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Small and medium-sized enterprises' succession process: Do intangible assets matter? A study conducted in Germany

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1 General overview and purpose of the study

1.1 Background

While a multitude of articles have focused on start-ups (new ventures) (e.g., Delmar & Shane, 2004; De Clercq & Arenius, 2006; Townsend, Busenitz & Arthurs, 2010) a lack of articles deal with company succession as an alternative way of embarking on entrepreneurial activities is apparent. This is surprising since, according to the Austrian Institute for SME Research (2004), the survival rate for company formations through company succession is higher than that for new venture creations. Although the latter might be relevant in terms of job creation (Bridge, O'Neill & Cromie, 2003), according to Pasanen and Laukkanen (2006), most jobs are created by already established rather than new SMEs. The situation outlined above presents something of a contradiction to changing demographic trends, which will reduce the pool of prospective successors, to attitudes toward self-employment, and to the increasing number of SMEs waiting to be transferred (Commission of the European Communities, 2006). With regard to the latter, according to estimations of the Commission of the European Communities (2006), one third of all European Union (EU) entrepreneurs will leave within the next ten years. In absolute terms, this means that approximately 690,000 SMEs will be transferred every year, concerning 2.8 million jobs. The Commission further presents national data: for Germany, it is expected that 354,000 SMEs will change hands over the next five years. France estimates a transfer potential of 600,000 SMEs within the next ten years. The Small Business Service of the UK discovered that one third of all SMEs are facing age-related transfer. A survey on SME succession conducted by the Canadian Federation of Independent Business (CFIB) shows that 71% of SME owners are expected to terminate their entrepreneurial engagement within the next ten years (Bruce & Picard, 2006). Additionally, it has to be mentioned that in Germany succession within the family is decreasing (Kerkhoff, Ballarini & Keese, 2004; Schlömer & Kay, 2008) as well, which can be, amongst others, regarded as a consequence of the changes in demography. A failure in company succession is usually connected to a loss of employment, which can have a great impact on an economy's prosperity (Carter & Jones-Evans, 2006). This brief discussion highlights the particular prominence of the aspect of company succession.

Taking the market situation as discussed above, it can be reasoned that non-family successors take on a critical role, which induces them in a position to select the company that best matches their expectations. This 'investor market' is confirmed by taking a glance at the online

business exchange 'nexxt-change' provided by, amongst others, the German Federal Ministry of Economics and Technology. The number of firms waiting to be transferred exceeds the number of potential successors. This situation might also lead to an enhancement of activities regarding company succession as an alternative to become an entrepreneur. In order to secure the continuity of the German economy there is a need for a body of knowledge regarding non-family successors and their concerns. This study focuses on these individuals.

In the past decades, a change regarding the critical assets in firms can be observed. In addition to financial and physical assets, intangible assets are now considered crucial to the success of all organisations (Spender, 1996). Intangible asset "is a claim to future benefits that does not have a physical or financial (a stock or a bond) embodiment" (Lev, 2001, p. 5). In the meantime, it is acknowledged that intangibles are the main driver of company value and growth in most industries (Hand & Lev, 2003). A central feature of intangible assets is their future perspective. This means that their focus is on future success potential and not on past performance. Edvinsson (2005) links intangibles to a new management perspective targeted at long-term rather than short-term profit, thus addressing the issue of sustainability. This perspective is apparently found in many German SMEs, where management behaviour is often based on a more long-term and ethical approach rather than the short-term satisfaction of financial stakeholder requirements (Edvinsson & Kivikas, 2007).

Nonaka, Toyama & Konno (2001) argue that prospective investors view intangibles as a key resource in their deliberations. Following this notion, it can be argued that companies of all sizes are increasingly prompted to spot these resources as their most precious assets and staff as the most sought-after resources. This is concurrent with the observation of the investors' increasing demand for information about intangibles in order to better understand the real value of the firm "which is only marginally based on material or financial assets" (DG Research, 2006, p. 105).

With company succession, a primary concern is whether the company in focus has the potential for a sustained existence. Consequently, a business transfer will also be assessed as a failure when the company enters a state of crisis or consequently disappears from the market shortly after succession has taken place. One explanation for this short-term failure could be that the successors have not analysed the firm's assets thoroughly enough (Ballarini & Keese, 2006). Perhaps they relied too strongly on past business performance and overlooked future prospects. Consequences of a high number of failed business transfers to economies are evident.

The importance of strategic aspects in general (Dyck

et al., 2002) and of intangible assets in company succession seems to be neglected in the academic literature so far. Instead in respect of company succession the main focus of investigations has been directed to succession and tax planning and to family-related issues (Morris, Williams & Nel, 1996). Especially the latter represents a research area of great interest (e.g., Birley, 1986; Malinen & Stenholm, 2002; Cabrera-Suárez, 2005). In the case of non-family succession it is the question of chief executive officer (CEO) succession in large companies which has attracted most attention (Bagby, 2004).

Only recently, some research activities can be found to have a particular focal point on knowledge transfer in company succession (e.g., Amelingmeyer & Amelingmeyer, 2005; Pick & Bouncken, 2005; Bracci & Vagnoni, 2005). To date, these studies commonly represent theoretical (conceptual) papers. Furthermore, if primary research is planned a focus on family businesses is still observable (e.g., Bracci & Vagnoni, 2005).

The humble research attention may be a result of the fact that the intangible assets phenomenon is a relatively young field of study. One in which the increased interest had been shown only during the last decades of the previous century. Additionally, the missing curiosity can also be the result of a rather monetary perspective when dealing with the topic of company succession. On a more general level, it further appears that possible implications of company succession due to changes in demography are undervalued until now.

In view of the agreement regarding the central importance of succession issues in general (Kesner & Sebora, 1994; Pitcher, Chreim & Kisfalvi, 2000) and in SMEs in particular (Morris et al., 1997; Giambatista, Rowe & Riaz, 2005), the lack of information available on the relevance of intangibles in company succession represents a deficiency which this study endeavours to tackle. Due to demographic trends and the increasing meaning of intangible assets to companies as outlined above it is clear that there is the need to gain a far better understanding of the perceived relevance of intangible assets to non-family successors in SMEs. Consequently, this understanding is regarded as a contribution to the body of knowledge.

1.2 Location of research

This research is concerned with two fields of research: company succession in SMEs and intangible assets.

1.3 Company succession

In this study company succession is defined as the transfer of the property and/or management of a firm from

one individual to another (Ip & Jacobs, 2006). For company succession to be regarded as a success a multitude of variables must be taken into account. In the case of non-family succession, representing the focus of this thesis, the available funds represent a critical point; however, the underlying assumption is that the intent to takeover a business and consequently its selection is mainly based on other factors¹. In this research it is hypothesised that prospective non-family successors will be interested in those companies offering future prospects, which may in turn improve the likelihood of financial support.

Company succession is viewed as a process, which comprises several stages. The focus of this study is on a specific subset of this process, namely the preparation stage. This stage comprises the search for and analysis of potential target companies. Thus in this stage company analysis takes a critical role. After that (non-family) successors are able to make a distinction between attractive companies and less attractive companies regarding their acquisition intentions. In this study, non-family successors are defined as individuals or teams of individuals from outside the family who are interested in starting a business through buying an existing business.

1.4 Intangible assets

Intangible assets are described as the core non-monetary resources, lacking physical substance that are able to contribute to future benefits in firms (based on Lev, 2001; Andriessen, 2004). Taking the view of intangible assets as critical resources of company success, in this study it is anticipated that this issue would prove to be of particular significance with regard to company succession as well. Thus, it is expected that a company's future prospects is predicated on its inherent intangibles which in turn justify a financial investment by non-family successors. Based on it the focus of this study is on the exploration of relevant intangible assets with regard to business acquisition intentions as perceived by external successors. This in turn means that the study's focus is not on valuation or measurement issues regarding these assets.

1.5 Traditional SMEs

The focus is chiefly on traditional SMEs and not on knowledge-intensive SMEs representing the focus of most research into intangibles so far (e.g., Hayton, 2005). In this study, a traditional SME is understood as a company that can be assigned to the traditional value chain business model. This means that this company produces a product or a service. On the other hand, a knowledge-intensive SME is more likely to be assigned to the shop or network business model, meaning that problem solution

¹It is assumed that the companies in question fit within the available financial frame of the prospective successor.

(the former) or mediation (the latter) represent the company's core tasks (Burgman & Roos, 2007). The rationale for selecting traditional SMEs was that they account for the majority of SMEs in Germany. Accordingly, they also represent the majority of companies, which are waiting to be transferred, as knowledge-intensive companies are mainly of young age (Burgman & Roos, 2007).

Furthermore, these companies especially the smaller they are appear to be highly dependent on intangible assets (Roos, Pike & Fernström, 2005). Thus, it can be argued that intangibles are not only of importance to knowledge-intensive companies (Hand & Lev, 2003). Moreover, the study's emphasis is on privately held SMEs.

1.6 Research aim and questions

The aim of this research is to explore the perceived relevance of intangible assets by non-family successors as a driver of their company acquisition intentions. The findings shall be summarised in a conceptual framework describing those intangible assets that make a company attractive to this type of successor. As the study's focus is on the preparation stage, the framework to be developed will be anchored in this stage.

According to this aim the following research questions are formulated:

1. Which relevant intangible assets with regard to company succession in SMEs can be found in the literature in order to develop an initial conceptual framework? The answer to this question is sought through the analysis of the current company succession and intangible assets literature. In the process the specific traits of (German) SMEs are taken into account.
2. How well do the intangible assets in the initial framework reflect the practice of succession advisors? The answer to the second research question is examined by empirical quantitative research with advisors. The objective is to review the intangible assets derived from the literature by involving advisors from German trade associations.
3. How well do the intangible assets in the initial framework reflect the perception of non-family successors? The answer to the third research question is investigated by empirical qualitative research with non-family successors of German SMEs representing the core of this study. The notion is to complement the initial framework and then to develop the final framework.
4. How do non-family successors analyse the company? The answer to the fourth research question

is also scrutinised by empirical qualitative research with non-family successors of German SMEs.

2 Literature review

2.1 Company succession in small and medium-sized enterprises

Company succession can be defined as the transfer of the property and/or management of a firm from one individual to another (Ip & Jacobs, 2006) regardless of whether this individual has family connections to the firm, already works for the firm or is an outsider (Olbrich, 2005). Gephart (1978) argues that company succession comprises the "negotiation of status of two or more members" (p. 559). Szyperski and Nathusius (1999) specify that company succession constitutes a derivative foundation as compared to the original corporate foundation, in which an entirely new company is created. Company succession can be considered as being equivalent to business start-up with all the opportunities and difficulties related to it. Thus, corporate foundation through company succession represents an alternative way of achieving entrepreneurship, albeit one which has hitherto been neglected in the current literature bearing on the subject. Selecting an existing business instead of starting a new business provides a potential successor with various benefits such as established and proven structures, or circumstances in which the business is already generating money and profits as well. Moreover, as information concerning the company is already available, financing the succession can be easier than financing a new corporate foundation (Zimmerer & Scarborough, 2008). Although these reasons appear plausible, disadvantages and challenges relating to this alternative must be reckoned with, such as the fact that assets are unlikely to be in prime condition.

Company succession can take place within a family network or outside it (buy-out). Family succession involves the transfer of the company to family member(s) (Sharma, Chrisman, & Chua, 2003), whereas in buy-out situations the company is transferred to external (non-family) individual(s). Buy-out activities can be further subdivided into those involving buyers from within the company and those involving buyers from outside.

According to Kesner and Sebor (1994), since succession is less frequent in SMEs than in large companies, practical experience is relatively low. Based on the latter, the authors spot an especial significance of succession in smaller firms. This is confirmed by Giambatista, Rowe and Riaz (2005) who spot a stronger need for a better understanding of succession in SMEs. Moreover, the pool of potential successors for SMEs is smaller than for larger public firms (Le Breton-Miller, Miller & Steier, 2004). In

'worst-case' scenarios, this results in the company being closed or its owner continuing to head the enterprise beyond the pensionable age. With reference to the former, a failure in company succession is usually connected to a loss of workplaces, which cannot be compensated by business start-ups due to a lower company size on average (Ballarini & Keese, 2006); a fact that can have a serious influence on a country's prosperity. Additionally, data show that SMEs' survival rates over time are low, which underlines the strategic component of company succession to these firms (Morris et al., 1997).

The majority of researchers agree that succession represents a process rather than a discrete event (Gephart, 1978; Handler, 1994), and the relevant literature provides descriptions of several models by way of illustration (e.g., Handler (1989) in Handler, 1994; Ip & Jacobs, 2006; Longenecker & Schoen, 1978). For the purposes of this study, the model developed by Ballarini and Keese (2006) was applied as it deals with both sides of the succession process, it does not lay particular emphasis on family succession and its modular structure aids enquiry into the present area of investigation.

The phase relevant to this study is the preparation stage. In this phase, the successor seeks and analyses companies of interest. The company analysis, or due diligence, constitutes a crucial part of this phase. The due diligence process found in many small firms cannot be compared to that conducted in large firms in which specialists for each topic of analysis are involved (Ribeiro & Tironi, 2006). Instead, one may expect it to be a generally less comprehensive procedure of which the main part is conducted by the successors themselves. The aim of a company analysis is to reduce the degree of uncertainty relating to the target company (Zimmerer & Scarborough, 2008).

A review of the academic literature relating to company succession in general and non-family succession in particular revealed that the articles dealing with the personal side of this topic are strongly focused on the other side of the business transfer process, namely on the incumbent owner's point of view (e.g., Birley, 1986; Santora & Sarros, 1995) or that of the family (e.g., Lambrecht & Donckels, 2006; Lee, Lim, & Lim, 2003). In addition, the existing literature on company succession covers planning and controlling aspects (e.g., Ip & Jacobs, 2006; Motwani et al., 2006), the relationship between current owner and successor (e.g., Malinen & Stenholm, 2002), between succession and company performance (e.g., Haveman & Khaire, 2004; Lauterbach, Vu, & Weisberg, 1999) as well as between succession and organizational failure (e.g., Haveman, 1993). In view of the critical role played by the successor in company succession as a "bearer of ideas, planner, controller, executor and supervisor" all in one person (Szyperki &

Nathusius, 1999, p. 6) the literature was examined in greater detail, focusing on the 'successor' factor. This analysis showed that to date, most academic attention has been paid either to family succession, or in the case of non-family succession to the process of CEO succession in large firms (Wasserman, 2003). With regard to the German-speaking countries, Schulte and Wille (2006) conclude that empirical discussion of the topic in general is rare, although the economic consequences of failing to address the challenges related to pending demographic changes and the increasing number of smaller firms awaiting transferal can be serious.

2.2 Intangible assets

The key motive forces of globalisation and information technology have brought about dramatic changes in the structure of most companies. In order to remain competitive and successful companies must respond to these changes as well as to more exacting customer demands through a shift in emphasis from tangible to intangible resources. Nowadays, intangible assets are considered to be more important than they were in the 1960s, 1970s, or 1980s (Lev, 2001); although the meaning of such assets to firms is by no means new (Hall, 1993; Stewart, 1999). Already in the 1950s Penrose, in her work on the theory of growth of the firm, suggested managers to focus on the firm's intangible assets in order to differentiate from their competitors. This seminal work is regarded as the basis for the development of intangible assets in the field of business management (Roos & Pike, 2007). Eventually, the activities related to it as well as growing interest in knowledge and innovation as drivers of competitive advantage led to the concept of the resource-based view of the firm (von Krogh & Grand, 2002; Marr & Spender, 2004).

Even though an increasing number of organisations and scholars are recognising the benefits of considering intangibles a serious problem remains: No common language among scholars and practitioners has yet been established (Zambon, 2004). A possible explanation for this could be based on the divergent viewpoints of different interest groups or disciplines, or between considerations of strategy and measurement. The former is concerned with optimising the management of knowledge resources in the company in order to improve performance, whereas the latter focuses on establishing standards for organisational accounting in order to provide stakeholders with a more comprehensive and comprehensible picture of intangible assets expressed in terms of traditional monetary data (Petty & Guthrie, 2000). Accordingly, competing definitions exist. For the purposes of this study the definition of intangible assets was based on Andriessen (2004) and Lev (2001), defining them as being the core non-monetary resources (lacking physi-

cal substance) that are able to contribute to future benefits in SMEs. According to many authors, intangible assets/intellectual capital can be classified into a number of distinct types of non-physical asset. These classification schemes are an aid to understanding the nature of intangible assets. Although the issue of classification is beset with the same problem as the definition of intangibles discussed before, an increasing tendency to classify intellectual capital into human capital, structural capital and relational capital may be observed (Edvinsson & Kivikas, 2007). Human capital comprises the competence, ability, and skills of those belonging to an organisation. It is a central factor as it represents the basis for innovation and change (Bontis, 2002). The term structural capital covers everything which supports employees' productivity, such as organisational structure and processes, software, and corporate culture (Marr, 2005). Finally, relational capital embodies all the relationships with customers, suppliers and other critical partners (Roos, Bainbridge, & Jacobsen, 2001).

As a field of study, research into intangible assets is still in its infancy. Although a considerable body of literature has been published in recent years, it displays an emphasis on theoretical approaches and papers, which implement secondary data. Furthermore, the main object of study in these theoretical contributions has been large companies. The shortcomings of traditional accounting systems and consequently of financial reporting have encouraged a large amount of research involving a multitude of approaches, whereby the initial efforts can be regarded as having been inspired through practical motivation. Developments in the field of intellectual capital reporting are closely linked to individuals such as Sveiby (1997) and Edvinsson and Malone (1997), who wished to obtain a better understanding of value creation within companies. Apart from this, various national initiatives can be found focusing on intangible assets/intellectual capital reporting, such as the Danish guidelines for Intellectual Capital Statements, the German 'Wissensbilanz', or the Japanese Intellectual Asset-based management reporting schemes. However, despite the development of many different intangible assets/ intellectual capital reporting approaches only a few companies apply them to date (Zambon, 2006). An attempt to overcome this situation can be seen in the inauguration of international cooperative efforts involving organizations such as the Enhanced Business Reporting Consortium, the Japanese Ministry of Economy, Trade and Industry and the Organization for Economic Development and Cooperation. This has resulted in the establishment of the World Intellectual Capital Initiative (WICI), which was launched in Paris in Novem-

ber 2007. This initiative aims to develop a globally accepted framework for reporting non-financial information (www.worldici.com). In addition to these research activities, empirical research has also been conducted by individual academics. Some of these studies have been focused on small firms: e.g., Watters, Jackson, and Russell, 2006; Bracci and Vagnoni, 2005. Previous studies of intangible assets have tended to be concentrated on knowledge-intensive companies. However, for the investigation of company succession as an alternative means of achieving entrepreneurship such a focus on knowledge-intensive companies would be unwise, as these companies are mainly of recent foundation (Burgman & Roos, 2007), so the issue of company succession is not normally of immediate importance. Another aspect to bear in mind is that the implementation of certain reporting frameworks such as the German *Wissensbilanz* presupposes that firms are accustomed to applying management instruments (Bornemann & Alwert, 2007). In the small firm setting it is doubtful that this condition can be fulfilled (Jennings & Beaver, 1997).

A literature review related to the relevance of intangible assets with regard to company succession in general and external succession in particular revealed that this area remains under-researched to date. This is strange in view of intangibles' ostensible role as the key drivers of business performance, leading one to expect them to be of great interest in respect of company succession as well. Furthermore, according to Roos, Pike, and Fernström (2005) there is a correlation between firm size and dependency on intangible assets. According to these authors, the dependency on intangible assets increases in reciprocal proportion to the size of the company. This would indicate that the relevance of intangibles is not so much dependent on the industrial sector but primarily on company size.

2.3 Development of initial framework

According to Miles and Huberman (1994), conceptual frameworks take over the task to graphically or narratively explain the central issues being studied. This comprises the key factors as well as the presumed relationships among them. Frankfort-Nachmias and Nachmias (1994) take the position that conceptual frameworks represent the third level of theory². According to them, conceptual frameworks provide propositions that summarise, explain and predict a vast number of empirical observations. On the other hand, Henry (2008) views frameworks as visual aids that are capable of illustrating phenomena with few magnitudes.

As the focal point of this doctoral thesis is on the per-

²The authors classify theory in four levels which are ad hoc classificatory systems, taxonomies, conceptual frameworks, and theoretical systems.

ceived relevance of intangible assets by non-family successors in SMEs, the framework should map these assets accordingly in order to be tested by the following empirical studies. Because of the explorative character of this study, the application of the intellectual capital classification scheme (human capital, structural capital and relational capital) as guiding frame was considered suitable. This scheme was applied to identify potentially relevant intangible assets. Using this scheme as a starting point, previous research papers have been reviewed which focused on intangible assets having an influence on company success and thus may also provide the basis for differentiation from competitors. The rationale for focusing on these studies was that it was assumed that if these intangibles do have an influence on company success they should also be of interest to prospective successors and their acquisition intents. Thereby, if possible, particular attention was paid to empirical studies bearing relation to SMEs and their particular characteristics. The studies were identified by using databases, such as ABI/INFORM and Emerald. As keywords SME, small firm, intangible assets, intellectual capital, company success, company performance and research paper were used. Eventually, this proceeding resulted in five empirical studies, underlining the infancy status of this field of research during that time of study. These included the studies by Gallego and Rodríguez (2005); Claessen (2005); Alwert and Vorsatz (2005), BMWA (2004), and Bontis (1998). These studies were sifted and the intangible assets most frequently named were selected for the second step. The intention in this process was to include those intangibles which proved to be relevant in empirical practice with regard to company success having in mind the specific attributes of SMEs. Based on this assumption the intangibles selected were regarded as comprehensive, though in the intangible assets literature there are of course more intangibles listed.

The outcome of the first step resulted in seven intangible assets, which were employees, innovative capabilities, company culture, customers, knowledge management, organisational structure, and networks. Interestingly, none of the studies analysed considered the critical relevance of the person 'owner'. However, due to the owners' central position in many SMEs (Berg & Koch, 2006), of whom it is said that they possess most of the human capital and relational capital (Bracci & Vagnoni, 2005), the owners should not be neglected in any consideration of company succession. Thus, this aspect was included accordingly. Moreover, instead of explicitly including other partners (e.g., suppliers) as single items, it was decided to employ the broader network concept. The rationale for this was that it was felt that the item 'network' better takes into account that many SMEs are only at the outset of network activities (Rissbacher &

Stahl, 2003), particular when referring to the study's focus on traditional SMEs. Furthermore, a broader approach was expected to be more reasonable when addressing SMEs of different size and industry. In the second step, the eight items identified were elaborated by consulting existing literature in terms of its general relevance and with regard to company succession in SMEs.

This has led to the proposition of an initial framework (Figure 1). This framework graphically explains the course of action within the preparation stage. It incorporates the aspects of company selection and company analysis. As this study is based on the assumption that intangible assets are the critical aspects within this stage, the focus of considerations is on them. The framework is intended to fulfil three purposes (a) it illustrates the scope of this thesis, b) it is targeted to be empirically tested, and based on the latter (c) it represents the fundament for the final framework to be developed.

The intangible assets highlighted in the initial framework constitute the answer to the first research question.

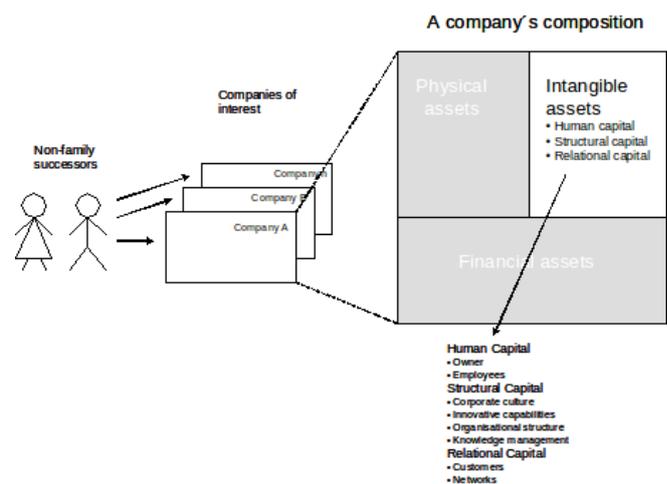


Figure 1: The initial framework (illustration by researcher)

In the following, the framework is presented based on a normative approach as to be found in the literature consulted.

In this study, non-family successors are regarded as the vital element in the succession process as they represent the key actors for the creation of new value that could be reached through the establishment of a new organisation and/or an innovation, which is based on already established structures. This value can be measured by sales of products or services on a market (Bruyat & Julien, 2000).

Company succession is a process that consists of several stages. The emphasis of this study is on the preparation stage. In this stage promising companies are searched for and analysed. Usually, it can be anticipated that the first company identified is seldom regarded as

the ideal one. Instead, it can be argued that prospective successors will have a closer analysis of several companies before the right firm will be identified. Although an increasing number of firms are waiting to be transferred, not all of them will comply with the non-family successors' set of criteria (Scarborough & Zimmerer, 2001). Furthermore, it has to be highlighted that in this study it is preconditioned that the target company lies within the frame of financial possibilities. On the other hand, the search process could also end with the result that a desired company is not discovered. This would lead to the following possible solutions: (a) the would-be successors would stop the project for a while or (b) the individual would start a new venture. Of course, it is also conceivable that the prospective successors completely cease their succession activities. These options are not in the focus of this thesis.

Once an interesting company is identified the analysis stage commences. Company analysis takes on an essential part within the preparation stage as the outcome of it may lead the successor to the next stage within the succession process. The objective of a company analysis is the thorough assessment of the target company's strengths and weaknesses. Thus, the analysis' outcome helps prospective successors to answer the question whether the company is worth an investment. A business can be regarded as a composition of tangible assets (comprising financial and physical assets) and intangible assets (Roos, Pike & Fernström, 2005). Financial resources embrace those resources that take a monetary form, such as cash, accounts receivable, loans, assets and securities of other companies (Ricceri, 2008). Whereas, physical resources comprise property, plant, machines, and equipment (Ross, Westerfield & Jaffe, 2002)³.

As this thesis is based on the assumption that intangible assets are the critical aspects in non-family company succession, the focal point is on these elements of the company's entire structure. More precisely, the focus is on specific intangible assets, which are owner, employees, customers, networks, organisational structure, corporate culture, innovative capabilities, and knowledge management. Based on the elaborations, it is proposed that these eight intangibles take on a critical role from the non-family successors' point-of view.

