee 8</b>	Positive

Table 11 displays interviewees' attitudes towards public business subsidies. Observations are based on the emotional intelligence of the interviewer and the direct output of the interviewees. Attitudes turned out to be mainly positive, and interviewees felt that public business subsidies would bring valuable help to businesses. Interviewees highlighted various exemplary aspects of the public subsidies of business support but also raised grievances. One interviewee said that the COVID-19 crisis is a good example of successful public support for companies. Another interviewee emphasized that rural area business subsidies are significant. Problematic points were raised e.g., excessive business subsidies and incorrect regional weightings.

In general, interviewees supposed that the leverage of the business subsidies was a valuable tool to develop businesses and increase growth. Interviewees pointed out that public subsidies for enterprises have some challenges.

**Analysis of the theme** is that interviewees' business subsidies attitude effect was limited or non to data. The theme's idea was to ensure interview reliability and interviewees' ability to deal with the subject of business subsidies objectively. All interviewees were able to process the subject objectively. It's possible that participants didn't share their honest personal attitudes towards business subsidies with an unknown interviewer. On the other hand, it can be assumed that experts dare to express their views with good arguments. Experts also justify their views in a variety of ways.

### **Demand for the direct business subsidies**

Experts of the business transfers take mainly a positive attitude toward new business transfer subsidies. According to the interviewees, **the new subsidy's primary purpose was to raise awareness of business transfers**. Awareness-raising was seen as a vital measure by the public sector. Other measures for the public sector were seen as cutting the bureaucracy, taxation, and initial advice for entrepreneurs. Interviewees estimate that entrepreneurs wake up too late for the business transfer process. Raising awareness would be a valuable way to help entrepreneurs prepare earlier for business transfer.

Several interviewees pointed out that **goal setting is problematic**. There is no exact data on completed transactions, and an ideal number of transactions is difficult to estimate without clear and accurate data. Interviewee 4 argues that "Hold your horses" if the MAFF is planning a new subsidy. This reaction came out after the interviewer described that this research is about studying the demand for business transfer subsidies. Another interviewee stated that it is critical to get valuable data before objectives and Key Performance Indicators (KPI) can be set for grants. There are a lot of part-time entrepreneurs and entrepreneurs over retirement age. Such entrepreneurs distort statistics.

Interviewee 3 estimated that "50 000 entrepreneurs are thinking of business transfer. Several good companies will terminate the business if nothing happens". Interviewee 3 considered that subsidies would help support entrepreneurs under challenging processes. Other interviewees highlighted that micro, and small companies need the most support. Support would help companies to use more experts to help to prepare and do the business transfer.

**Several business brokers state aggravating factors that might disturb new business transfer subsidies.** The market size of the business transfer experts is small, and grants can quickly increase the expertise services prices. Some experts estimated that it is difficult to affect this problem.

**Experts in the public sector assume that new subsidy is a significant booster to the business.** The private sector respondents were more cautious of the effectiveness of the subsidy. Cautious reservations decreased as the interviews progressed. The interviews revealed that business subsidies, in general, raise many opinions.



Table 12. Attitudes towards new public funding

<b>Comments on the demand for increasing the business transfers</b>		
<b>Experts in the public sector</b>	<b>Experts of the NGOs</b>	<b>Experts in the private sectors</b>
Demand is a substantial	Mistakes are often done at the beginning.	Advisory service is necessary for public sector experts. There is no demand for business transfer subsidy
There is no need to grant business transfer subsidy for multiple entrepreneur	Enterprises must develop to get better sales shape.	Sole proprietors need significant support but are they use important for society?
There is no single solution to solve the dilemma. Government should advance taxation and legislation	The public sector must raise awareness more than earlier.	There is not enough available accurate data on business transfers. Goals are difficult to target without data
Good companies often change their owner without public support		
ViestinVaihto programme by Employment and Economic Development Centers, was an effective way to boost business transfers with some minor issues		Instead of the subsidy, support should be targeted to train first-timers and improve sales condition
Support is needed for the buying business transfer experts' services	Most demand for support is getting help right after the business transfer.	According to small enterprises, business transfer services are always too expensive
If the subsidy cost-based support level is under 30 percent, it is not attractive. Subsidy should be more likely 50 percent of the cost to be attractive		Bigger companies do not need any support
		Subsidy is a good idea if it can secure services in rural areas
The business brokers market is tiny, and new subsidy easily raise prices.		

Table 12 indicates raised comments in the interview by experts. Comments do not necessarily represent the opinion of the whole group. Some of the comments are compounded together. The first highlighted comment is that "Most demand for support is getting help right after the business transfer.". The second is that "There is no need to grant business transfer subsidy for multiple entrepreneurs." The last comment is that "Subsidy is a good idea if it can secure services in rural areas.

**Analysis of the theme** is that business transfer subsidies can be a valuable tool to raise awareness of business transfers. The new subsidy would get a lot of positive media attention. The problem is that goal setting is problematic without accurate data. Commissioner should firstly define the target levels of the ideal level of the successful business transfer in a rural area of Finland and get

information about the current situation. Otherwise, the desired impact is difficult to achieve, and the use of the grant can be oversized or undersized. Inaccurate use of the grant can easily lead to a zero level of deadweight or the failure to meet the goals. For this dilemma, a significant challenge is that all business transfer is not registered. However, there are signs that this will change soon. In addition, the implementation of subsidies is challenging for the small size of the market of business transfer experts. The business subsidy can raise the price of the services. The theme concludes that the grant is worth trying when attention is paid to critical issues.

### **Obstacles behind business transfers**

Interviews pointed out three different main obstacles of business transfers behind micro-business transfers. Those aggravating factors are:

1. Business transfer process is started too late
2. Entrepreneurs use too little experts' services for micro-enterprise business transfers
3. Enterprises are in too poor condition to be sold.

**These obstacles were seen as partly possible obstacles to solve with business transfer subsidies.** Enterprise with poor condition is difficult to reform with expert's service if entrepreneur activity and capacity to implement development ideas are low. Experts estimated that it is a waste of results to try to save every microenterprise. In addition to this, experts often highlighted that the main task of public administration is raising awareness, and the public sector mission should focus on filling this task. Interviewees established that a possible new grant was seen as a reasonable extension of previous work of raising awareness.

Business experts estimated that the subsidy of business transfer could be an awareness-raising tool. The amount of the subsidy is a secondary factor. The primary factor is to awaken buyers and sellers about the benefits of buying rather

than starting up a company and wake sellers to react early enough to sell a business. However, almost every expert indicated that enterprises wake up too late to start the sales process. Late awakening causes several problems. Sales conditions worsen when an entrepreneur does not have more capacity, motivation, or ability to work anymore. Experts experience that those enterprises with good or excellent Key Performance Indicators will always get sold. Another reason to start early is to prepare for sales. Finding the right buyer might take time, especially if the company's growth, profit, and prospects are poor. **Several experts estimated that these enterprises could benefit from business transfer expert services.**

Secondary data indicated that from the buyer's perspective, the sellers are asking for a too high price, the valuation process is problematic, and getting financing is complex. Buyers also responded that the enterprise to buy did not meet expectations. Key aggravating factors in sellers' point of view are buyers' difficulties in getting financing, finding a potential buyer, and the valuation process. Almost every fifth seller answered too high a price to be a challenge. Sellers evaluated that 42 percent of buyers did not want to buy for some reason. Experts of the business transfers estimated that this is more likely correct information.

Secondary data showed that valuation and finding a potential buyer were complex for the inexperienced seller. Some experts highlighted that with expert help, the seller could prepare the company for better sales shape, do correct valuation, start identifying potential buyers early, etc. **With the expert's help, the success rate of the business transfer will increase.** In an interview, several experts indicated that the wrong valuation at the beginning makes sales more complex, and potential buyers will ignore the opportunity. Overpricing will be noticed at the latest on the loan application stage. Often the bank is not willing to lend funding to an overpriced enterprise.

The poor condition of the enterprise makes it more difficult to sell. According to experts, buyers and financiers evaluate the enterprise's key performance

indicators. Influential figures are sales, business growth potential, and profit. KPI's comparison with other companies in the industry is essential. Interviews pointed out that growth opportunities are low in many sectors in rural areas. As a counterweight, living in rural areas often requires entrepreneurship, and buying a company can be a more sensible way to start a business than starting a new one.

The following issues came up in addition to the theme of obstacles behind business transfers: Firstly, fairness should be emphasized. Subsidies must not be misdirected. Micro and small enterprises need most of the support. Secondly, challenges in providing private vs. public services should be resolved. The boundary for the offered services should be clearly defined everywhere in Finland. Thirdly, entrepreneurs do not want to use the money to get expert services. Fourthly, the sole proprietor's business is hard to sell because it is strongly personalized and has low business activity.

**Analysis of the theme** is that buying expert services of business transfer can increase the success rate of the business transfer. A better success rate of business transfers would increase the number of business transfers. Interviewees confirmed that obstacles to the business transfer from secondary data are often solvable with the support of experts. However, an enterprise with weak KPIs and an entrepreneur with low active and weak implementation ability is hard to sell and difficult to get in sale shape. The great challenge of selling the business is the business of the private traders. Those enterprises can be laborious for sale, and the interest of the brokers is low. The obstacle to the sale is that the business of private traders often personifies the entrepreneur. With the provided subsidy and help of an expert in business transfer, it may still be challenging to sell the business. The minor effect of increased sales will decrease the effect of the subsidy. Private traders often need the most of the subsidy for business transfer in case of economic reasons, but the brokers cannot sell the entrepreneur's skills, mind, and identity.

Micro and small enterprises have several development areas to improve sales success. The need for specific business transfer services is based on the company, and generalization is challenging to make. Widely range of needs affects the form of the planned grant. The use of the grant for expert services cannot be too limited. The demands for expert services vary widely. A good but incomplete example is ELY Centers the Business Development services subsidy. The subsidy is granted to get support for planning the business transfer process. It was identified as a workable but rigid mechanism. Unfortunately, the Business Development services grant does not fully meet the demand, and only a few of the available experts are experts in business transfers. Also, the product should add marketing that grant is also usability for business transfers before the implementation phase. Without a new forming of the grant of ELY Centers, there is space for the business transfer subsidy to respond to a well-targeted problem.

### **International perspective for to improve business transfers**

The international perspective of the focused interview was limited. Most of the interviewees did not have any international perspective on the public grants in the business transfer field. Generally, experts assumed that there are no supporting business transfer grants in other countries. It is good to note that the work tasks of experts are highly connected to Finland. One expert evaluated that some eastern Europe countries might have grants for business transfers. The expert was not sure.

**Analyze the theme is that data of this theme cannot conclude.** However, this supports the supposition that a few or non-published direct business transfer subsidies exist in the European Union area. In Finland, ELY Centers grand aid to companies to get support for business transfer preparation.

### **Demand for the business transfer coaching**

Most of the experts noticed coaching and external training as valuable and practical methods to increase succeed of the business transfers. However, the

reluctance to participate in various training was seen as a significant critical problem. As a result, training and coaching were seen as weak to boost the business transfers if the participants are difficult to get involved in the training.

At least three experts had a practical experience in training planning and implementation. Participants noted that the results of the training and coaching have been poor. It is not easy to get entrepreneurs to participate. Some interviewees also estimate that the same issue is the root cause of the main aggravating factor in business transfers. Entrepreneurs wake up too late to the business transfer process and preparations of it. Training could attract more participants if sellers or buyers prepare for business transfer early enough.

**Analysis of the theme is that** there is no need to direct business transfer subsidies to increase participation in external training. However, some degree programs should add the course of business transfers to the selection.

### **Upside-down startup grant for buyer or seller**

New entrepreneurs in Finland can get a startup grant if they are eligible for certain requirements. The purpose of startup grants is to encourage the unemployed to establish an enterprise. The grant provides an adequate livelihood for the entrepreneur.

In the early stage of the interview round, one interviewee came up with the idea of an upside-down startup grant. The idea developed as the interviewees changed. The idea is to support business transfers with an existing grant. **Most of the experts considered the idea worth developing.**

Table 13. Upside-down startup grant

Upside-down startup grant	
Target group	Micro entrepreneurs, only for enterprises
Solves the problem	Allows seller and buyer to work at the same time as in apprenticeship training
Subsidy	1-6 months granted grant to secure the livelihood of the buyer in a training phase
Financier	Local TE Services
Other	The amount of the grant and other terms corresponds to the startup grant

Table 13 visualizes the form of the Upside-down start-up grant. The expert in the business transfer designs it. The form of the grant needs more development. An upside-down start-up grant is targeted at the micro-entrepreneurs whose business is strongly personalized to the entrepreneur. The perspective of the grant is more prevention of unemployment than supporting business transfers and building the backbone of the economy in Finland. Grant would allow buyer and seller to work simultaneously as in apprenticeship training. 1 – 12 months of working together could enable the transfer of the necessary information for the business. Local TE Services offers a grant for a new entrepreneur. The amount of the grant and other terms corresponds to the start-up grant.

According to interviewees, a sole proprietor and other micro companies' common problem is that business is strongly tied to the entrepreneur. The company economy does not allow two entrepreneurs to work in the company simultaneously. TE Offices directs potential entrepreneurs to start up new companies. Some interviewees felt that the unemployed should be more strongly encouraged to buy an existing business than start a new one. Some interviewees estimated the extension of the existing start-up grant as a potential option to support the minor business transfers.

**Analysis of the theme is that** an upside-down start-up grant could boost micro enterprises' business transfers in rural areas. The basis of the grant exists, and expanding the business grant would be an efficient way to develop a business transfer subsidy. However, the legal basis should be examined carefully.

## Form of the business transfer grant

Most experts considered that grants would be a positive way to support business transfers. One private expert would not publish the subsidy of business transfer, at least before the goal setting is exact. The expert did not see a reason for the subsidy. The expert would focus on creating business transfer-friendly regulations. However, several experts see the grant as a possible method to raise awareness of business transfers. Discussion of the business transfer grant expressed several opinions and perspectives. The biggest challenges were the target group, grant amount, and specific goal of the grant.

The following text shows discussed ways to formulate the grant of business transfers.

**400 – 1 000 euros voucher** is offered for micro-enterprises to buy expert services for business transfer planning and implementation. The voucher would be a cost-effective way to raise awareness and lowering obstacles to buying expert services. The voucher can be benchmarked with Business Finlands' Innovation Voucher.

**Cost-based grant** is calculated from the total cost of the purchased business transfer services. The grant is granted as a percentage. Experts could not identify a suitable level of grant.

**Target market definition** was seen as a difficult task for interviewees. Most of the interviewees discussed the company's size, demographic area, line of business, and other ways to do segmentation. **Several experts stated that good and large enough companies do not need a grant.** Also, two experts highlighted that grants should be offered equally to the various companies. The definition of a good company was also challenging. On the other hand, several experts felt that all rural enterprises were too large a group. Below this text is a specific definition of the target group.



Table 14. Definition of the target group

DEFINITION OF THE TARGET GROUP				
	Demand	Possible demand	No demand or minor demand	No results
Under 4 employees	x			
Under 10 employees		x		
Over 10 employees			x	
Valuation of business transfer is under 80 000 euros	x			
Valuation of business transfer is under 120 000 euros	x			
Valuation of business transfer is under 600 000 euros		x		
Valuation of business transfer is under 600 000 euros			x	
Multipreneur sell or buy a business			x	
Private traders				x

Table 14 is based on the experts' interviews. The data suggest the potential target group for business transfer subsidy. Results are indicative. The precise definition could not be done due to the diversity of the enterprises. **The number of employees** in the enterprise is a clear indicator of subsidy demand. Under ten employees' enterprises have issues buying expert services to gain business transfer process. Enterprise with employees is also considered to be more critical for the regional economy than enterprise without employees. Over ten employees' enterprise size in the business transfer enables the purchase of sufficient expert services without any support in most cases. Private traders were seen as having the most financial problems buying business transfer expert services. However, private traders' business was seen as difficult to sell, and profitability was often too weak to be attractive. Pros of the private trader business transfer are that demand for the necessary services may be negligible in the best case. Definition of the valuation and preparation of the trade deal can be enough.

**Valuation of the enterprise** can be a second simple indicator of the demand for the business transfer subsidy. One private sector expert estimated that if the size of the business transfer stays under 80 000 – 100 000 euros, there is little interest in offering services by private experts. In this case, the sales commission remains too small, but the workload still corresponds to a larger company. Also, the fixed price would be too high for the entrepreneur. One public sector expert estimated that if the size of the business transfer stays under 300 000 euros, there are a few interests in offering services by private experts. One private sector expert estimated that over 600 000 euros selling price enterprises do not need support. Those companies have enough stable financial situations to buy expert services without a grant. One NGO expert states that there is no need to support the enterprise if the enterprise's profitability is too weak to buy expert services.

**Multipreneurs** do not need any support. Typically, multipreneurs have higher expertise in business transfers, and those will buy services from experts without any support.

Some of the experts highlighted that bookkeepers' expertise is not high enough to offer business transfer services, and those should not be available to offer expert services to enterprises. One private expert said that there are only a few authorized business brokers in Finland, and the number of selected services providers would be too small. Also, a similar system like ELY Centers funding support for development projects, which has a list of pre-tendered experts, was seen as a too bureaucratic and laborious system.

The amount of the grant was hard to define. Experts' answers varied widely. Two experts estimated that some micro-enterprises could successfully do business transfer with under 1 000 euros experts services. Often this only includes trade agreements. For example, from the other end, one expert estimate that business transfer always involves at least purchasing 10 000 – 15 000 euros expert services.

**Billing and desired services** were discussed with experts. Here is a sample of the price list of expert services of the business transfer:

Table 15. Prices of the expert services

Prices of the expert services		
Service	Price	More information
Service of selling or buying a business	Sales commission: 4-7 percent of the total sales prices	Some brokers also have an additional fee, and it will be added additionally after commission. An additional fee can be 3 000 – 4 000 euros.
Valuation cost	700 – 2500 euros	In some cases, it can be over 5 000 euros. The cheapest valuations are often done by simple calculation, and it will not include intellectual property rights and others value-adding or depreciating factors.
Rate by hour	120 – 250 euros	Often business transfer involves 10 to 20 hours of work from an expert.
VAT will be added to prices.		

Table 15 demonstrates the price level of the business transfer services bought from experts. The price level is based on the micro and small enterprises' business transfer services. Typical sales commission is 4 to 7 percent of total sales prices. Some brokers also have an additional fee, and it will be added additionally after commission. An additional fee can be 3 000 – 4 000 euros. Valuation cost: 700 – 2 500 euros, in some cases it can be over 5 000 euros. The cheapest valuations are often done by simple calculation, and it will not include, for example, intellectual property rights and others. Rate by the hour is typically 120 – 250 euros. Often business transfer involves 10 to 20 hours of work from an expert. One expert estimates that the public sector takes over 20 000 euros workload from the public sector, and it will take at least 20 workdays to process small business acquisitions. Some experts wondered about this evaluation.

**Cost-based subsidies and vouchers** sparked the most debate. The cost-based subsidy is easily tailored to the need of the enterprise. Subsidy granted according

to actual costs. A voucher is a simple and easy-to-manage subsidy. The level of the subsidy is the same, regardless of the acquired services.

Interviewees often highlighted that good companies always will be sold quickly. As an alternative to direct subsidy to buy business transfer services, it increased **investments in the business**. Several experts liked associations of Suomen Yrittäjät alignment. The Alignment idea is that the public subsidies should focus only on funding business investments. (Suomen Yrittäjät 2020, 29.) Business investments improve the conditions to succeed in the competition and improve productivity.

Table 16. The possible form of the business transfer subsidy

<b>Form of the business transfer subsidy / cost-based subsidy vs voucher</b>		
	<b>Cost-based subsidy</b>	<b>Voucher</b>
Beneficiary	Seller, buyer predecessor or successor <ul style="list-style-type: none"> <li>• Valuation by under 600 000 euros enterprises have difficulties to buying business transfer services</li> <li>• Under 100 000 euros valuation, enterprises have most difficulties to buying expertise services</li> <li>• Employing enterprises is valuable for society</li> <li>• Multipreneurs do not need support</li> </ul>	
Magnitude	30 000 euros is a maximum level of granted subsidy	3 000 euros is a maximum level of granted subsidy
Granted for	To buy necessary business transfers services	

Table 16 indicates the form of the business transfer subsidies. **Analysis of the theme** is that there are two possible modes to support business transfer via subsidies if an upside-down start-up grant is not involved. In addition, the subsidy can be directed to buy necessary business transfer expertise services with a cost-based grant or a voucher. Secondly, enterprises' marketability can be boosted with investments subsidy.

Business transfer subsidies can be targeted at sellers, buyers, predecessors, or successors. The data results do not indicate which one benefits most from the subsidy. However, according to analyze of the interviewees, the highest usage of subsidy will be on the seller's side. Avoid granting twice to the same object will improve the effectiveness of subsidy. One private business transfer expert

estimated that over 600 000 euros valuation enterprises do not need the subsidy. One public sector expert estimated that over 300 000 euros valuation enterprises do not need the subsidy. And one other private expert estimated that under 100 000 euros valuation enterprises need most of the support to buy business transfer expert services. For society, employing firms are the most valuable. Many can lose their jobs if employing firms' close doors, and in rural areas, there are fewer other job opportunities. The most precise outcome was that multipreneurs do not need the subsidy of business transfer.

The maximum magnitude of the cost-based subsidy is based on the sale price of 600 000 euros. Two experts estimated that a typical sales commission is 5 percent of sales prices. The scale of the sales commission was 4 to 7 percent. Outcome of 30 000 euros comes from 600 000 euros x 0,05 sales commission. This would be the maximum subsidy level to get all necessary services. Most of the enterprises granted subsidy would be clearly under the maximum. However, it can be considered that is it effective to grant the total amount of the need. Granting the total amount of expertise service might have some side effects and a higher opportunity cost of the subsidy.

The maximum level of magnitude of the voucher is based on the one interviewee's statement. Two other interviewees estimated that under the 1000 euros voucher would be enough to raise awareness of the importance of business transfers and would be enough to buy and try – expertise services. After testing and understanding that the need for service has risen, a seller can buy more services without a subsidy. It is essential to note that experts are not experts of subsidy, and the definition of the voucher level is hard to evaluate.

The subsidy can be targeted to get necessary business transfer services. Enterprises' needs are diverse, and targeting is not necessary.

## 5 CONCLUSIONS

This chapter focuses on presenting this research work's results, conclusions, and development proposals. The reliability of research and topics for further research are also presented.

Key results and proposals for managerial implications are presented in chapter 5.1. The research reliability and validity are described in chapter 5.2. The last chapter indicates future research according to this study.

### 5.1 Key results and proposals for managerial implications

This thesis aimed to understand the demand for the business transfer subsidy. The study's objective was to identify obstacles to business transfers to solve with business subsidies. The main research question of the thesis was **how to direct business transfer subsidy to increase success and volume in Finnish micro and small enterprises' business transfers in rural areas?** There was one sub-questions to help solve the main research question. The sub-question was:

- What are the obstacles to the success of micro and small enterprises' business transfers?

The findings of the thesis answered the main research question. The research sub-question was defined and answered in chapters *3.4 Secondary data* and *4 Results of the research* — subtitle *Obstacles behind business transfers*. The research sub-question supported the answering to the research question.

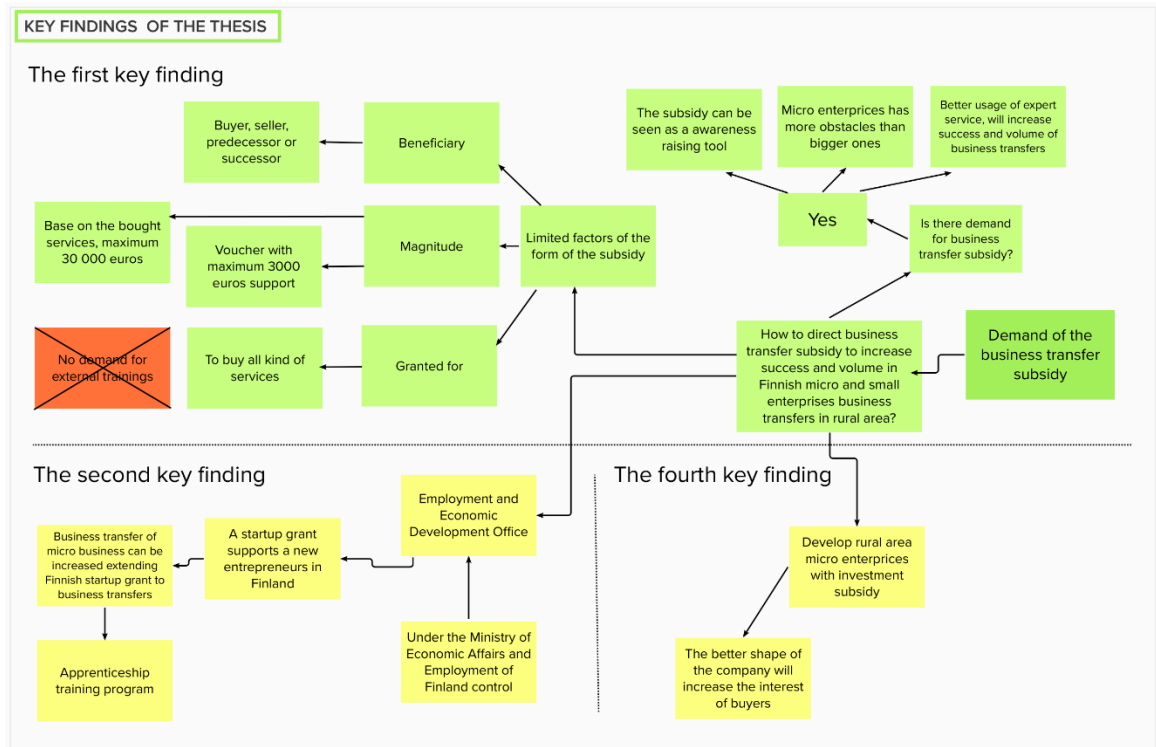


Figure 8. Key findings of the thesis

Figure 8 visualizes key findings of the thesis. The first, the third, and the fourth key findings are under the Ministry of Agriculture and Forestry of Finland's control. The second key finding is under the Ministry of Economic Affairs and Employment of Finland's control. The third key finding is that there is no demand for external training and no need for measures. The first key finding indicated cost-based subsidy and voucher grant's structure. The second key finding presents that a startup grant can also be extended to involve a business transfer. The fourth key finding indicated that rural area enterprises' business transfers could be increased with a subsidy of investment. Increased investment will improve enterprises' marketability.

**The first key finding of this study was that micro-enterprises in rural areas could increase the success rate and volume of business transfer with subsidy.** With expert services, the enterprise can implement better the process of business transfer. Buying expert services would solve or prevent obstacles like business transfer process is started late, weak sales plan, valuation issues, and other obstacles. Knowledge of the business transfer process would help

enterprises get better sales shape, accurate valuation, and make it easier to find a potential buyer.

The findings of this study correspond to the Ministry of Economic Affairs and Employment of Finland (2020, 16, 80-84, 86) results that business subsidies have a mainly positive impact. In addition, according to the European Commission (2011) study, one obstacle to the business transfer is a deficient level of support for entrepreneurs to make an effective transfer. This finding outcome corresponds to Gomes's (2013, 19-22) finding that Choice and Evaluation of the strategic partner is a critical success factor in Mergers & Acquisitions. Also, Varamäki et al. (2013, 78) estimated that the need for the business transfer services is not identified well enough. However, use and satisfaction with expert services increase the success rate of business transfer. In addition, according to Varamäki et al. (2021, 120), enterprises should use more business transfer experts' services. An enterprise will find a buyer with a better success rate if the enterprise uses expertise services. Overall, this finding indicates demand for business transfer subsidies is actual.

The research has also shown that the total price of 80 000 – 100 000 euros for firms is not attractive from private business brokers' perspective. On the other hand, the socio-economic view of one micro-enterprise can be minor in an urban area. The number of micro-enterprises is high in Finland. Under ten employee companies can be an essential point of view of service providers and employers in rural areas. However, drawing a line on the deadweight is hard. Deadweight means a critical point where enterprises do not need a public subsidy, and implementation can be done without public assistance (Tokila 2011, 12).

In rural areas, small enterprises were seen as mainly big enough economically to purchase business transfer services without any support. The bigger the enterprises are, the less effective is the grant. Still, setting the critical point is hard. The critical point is where grant usefulness and cost of the grant are equal. This means that there is no positive or negative effect. Problems with setting the critical point are caused by the diversity of sectors and the diversity of business.



Private business brokers' interest in the client was seen to increase when the company's value increased. It can be estimated that a valuation of 80 000 – 600 000 euros is the line of the need for the grant. Some small enterprises with a valuation under 80 000 – 600 000 euros do not need support.

**The measure proposes** that the Ministry of Agriculture and Forestry of Finland should develop a subsidy to increase volume and success in business transfers in rural areas. However, the subsidy should not be granted to all enterprises. The business transfer subsidy form is presented in chapter 4.1. Research results. A new public subsidy can support the ministry's goal to enliven the countryside with successful enterprises. It is essential to maintain productivity and employ enterprises. Microenterprises in rural areas have a demand for business transfer subsidies.

**A second key finding was that Finland's public employment and business service could expand a start-up grant to include business transfers.**

According to the Finnish government proposal (HE 133/2012, 101), a start-up grant can be granted to an ongoing business if the business is new for a new entrepreneur and if another law or regulation does not prevent this. Today TE-services start-up grant focuses on supporting the unemployed to start new companies.

Analysis of the thesis indicates that business transfers of the smallest enterprises could increase with ***an apprenticeship training program***. Micro enterprises are often personalized by entrepreneurs, and therefore business is hard to sell. Sectors are often based on technical skills or some other niche business sector. Also, light entrepreneurship and part-time entrepreneurship are increasing by changing the working culture. However, A Start-up grant for a new entrepreneur is under the Ministry of Economic Affairs and Employment of Finland's command. Commissioners do have no decision-making power to develop the funding of start-up grants. However, this might affect rural area enterprises' business transfers effectively.

**The measure proposes** that the Ministry of Economic Affairs and Employment of Finland should study the start-up grant potential to be an apprenticeship training program for micro business transfers.

**The third key finding of the thesis was that there is no need for external business transfer training.** External training means training without the opportunity to obtain a degree. The Organizer of external training may be an association, private school, or some other party. Business transfer training was seen as an effective way to boost business transfers if there are any participants in the training. However, several experts had experience in business transfer training. The obstacle of training was getting potential participants to the training. It was challenging to get the sellers of businesses to participate, but it was even more challenging to involve potential buyers in training. Moreover, the number of successors and predecessors is limited.

However, the current study's findings do not entirely support the previous research. Tall et al. (2020, 87) study results indicate that persons interested in entrepreneurship should offer external training. Also, studies on business transfers should be added to the university of applied sciences. This study's findings do not support the discovery that **only** universities of applied sciences should offer business transfer training. Also, there is no demand for external certified training.

**The measure proposes** that vocational schools, universities of applied sciences, and universities should add a voluntary course of business transfers to the study program. The outcome would be increased awareness of the potential of business transfers. There is no need for a direct business subsidy for buying external training.

**The fourth key finding of the thesis is that rural area enterprises' sales shape can be improved with subsidies of investments.** The outcome of this would be an increased volume of business transfers. The analysis based on the hypothesis that enterprises with improved conditions to succeed in the

competition will get better productivity. Better productivity will increase the marketability level. Several experts liked the outline by Suomen Yrittäjät according to which public subsidies should focus on funding business investments (Suomen Yrittäjät 2020, 29).

**The measure proposes** that the Ministry of Agricultural and Forestry of Finland could increase the volume and success rate of the business transfer by strengthening direct business subsidies of investment. For example, an enterprise near the business transfer process should more easily get the subsidy of business investment. Ely Centers could change enterprises' investment subsidy selection procedure in the next period of the European Union. All entrepreneurs over 55 years could get extra points in the selection procedure.

## **5.2 Reliability and validity**

The important thing about the study is that correct matters are studied by appropriate methods. For a study to be valid, the study process needs to be done well, and the analysis conclusions must be correct. In the qualitative research process, reliability checks are often based on the researcher's evaluation and description of the process. It is difficult or impossible to reach objective reliability. From the point of view of the reliability of the study, in a new study, the same result should be repeated. Only repeated research can verify the research results. (Kananen 2017, 173-180.) There are no other studies on the same or similar research topic as this one. However, the research work can be divided into parts, and divided parts can be evaluated in other studies.

This chapter focus on critical factors which effects to reliability and validity of this study. Those factors are analyzed in two parts: reliability and validity. In some cases, some factors affect both parties.

## **Reliability**

This study is attempted to be done systematically, consistently, and with precision. One critical risk to the study's stability was the interviewees' possible strong prejudices toward business subsidies. The general perspective was discussed objectively with each interviewee to deal with this issue. Study analysis indicates that experts were able to process the subject objectively. However, attitudes and behaviors are difficult to evaluate in a telephone interview.

The saturation is an excellent way to show the reliability of the study (Kananen 2017, 179). In this case, saturation means that the interviewees' responses began to recur, and the literature is diverse. Interviewees' answers started to repeat after the fifth interviewee. Interviews continued to confirm saturation after the fifth interview. Some new issues, perspectives, and information came up after that, but those things were not crucial in the view of the key findings. This study included eight successful interviews. Some subthemes were only partially processed. Understanding the zero level of deadweight was challenging to reach with this research. A deadweight level would help to direct business transfer subsidy more specifically.

This study often used literature based on the European Commission or funded by the European Commission. Also, the OV-Forum research's results were often used. A versatile source of reference strengthens reliability. Content often produced by the same organization can reduce the studies qualitative. In this case, the researcher estimates that these organizations are highly esteemed and perceived as reliable sources. Moreover, many of articles based of peer-reviewed sources.

Experts were selected for interviews by their objective thinking, easy availability, and extensive experience in various cases. One expert represents 1 000 entrepreneurs who made the business transfer an indicatively. The expert's task is to help entrepreneurs complete the business transfer process. One expert has been part of the hundreds of business transfers process and has a high

understanding of the obstacles of the process. There are no research results on how many entrepreneurs on business transfer experts represent in the knowledge of the business transfer. It can be estimated that an expert's knowledge is higher than entrepreneurs who have done one business transfer. Experts' interviews improve the reliability of the study.

The study indicates that experts' services were seen as an essential factor in increasing transactions and the success of business transfers. A new subsidy was seen as a potential method to increase business transfers. On the other hand, the interviewees were all experts. It is good to consider how often an expert estimates the importance of his own work and refuses to take additional easy income. The private sector experts may be partially incapable of answering the question of the importance of subsidies. A new subsidy would increase the size of the market. It would be good from the financial perspective of private experts if the sector would get more funding and income. However, third sector and public sector experts were also involved in the interview, and the new subsidy would not increase their personal income directly. Third and public sector experts reduced the distorted results.

### **Validity**

The study results can be utilized in all rural areas of Finland. The research focused on rural areas micro-enterprises in Finland. However, interviews analysis and other literature suggested that subsidy of business transfer can increase microbusiness transfer in the rural and urban areas of Finland. On the other hand, the failure of one urban microenterprise is not as crucial as in rural areas. Moreover, the effectiveness of subsidies can decrease of perspective of regional development.

The results can be utilized in most of the European Union countries. A significant part of the literature is based on the European Union countries' challenges to increasing business transfers. One interviewee had extensive experience of the international situation. However, experts on international background saturation

were low, and reliability was limited. It can be seen from the data that countries with similar culture and business transfer issues can use the results of the thesis as well with lower reliability. In other European Union countries, there are many variables that affect to methods to increase microenterprises' business transfers successfully. The typical situation is alike elsewhere in the European Union, as the age structure of entrepreneurs is similar, and the European Union has encouraged EU countries to promote business transfers with the same practices.

The interview method decreased the reliability of the survey. Face-to-face meetings would be ideal for the general interview guide approach. However, it was challenging to organize the coronavirus and technical issues from the perspective of practical implementation. Over phone interviews did not enable monitoring of the interviewee's body language. This will weaken data collection during the interview, and some observations could be ignored. Data collecting during the interview is based on words, behavior, and appearance. At the end of the study, the researcher would implement interviews over online meetings if changes could be made. Still, this issue is minor.

**Overall:** The study's reliability and validity can be said that the study had some minor issues. However, the study has been done consistently, systematically, and precisely. The following is a summary of the main elements:

- The Documentation is varied and well described. The methods are easy to follow.
- Saturation of the interviews is at a good level. The literature of the work is diverse, and used references are up to date.
- Mirroring previous similar studies is challenging because there are no other ones.

Interviews were recorded and automated transcribed by Microsoft Word. At the end of the interview, significant findings during the interview were confirmed by the interviewee. Confirming collected content verifies the process.

### 5.3 Future research perspectives

This thesis focused on researching the Finnish rural area micro and small enterprises business transfers to increase transfers' amount and success with public subsidies. The result of the thesis indicated that business transfer subsidies could be a powerful tool to encourage this goal in the case of micro-enterprises. However, the challenge is diverse and extensive in Finland and elsewhere in the European Union. According to the analysis of the study, there is not just one solution to solve the problem. In the study, other possible development objects have also been found to overcome the challenge, for example, Key findings 2 and 4. Those potential development objects are partly within reach of the commissioner. In a common interest, we should do further research.

Today Finnish startup entrepreneurs are available to get a startup grant. This thesis shows that a startup grant has the potential to develop into a helpful tool to support business transfers. The Ministry of Agricultural and Forestry of Finland is not controlling startup grants. There is no opportunity for the party to promote to develop a startup grant. The Ministry of Economic Affairs and Employment controls the subsidy of new startup grants.

Increasing the success and volume of business transfer in Finland is essential for public administration. Interviews and literature indicated that the same issues are also in urban areas. The European Union CAP funding cannot expand into acting in an urban area. However, other national and the European Union level Funds could admit direct subsidies to urban areas micro-enterprises to increase business transfers. A good option would be to study the same topic in an urban area. Interviews could focus on entrepreneurs who have failed in the business transfer process.

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## DETAILED TABLES OF THE THESIS

Table 17. Entrepreneurs' reasons for selling a business

<b>Entrepreneurs' reasons for selling a business</b>				
	<b>Unfinished business transfers – Seller's and buyers' perspective</b> (Varamäki et al. 2014, 46)	<b>Business Dynamics: start-ups, business transfers and bankruptcy</b> (European Commission, 2011, 112)	<b>Entrepreneurship in Netherlands, business transfer: a new start</b> (Snijders, Meijaard, Morris & Haane 2006, 31)	<b>Once an entrepreneur – always an entrepreneur? Post-exit interests of retired entrepreneurs</b> (Alpeza 2021, 143)
Target group	Finnish entrepreneurs, 65 to 105 answers	Due to non-transfer of business. IFM Bonn estimates on period 2010-2014. Includes 22 000 firms.	Dutch entrepreneurs	Primary data: Croatian entrepreneurs, 200 answers from entrepreneurs over 55. Secondary data: Global Entrepreneurship Monitor: 2000 answers from entrepreneurs
Subject	How vital were the next reasons to sell the business?	Impact on firms and employment due to non-transfer of business by different causes (predictions)	Motivation for the business transfer of the predecessor	Business Transfer Barometer Croatia
Unit of measurement	Scale 1 = non important 5 = highly important	Percentage of	Percentage of	Percentage of
Retirement	4.1	85 %	43 %	5
Early retirement			13 %	
Mismanagement			9 %	
Illness/disability	2.5	5 %	9 %	
Investing in the remaining business	2.5			
Attractive offer	2.3			6.4
Family reasons	1.9			11,3
New business startup			5 %	16,3 (Other job or business opportunity)
Starting a job	1.5			

Appendix 1/2

Death		10 %	2 %	
Change of profession				
Changing competitive environment				
Business is not profitable				24,5
Problems with access to finance				11,9
Planned exit				2,8
Other	8		10 %	21,8 (tax policy or administration)

Table 18. Buyers drivers to buy a business. (Tall et al. 2015, 27-30)

<b>How important was a different kinds of motivation to begin the entrepreneur?</b>	1 = not at all	2	3	4	5 = Most important reason	
	%	%	%	%	%	Average
Opportunity to self-actualization		2	18	34	46	4,2
Earning livelihood	2	4	2	20	72	4,6
The desire to be without a boss	4	6	18	32	40	4,0
Good business idea		4	26	44	26	3,9
Surprising opportunity	8	8	16	24	44	3,9
Opportunity to get rich	12	24	30	16	18	3,0
Didn't like earlier job	36	16	20	12	16	2,6
Unemployment or threat of unemployment	34	10	20	26	10	2,7

Table 19. Premerger Phase-Critical Success Factors (Gomes 2013, 19-22)

Premerger Phase-Critical Success Factors	Meaning
Choice and Evaluation of the Strategic Partner	After the need for the business transfer is established, the first step is that buyer must accomplish to choose a strategic partner. The choice is affected by strengths and weaknesses, requirements, quality of the target company management team, and other barriers like cultural differences and human resources.
Pay the Right Price	Major cases of failure are paying too much.
Size Mismatches and Organization	Organizational sizes play a very important role in choosing the right partner. Buying too small or too large a firm will decrease the performance rate.
The Overall Strategy and Accumulated Experience in M&A	The overall strategy, earlier experience of business transfers, and continuous learning approaches tend to be more successful than others.
Courtship	Courtship time helps partners to understand each other's better, reduce later conflicts and misunderstandings, strengthen cooperation, especially in the negotiation process.
Communication Before the Merger	A poor level of communication will create an uncertainty atmosphere with rumors. This will affect employees and key stakeholders.
Future Compensation Policy	Key employees' motivation must be at high level after acquisition. Motivation boost can be done by earn-outs with later cash flow.

Table 20. Post-acquisition Phase-Critical Success Factors (Gomes 2013, 22-27)

Post-acquisition Critical Success Factors	Meaning
Integration Strategies	Integration approach needs to be well designed and simple. Organizations must find positive synergies from different functional parts of the business.
Post-acquisition Leadership	Leadership can't be overemphasized in post-acquisition process. There are different kind of leadership approaches for different integrations. Failure in management during the implementation process is often a reason for acquisition failures.
Speed of Implementation	Rapidly and consistently speed of implementation helps to avoid misunderstandings and rumors. Speed is in favor of success, but there is no recommended speed. Rapid speed also brings problems, like difficulties for workers. 90 or 100-days plan can be said to be an aggressive integration program.
Post-Integration Team and Disregard of Day-to-Day Business Activities	Day-to-day business often suffers for managers' time is spent to acquisition issues. A coordination team can help to solve managers' acquisition issues.
Communication During Implementation	Good communication will improve mergers and acquisition performance. The communication process should take a different kind of forms. The communication process should involve employees, managers, and stakeholders.
Managing Corporate and National Cultural Differences	National culture, corporate culture, and integration approaches will affect acquisition performance. Proper planning helps to avoid problems.
Human Resource Management	HR management strategy helps to avoid human resource challenges.



Table 21. Public services for enterprises business transfers, comparison in Finland, France, and Denmark (European Commission 2011, 98-104)

	<b>Finland</b>	<b>France</b>	<b>Denmark</b>
Awareness-raising	+	+	
Financial environmental	Finnvera		
Training and mentoring	Public organizations, Private organizations	Public organizations, Professional Associations, Private organizations, Chambers of Commerce, and Industry	Public organizations, Professional Associations,
Special Tax Framework for business transfer	Have done all required measures	Not required	Not required