PSYCHOLOGICAL BARRIERS AND COPING STRATEGIES IN BUSINESS TRANSFERS EXPLORED: TOWARDS A CONCEPTUAL MODEL

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Aim of the paper:

Entrepreneurship can be stressful and rewarding at the same time, especially in the case of business transfers. As Minor (2003:17) states “Finally, remember one inviolate truth: eventually, every owner leaves his business. The question is, will you leave feet first on a stretcher or will you sip champagne in celebration of your victory?” This is a typical description of an entrepreneur “dying in the saddle”. Losing a firm or detaching oneself from a business seems to be an extraordinary event (Tajani et al. 2012). It can be considered as a highly emotional event and most owners finding it difficult to let go e.g. (Kets de Vries 2003, Salvato et al. 2010, Sharma et al. 2005, Wennberg et al. 2010). Especially taking into account this occasion will most likely take place once in a lifetime.

Letting go of the firm or “my baby” as some entrepreneurs describe their creation, leads to a certain amount of stress (Rahim 1996, Kets de Vries 1999). Dealing with stress in singular events as the transfer of a business, is hardly been subject of research (Uy et al. 2012). Improving coping strategies in business transfers for the incumbent could be of importance as statistics indicate the continued aging of owners in the European Union. Expanding the possibilities of incumbents to sell their business and move on to their next phase in their life would help to offset such negative effects to each national economy. The number of failed business transfers of viable SMEs now threatens innovative driven European economies (European Commission 2003, Van Teeffelen 2010, Stone et al. 2004). A recent study calculated that the Dutch economy suffers 20,000 unnecessary SME liquidations and approximately 10,000 failed successions per annum, with a projected economic damage of 80,000 jobs, a loss of turnover of almost € 4 billion and a destruction of assets of about € 2 billion yearly (Van Teeffelen 2012). Therefore we believe that coping strategies and psychological barriers in business transfers deserve more academic attention. Our aim is to check and add items to the list of psychological barriers and finally to relate barriers to coping styles. Therefore we engaged in a qualitative study that seeks to explain a particular issue and allows the researcher to study issues in depth and produces detailed data on a small number of individuals (Hyde 2000).

Contribution to literature:

This study has severe limitations, due to the limited number of interviewees and the diversified sample. Our sample consisted of entrepreneurs that are currently and were in the past involved in the transfer of the business. Nevertheless we feel that we provided the terminology and possible model to pursue future
research on understanding and investigation of psychological aspects and coping strategies in business transfers.

Firstly we think that the psychological barriers should be further investigated. We propose to build a validated tool in the form of a quantitative approach. These questions need to be tested by means of reliability on at least two separate samples. We would also introduce a range of dependant variables such as family business or investment strategy, deal success and personality indicators in order to find out if a most successful mixture to get the deal done can be found. This would be further input for our conceptual model. In addition we propose to carry out a correlation analyses between the variables to see if clusters might be present. Secondly a large scale quantitative questionnaire has to be distributed among entrepreneurs involved in business transfers. Such a study has not been done as per 2013.

By gaining more understanding on the psychological barriers that entrepreneurs experience during a business transfer, we believe that current business owners can be assisted in their efforts to sell their company. There seems to be a large group of entrepreneurs that has issues to deal effectively with their intangible aspects of the business. This leads in turn to the well-being of the company and possibly the psychological wellbeing of the incumbent at the same time. We might be able to offer some sense of awareness and practical tools to overcome these issues.

To pursue this line of investigation some questions remain to be answered: Do coping mechanisms change over time? Are coping mechanisms related to certain personalities or family/investor relationships? Do owners of a family businesses might respond in a different way than entrepreneurs with a preconceived exit plan?

Data and results:

Can we confirm the psychological barriers found in literature in the case of business transfers? In table 1, the psychological barriers are presented in subsequent companies A to E.

Table 1. Psychological barriers found

Next to the psychological barriers found in literature one other phenomenon was spontaneously mentioned. In company c the follow expression was raised:

“I feel that I am responsible for feeding at least 10 families. This is a huge responsibility and I take that very seriously. This is why I do not want others [people from outside the company] to intervene at the moment because we need to control the situation. Especially now when the market is difficult.”