These assets are assigned to the dimensions of the intellectual capital classification scheme, which are human capital, structural capital and relational capital; representing the scheme adopted in this study. The labelling of the eight intangible assets are consciously applied in a broad way as this allows continuous iterations during the process of data collection and analysis (Robson, 2002). Moreover, a broad approach is viewed as a means

to prevent the framework from being too static. On the other hand, the eight intangibles can be regarded as comprehensive in view of the procedure chosen to identify them. In addition, Figure 1 clarifies that the presentation of any possible relationships between the intangible assets is, at that early stage of development, not in the focus. Because the aim of this initial framework is in the first instance to display relevant intangible assets separately. Consequently, for the moment a static approach is viewed as suitable. Resting upon these explanations, the entire construct is structured as open and organic being able to accommodate further intangibles and changes respectively; thus, taking into account the aspect of flexibility (Gallego & Rodríguez, 2005).

3 Research design and methodology

3.1 Research philosophy

Saunders, Lewis and Thornhill (2007) encourage the researcher to think about the way knowledge is developed as the research philosophy adopted shapes the procedure of doing research. To do so the authors discuss three main ways of thinking which are epistemology, ontology and axiology. Epistemology is "interested in the origins and nature of knowing and the construction of knowledge" (Maykut & Morehouse, 1994, p. 4). Easterby, Thorpe and Jackson (2008, p. 60) understood the term as a "general set of assumptions about the best ways of inquiring into the nature of the world". Our perspective of the nature of reality will shape our beliefs in the nature of knowledge. Thus, in this context, Klenke (2008) particularly stresses the recognition of the researcher's personal epistemological assumptions, as the latter will influence the researcher's understanding and interpretation of the data.

Positivism and interpretivism/constructionism are regarded as two extremes holding contrasting epistemological positions (Henn, Weinstein & Foard, 2009). Positivism can be described as the traditional scientific approach (Crossan, 2003). This epistemological position follows the approach of applying natural science methods in order to study social reality (Bryman & Teevan, 2005). One assumption of positivism is that social phenomena can be professed by observing and experimenting cause and effect (Henn, Weinstein & Foard, 2009). Positivism supposes the existence of an objective reality that is independent of human behaviour. Consequently, it is not a construction of the human mind (Crossan, 2003). Thus, the researcher is independent from what is being investigated, and the research itself is value-free (Easterby, Thorpe & Jackson, 2008). The positivist view

³In the field of accounting, physical resources are referred to tangible assets. Unless particularly highlighted, in this study tangible assets cover physical assets and financial assets.

usually refers to theory testing, which means that hypotheses are formulated and the data collected are assessed in order to determine the appropriateness of the theory as expressed by those hypotheses (Henn, Weinstein & Foard, 2009). Accordingly, a deductive approach is given (Saunders, Lewis & Thornhill, 2007). In order to test these hypotheses quantitative measuring instruments, such as experiments, questionnaires and quantitative content analysis, are favoured (Johnson & Onwuegbuzie, 2004). This will lead to a highly-structured, large scale and statistically based research design (Henn, Weinstein & Foard, 2009).

In contrast, interpretivism is based on the assumption that people and object being studied are different and this has to be respected (Bryman & Teevan, 2005). The supporters of this position argue that the interpretation of every human being's view of the reality is based on his/her perception. Hence, to them value free science is not possible and also is not wanted (Johnson & Onwuegbuzie, 2004). In order to increase knowledge of the social world, this position postulates that people and objects need to be studied in their natural environment (Henn, Weinstein & Foard, 2009). This position is commonly associated with qualitative instruments, such as in-depth interviews and participant observations. In contrast to the a priori approach positivism is based on, the interpretivist approach is interested in understanding human behaviour from the participants' perspective making such a predetermined proceeding inappropriate. This also suggests that research tend to involve smaller samples, be less structured and more flexible. Accordingly, an inductive approach is on hand that usually starts with a broader research question, and our understanding of the phenomenon is developed during the course of data collection. Through putting together pieces of knowledge theory is built (Henn, Weinstein & Foard, 2009).

Ontology focuses on the nature of reality. Thus, it refers to a set of assumptions about what the world is (Henn, Weinstein & Foard, 2009). This influences how research is conducted and/or how other forms of inquiry are included (Klenke, 2008). Following a positivist position, this would suggest that the social world can be viewed as an objective reality regardless of how it is interpreted. This brief exemplification underlines the close relations between epistemology and ontology. Finally, axiology deals with judgements about values and ethics (Saunders, Lewis & Thornhill, 2007). Although the traditional scientific approach postulates a value-free and unbiased research, reality shows that not all research complies with it (Klenke, 2008).

This discussion suggests that the selection of methods will be influenced by the researchers' philosophical point of view. This would mean that researchers could

follow either the positivist-quantitative approach or the interpretivist-qualitative approach (Saunders, Lewis & Thornhill, 2007). However, such a proceeding is not without criticism, and it is observable that more and more researchers are open to flexible research approaches in terms of their research problems (Henn, Weinstein & Foard, 2009). These researchers more follow pragmatic considerations, meaning that they put higher emphasis on the research questions and possible constraints related to the study planned.

Pragmatism represents a position that aims at finding a middle between positivism and interpretivism (Johnson & Onwuegbuzie, 2004). In the same way, Tashakkori and Teddlie (1998, quoted in Saunders, Lewis & Thornhill, 2007, p. 110) add that pragmatism declares itself against opposite positions of philosophy; instead, it is considered as "a continuum". Supporters of this position assert that "knowledge claims arise out of actions, situations, and consequences rather than antecedent conditions" (Creswell, 2003, p. 11). Accordingly, this position is based on the assumption that the researcher should have the freedom to choose the research method in order to best answer the research question. Thus, there is an emphasis on the research question(s) and not on the research method (Creswell, 2003) or as Tashakkori and Teddlie (1998, p. 21) put it, there is a "credo of what works". In turn, it may result in the situation that philosophical reflections do not end in being perceived as "hindrance" (Patton, 2002, p. 69) but as "enabler" in conducting fieldwork. According to Creswell (2003), pragmatism is not linked to a specific research philosophy and reality. Consequently, it allows the investigation of a phenomenon from different perspectives.

These explanations indicate close connections between the pragmatic perspective and mixed methods research (Tashakkori & Teddlie, 1998). By combining research methods (often qualitative and quantitative methods), it is tried to minimize the weaknesses of both approaches and fall back on their strengths rather than replacing either of them (Johnson & Onwuegbuzie, 2004).

Based on these explanations and the research questions set, pragmatism was regarded as a suitable philosophical lens for this thesis as it gives the researcher the freedom to make methodological choices, which are regarded as suitable to explore the perceived relevance of intangibles by non-family successors. Furthermore, the pragmatic view does not trammel the researcher into a specific perspective. Instead, the researcher is open to follow different ways to answer the research questions. This rather complies with the researcher's temper. In turn, this also meant that the researcher studied what she thought was relevant in order to answer the research questions. The researcher was aware of the situation

that the selection of these sources was influenced by her personal values and background (Tashakkori & Teddlie, 1998).

This study applies a mixed methods approach by combining quantitative and qualitative research. By including different perspectives, the researcher has to be open-minded towards variances of opinions. Thus, there is no one right answer. With regard to the ontological perspective, the application of the pragmatic lens has also the consequence that the way social entities are regarded is two fold. The researcher agrees with the objectivist perspective that social entities to a certain degree can be regarded as objectives entities (Bryman & Teevan, 2005). For example, this suggests that firms symbolise a configuration of a set of different rules and regulations, which directs organisational members to act accordingly. On the other hand, the researcher is convinced that this order is not determined forever; instead, this reality will be challenged by its individuals and their activities. Consequently, there is a permanent change of a firm's social order and no "right" state.

3.2 Research approach

Field research is usually classified by its purpose, which can be exploratory, descriptive and explanatory (Saunders, Lewis & Thornhill, 2007). The focus of exploratory studies is to "assess phenomena in a new light" (Robson, 2002, p. 59). Descriptive studies aim at illustrating a specific person, event or situation in detail. Finally, explanatory research is targeted to establish relationships between variables (Saunders, Lewis & Thornhill, 2007).

Since very little empirical research seems to be done on the research aim and questions raised in this study, this study is regarded as exploratory in nature. Thus, the study's primary aim is to examine the phenomenon "company succession" in a new light (Robson, 2002). Taking the perspective of non-family successors, this study is targeted to investigate the perceived relevance of intangible assets in the preparation stage. Consequently, the focus is primarily on mapping and interpretation.

To do so this study gathers primary and secondary data. Primary data involved both quantitative and qualitative research methods. This can be referred to the mixed methods approach. This relatively new approach comprises a collection and analysis of quantitative and qualitative data (Creswell, 2003), "where neither type of method is inherently linked to any particular inquiry paradigm" (Greene, Caracelli & Graham, 1989, p. 256). Curran and Blackburn (2001) assert that the use of a mix of methods allows researchers to benefit from the combined advantages of each of the chosen methods and from triangulation. Triangulation describes the use of different methods, theories, sources of data and interpreters in order to understand a phenomenon in more

depth (Lamnek, 2005), and to enhance the validation of results (Saunders, Lewis & Thornhill, 2007). According to Flick (2007), triangulation is also increasingly used as a means to enrich and complement findings. Moreover, by combining different methods, the weaknesses of one approach should be compensated for by the strengths of one or more of the others.

Through the mix of methods, the researcher gains a deeper and clearer understanding of the setting being studied (Taylor & Bogdan, 1998). Apart from these benefits, a mixed methods approach goes further. It assists in the development or information of the other method. It can discover new perspectives, and it expands the range of investigation (Greene, Caracelli & Graham, 1989). Other reasons for applying mixed method approaches are to overcome difficulties related to being locked into a single research perspective, and to gain more complete insights into the phenomenon under investigation (Henn, Weinstein & Foard, 2009).

According to Curran and Blackburn (2001), the application of a mixed methods approach has appeared to be the research choice frequently used in small business research. Additionally, Petty and Guthrie (2000) call for the application of mixed methods approaches in the field of intangibles as they expect enhanced insights from it. The authors particularly criticise the existing focus on either case study or survey approaches in this research field.

As the area under investigation in this study can be viewed as under-researched the mixed methods approach was regarded as suitable as it allows the exploration of the area from different perspectives. Thus, this approach possesses the likelihood of improving our understanding in this area as it offer insights that are not possible through the use of mono method approaches. The function of each research method applied is not only to confirm the findings but to inform each other, as well.

With regard to mixed methods approaches Creswell (2003) distinguishes three general strategies:

- Sequential strategy, in which the investigator "seeks to elaborate on or expand the findings of one method with another method" (Creswell, 2003, p. 16). The study can start with either a quantitative or a qualitative method depending on the researcher's purpose.
- Concurrent strategy, in which the investigator collects quantitative and qualitative data at the same time.
- Transformative strategy, in which a theoretical lens guides the study. This perspective is the driver behind all methodological selections. Within, the data collection process can follow a sequential or a concurrent approach.

To facilitate the selection of one of these strategies, Creswell (2003) further proposes four criteria which are implementation (sequential or concurrent), priority (greater priority or weight to quantitative or qualitative approach), integration (mixing data at data collection, data analysis, data interpretation or some combination), and theoretical perspective (Is the entire study guided by a framework?).

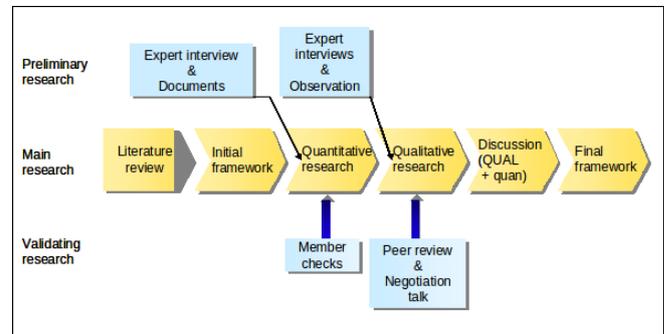
This study adopted a sequential (follow-up) strategy. Thereby it is started with a quantitative research to be followed by a qualitative research (Auer-Srnka, 2009). Primarily, the quantitative research is intended to give an indication whether the eight intangible assets - derived from the literature review - are also considered as important by advisors in terms of company succession. Thus, in this study, the central aim of the quantitative research is to inform the qualitative research.

The qualitative study is considered the data source of higher priority as within a detailed exploration of the main target group, i.e. non-family successors, and its perception regarding relevant intangible assets in company succession takes place. However, the findings of the quantitative stage are also integrated in the overall interpretation of the study's findings to either confirm or negate the qualitative findings. These data together with the other data sources collected help to gain a better understanding of the specific subset of company succession representing the location of this study. Finally, the mixed methods strategy is based on the pragmatic position.

The rationale for applying the quantitative approach at the start was that it was believed that a procedure starting from a broader focus and then moving over to a narrow more detailed one (qualitative) best provides an understanding of the particular research phenomenon (Creswell, 2003). Additionally, in terms of the types of research questions formulated, such order of research stages appears to be suitable. This proceeding is further justified because there was no public database about German successors available, which made necessary another research approach.

The quantitative research used a questionnaire as research technique, whereas the qualitative research involved a series of in-depth interviews. Questionnaires are viewed as suitable when attitudes and/or opinions towards specific aspects shall be discovered, whereas in-depth interviews help to understand these attitudes/opinions (Saunders, Lewis & Thornhill, 2007). The main research strand was further accompanied by two ancillary strands. These strands are called preliminary research and validating research. These strands were intended to prepare and/or validate the main empirical studies. They were not viewed as own methods but as complementary procedures (Flick, 2007).

This course of action was regarded as suitable as it not only allows the exploration of the research aim from different perspectives (outside and inside); consequently offering a holistic perspective. But it also possesses the capacity to provide more convincing and accurate findings (Yin, 2003).



Capitalization of "Qual" indicates the priority on the qualitative study.

Figure 2: Figure 2: Research process utilised in this study.

The overall research process used in this study to achieve the research aim is illustrated in Figure 2. The different components of this research process are summarised in the following.

3.3 Preliminary research

In this study, preliminary research was conducted to obtain an understanding of the context that surrounds the specific subset of the phenomenon company succession (Maykut & Morehouse, 1994). Preliminary research also helped to develop the empirical studies of the main research strand. Although the academic literature was valuable in shaping the researcher's thought process of this study, it was decided to use preliminary research as well in order to receive insights from the practice of company succession.

With respect to the quantitative research, documentary secondary data were consulted and email interviews with an expert were conducted. The latter represented a member of a German trade association dealing with the aspect of company succession in his daily business. With the use of documents, the goal was to obtain as much about company succession in practice and the role of intangible assets within as possible. In terms of the expert interviews, the objective was to obtain data about company succession in practice. This in combination with the secondary data sources enabled the researcher to develop a better understanding of the issues in questions and to develop the questions for the survey. Furthermore, the advisor was also the one who pre-tested the questionnaire from the practitioners' side.

In view of the qualitative research, expert interviews were conducted with members of German trade associations. The focus of these interviews was to obtain a better understanding of succession negotiations, especially in terms of the non-family successor's perspective in order to develop the interview guide. Thus, the expert interviews were conducted as complement to the development of the qualitative research (Flick, 2007). Furthermore, the researcher participated in a workshop on company succession in order to further deepen the understanding of company succession and the main points discussed.

3.4 Main research strand: Literature review

The fundament for this study was worked out through an extensive literature review. This study encompasses two fields of research: company succession and intangible assets. This review helped in identifying critical intangible assets with regard to non-family successors' business acquisition intentions. As relatively little research seems to be done on the research topic, this study applied the intellectual capital classification scheme for framing the intangible assets' identification process. The limited body of knowledge also influenced the selection of the study's research design, which resulted in an approach comprising of different research stages and perspectives. The literature available was used to obtain insights into the preparation stage and its core elements in order to develop the initial framework. The outcome was the proposition of an initial framework mapping potentially central intangibles addressing the first research question. The analysis of the particular literature, together with the preliminary research, also facilitated the formulation of survey and interview questions.

3.5 Main research strand: Quantitative research

The first research stage was primarily targeted to examine how well the intangible assets in the initial framework reflect the practice of succession consultation. Additionally, the data gathered were expected to provide information on the perception of intangible assets in a SME setting and the way they are handled in a succession context. Thus, the quantitative research informed the following qualitative research as the former provided insights into the meaning of the eight intangible assets as well as aspects considered in a succession context, e.g., during negotiations. The quantitative research was based on the survey research method. Thereby, a web survey was applied which took the form of a questionnaire. The overall population of the quantitative study consisted of the sub-populations of German chambers of crafts and chambers of industry & commerce. The

unit of analysis selected comprised the employees from those departments that were responsible for dealing with company succession. During the period of examination there were 54 chambers of crafts and 81 chambers of industry & commerce in existence. These trade associations play an important role in Germany. Each German company registered in Germany is obliged by law to join one of these associations. This is an important consideration as it distinguishes Germany from other countries. Recently, it can be observed that the trade associations have intensified their activities in terms of company succession and company foundations and offering a diversity of courses for different target groups. These courses are relatively inexpensive in relation to those offered by the other professional groups. Furthermore, because of the situation of compulsory membership and a Germany-wide distribution these associations have a better overview about the firms and their activities. This provides them with a strategic role, which is not given with the other parties as here more individual needs are acting. Consequently, the researcher was convinced about the quality of the trade associations as a suitable target group for the quantitative study.

Of the 135 trade associations invited 51 usable responses were received.

The findings of the questionnaires also led to the identification of another apparently relevant intangible asset, which was the brand name. The inclusion of this asset expanded the initial framework.

3.6 Main research strand: Qualitative research

The main purpose of the qualitative research was to explore the perceived relevance of intangible assets by non-family successors in view of their business acquisition intentions.

Thereby a series of in-depth interviews was conducted. In this research non-family successors comprising individuals or teams of successors, who has/have already taken over a SME represented the unit of analysis. Thus, the research's interest was in non-family members (buy-in and buy-out initiatives) who have acquired the entire company or a significant share of it which provide them the control of ownership and of management. Furthermore, the company taken over should not exceed a total number of 250 employees. Thus, the sampling strategy applied was what Patton (2002) referred to as criterion sampling. This strategy of purposive sampling comprises the selection of cases that meet some predefined criteria. By meeting these conditions, the quality of the unit of analysis in terms of the research topic was regarded as being assured. In Germany, legal facts related to company succession are obliged to be registered but not the takeover itself (Schulte & Wille, 2006); consequently, data on non-family successors are nonexistent

(Isfan, 2002). Because of it, the researcher had to contact persons or institutions closely related to this issue. This justified the decision for purposive sampling rather than random sampling.

The selection of successors was carried out by contacting German trade associations. Thus, the target population of the quantitative stage was used to obtain access to the unit of analysis of the qualitative study. Because of the missing pool of data, a focus on a single industry was not possible. This procedure coincides with previous empirical studies conducted in this area in Germany (e.g., Isfan, 2002; Schulte & Wille, 2006). After ten participants had become involved, the researcher decided to end the process of data collection. Because the data material received was rich in detail and with the additional data sources collected the researcher had a good confidence in the data. The notion behind purposive sampling justified this sample size, as it encourages the researcher to select data rich in detail about the research topic (Saunders, Lewis & Thornhill, 2007).

The objectives of the in-depth interviews were to review the components of the initial framework, which was the result of the literature review and refined after the quantitative research, and to amend further the framework by including the perceptions of the actual actors. The interviews were further used to identify other intangible assets having an influence on the successors' business acquisition intentions. Additionally, the qualitative research was intended to investigate how external successors analysed the target companies, representing a core component of the preparation stage. The qualitative approach was perceived as suitable to obtain these types of information as it allows coming close to people and their actions (Maykut & Morehouse, 1994). The findings of the interviews led to a refinement in the initial framework as well as previous quantitative findings. The overall result was a conceptual framework mapping critical intangible assets as perceived by non-family successors.

3.7 Validating research

Complementary research was conducted in order to validate the accuracy of the different empirical findings (either quantitative or qualitative) (Creswell, 2003). It was also used to check for any researcher effects (Miles & Huberman, 1994). Thereby different strategies were used. With regard to the quantitative research, member checks were applied as strategy. In view of the qualitative research, further experts were involved as strategy to validate the findings. Thereby the objective of these experts' involvement was to peer review the findings. In addition, the researcher participated in an initial succession talk between a potential predecessor and successor in order to bring primary data from the other side of the

company succession process to the study as well. This proceeding enabled the enrichment and completion of the findings of the main research strand. However, the strategies used were not regarded as stand-alone methods but as complementary methods (Flick, 2007).

After having discussed the research process of this study, in the following sections the data collection types used in the different research stages will be discussed.

4 Findings

This study examined the perceived meaning of intangible assets to non-family successors. The findings indicate that with regard to non-family successors' business acquisition intentions, intangible assets take on an important role. It was found that many different intangible assets were taken into consideration, but five in particular were apparently crucial in reaching the final appraisal of a company's attractiveness. These are the factor 'key employees' and the closely related factor 'knowledge retention' and the factors 'brand', 'partners', and to a lesser degree 'corporate culture'.

Investigation of the perception of intangible assets within a small firm setting (German trade associations) revealed that, to date, they are given only moderate weighting. This applied both to the opinions of the associations themselves and of their member companies which could be a consequence of the fact that intangibles cannot be measured. This challenges the relevance of intangibles as perceived by non-family successors. Thus there appears to be a disparity of opinion among the parties involved in succession processes, which may be expected to lead to difficulties during negotiations (non-family successor and current owner) as well as consultations about succession (non-family successor and advisor). The findings further provide evidence for the notion that the non-family successor's background (educational and professional) has an influence on his /her procedure of how and to what extent the company is analysed and how intangible aspects are regarded.

4.1 The conceptual framework

After reviewing the current mainstream literature, conducting quantitative and qualitative research, accompanied and supported by preliminary and validating research, the final conceptual framework was derived. This framework maps the critical elements within the preparation stage, starting with the initial contact to the company in focus and then to be followed by the analysis of a company's assets. As this study is based on the assumption that intangible assets represent the critical factors in view of non-family successor's further business acquisition intentions, the focus was on these assets.

The initial framework, which was the outcome of a mainstream literature review and also the answer to the first research question, which critical intangible assets can be found in the relevant literature in order to develop an initial conceptual framework?, supplied the basis elements for further investigations. This initial framework comprised the elements owner, employees, corporate culture, knowledge management, innovative capabilities, organisational structure, customers, and networks. Succession advisors from German trade associations examined these intangible assets within the quantitative stage. The results of the quantitative study showed a high to moderate relevance of the eight initial intangibles. Highest assessments received the elements owner, innovative capabilities, and customers. The quantitative research further resulted in a new element that was the brand name, which enlarged the initial framework. These outcomes refer to the second research question, how well do the intangible assets in the initial framework reflect the practice of succession advisors?

In the qualitative research, the intangible elements were probed by non-family successors symbolising the central actors of this study. This led to some new factors as well as some cancellations. The different stages of framework development and the final elements of the framework are displayed in Table 1.

Element	Initial framework	Advanced framework after quantitative research	Final framework
Owner	✓	✓	✓
Employees	✓	✓	✓
Corporate culture	✓	✓	✓
Innovative capabilities	✓	✓	✗
Organisational structure	✓	✓	✓
Knowledge management	✓	✓	✓
Customers	✓	✓	✓
Networks	✓	✓	✗
Brand name		✓	✓
Partner			✓
Quality			✓
Style			✓
Strategy			✓

Table 1: Summary of intangibles in comparison to framework stages.

Table 1 clarifies that the non-family successors validated most parts of the initial guiding framework. The final framework is presented in Figure 3 including new intangibles which emerged in the course of research. The final framework stands for the reply to the third research questions, how well do the intangible assets in the initial framework reflect the perception of non-family successors?

The framework highlights the main components of

the preparation stage, namely the initial contact with the target company and the process of company analysis. The figure shows three different initial situations which potential successors may encounter at the start of a company takeover: company selection, desired company, and long-standing firm member. Company selection means that a successor chooses the best company out of a range of companies because it offers promising future prospects, for instance. The 'desired company' is a sort of model company and it is the only one the successor is interested in taking over. The 'long-standing firm member' indicates a non-family member of a firm's staff who is prepared to take over. Thus, the first two scenarios represent buy-in initiatives and the last one represents a buy-out initiative.

The right part of the figure depicts a company's composition (physical assets, intangible assets and financial assets) and corresponds to the scope of company analysis. Reflecting this study's focus on intangibles, physical assets and financial assets are displayed in light gray, although this is not an indication of relative importance as of course each company needs an appropriate mix of all elements in order to achieve success. The findings revealed that the 'partner' factor is seen as critical with successors planning a succession involving several persons, so that the scope of analysis was expanded to include it. This factor is not company related but is to be taken into consideration independently of the company. During negotiations, the current owner has relatively little influence on this aspect.

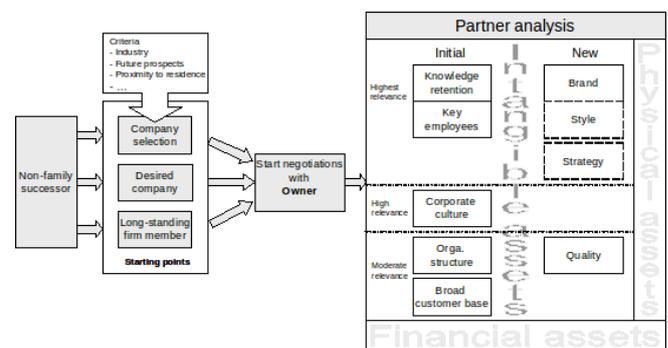


Figure 3: The conceptual framework

The intangibles are displayed according to their relevance for the non-family successors. They are classified into initial intangibles (from the initial framework) and new intangibles (which emerged during the course of the study). Paired frames are used to illustrate interconnections between intangibles. As the findings revealed that the factors 'networks' and 'innovative capabilities' were considered to be of little relevance in the context of this study, they were not included.

The key findings associated with individual intangibles of the framework are presented in the following

sections.

4.2 Owner

The findings related to this item suggest that for most successors the owner was perceived mainly as a negotiation partner and not as a central aspect in respect of their business acquisition considerations. Based on this, the findings provide support for the notion that the successors abstained from exploiting the previous owner's expertise and thus also from combining it with their own know-how in order to create a new company stance. Additionally, most successors also abstained from analysing the firm's dependency from the predecessors once they left the company. One explanation might be that non-family successors regarded a clear cut-off towards the incumbents and their past as a means to better deal with emotional aspects often associated with company succession in smaller privately held firms (Bagby, 2004).

Another reason could be that sometimes, relationships between successor and predecessor seem to be quite tense (Szulanski, 1996), so the predecessor's role was reduced to that of a negotiation partner and the successor's efforts were confined mainly to achieving finalization of the succession process in order to start.

4