In addition we find that three out of five entrepreneurs talk about their company as if it was their child.
“When I think of my business I think of it as my daughter. She is like my company becoming of age and I see similarities between my daughter and the business. As my daughter is turning into a teenager I have to let go and let her make mistakes... ...even though I know or see that it will go wrong. This is part of the learning process I guess but difficult to handle at times.”

As for the other phenomena all items were found but not in a equal amount or by the same incumbents. The issue of succession planning, problems in letting go as well as distrust in the successor were found throughout the sample.
Coping strategies found

In table 2, the coping strategies found in this study are presented. In appendix four examples of the operationalization are presented. A score of 1 means the incumbents mentioned the coping strategy whereas a score of 0 means it was not. All coping strategies if mentioned were done so spontaneously.

Table 2. Coping strategies found

<table>
<thead>
<tr>
<th>Incumbent/Coping strategy</th>
<th>Focus on venting emotions</th>
<th>Use of instrumental support</th>
<th>Active coping</th>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Company B</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Company C</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Company D</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Company E</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1 = found 0 = not found

Not all the coping strategies presented in the literature review were found. In particular religious coping, restraint and substance use were not mentioned. All incumbents have a wide variety of responses. Focus on venting emotions, the use of instrumental support, active coping and planning were mentioned by nearly all parties. The positive reinterpretation and growth as well as denial and acceptance were also mentioned but not by all incumbents. Note that these coping strategies might well occur in the period after the succession or sale.

As for the relationships between the barriers and the coping strategies only an interpretative indication can be mentioned. Table three below shows an overview of the most used coping strategies in combination with the most found barriers. Four psychological barriers seem to coincide: role changes and degradation of power; succession planning; problems in letting go and distrust in the successor. We did not find evidence weather this is a cluster of psychological barriers.

Discussion and practical implications:

Four psychological barriers seem to coincide in our study which are: role changes and degradation of power; succession planning; problems in letting go and distrust in the successor. The data however cannot provide evidence how and why these appear in clusters. We do anticipate that fear of mortality, the association with pension and the fear of nothingness might be difficult to distinguish for the incumbents. As for the role changes and the degradation of power we will create a hypotheses that will be linked to the underestimation of the succession planning as well as feelings of jealousy and rivalry. Furthermore we think that problems of letting go will be linked to most other barriers.

In line with the goals one item can be added to the list which we call feelings of responsibility. The incumbents indicated they felt responsible for the well-being of the employees. This might also be a cause for not wanting to let go. Distrust in the successor might also be related to this phenomena.

The coping strategies mentioned are mainly to be found as problem based and emotional based strategies. Focus on venting emotions, the use of instrumental support, active coping and planning were mentioned by
all parties. Not mentioned were cluster religious coping, substance use strategies, mental disengagement and suppression of competing activities.

Another expressed coping mechanism was the help of experts. This would fit in cluster 2 with the use of instrumental and social support. By the help of experts the incumbents seem to fill a knowledge gap or find mental support outside the normal social surroundings. The accountant seemed to be the first point of contact for the entrepreneur to ask for help.

Remarkable is that the coping strategy planning is found as an often used method. As it is also found as a barrier; one could argue that the incumbents find planning a barrier and the solution of the barrier is planning itself. This seems to be a problem based strategy and a rational way to deal with the issues at hand. It is in possible tension with the earlier mentioned findings in literature that entrepreneurs are not very good at planning by nature.

According to some incumbents an effective way to deal with the void after transfer seems to be alternative occupation. For example investment in another company. In addition a number of former owners were still involved in the companies of their children but in a different role with their own designated domain of responsibility.

On the level of decision making we found that for one case there seemed to be a window of opportunity right after an emotional burst or ventilating event. It was described that in the built-up period towards the moment no decisions were possible which led to the eruption. However right after the “kiss and makeup period” constructive steps could be taken for a period of approximately two weeks in our sample.
Key reference list:


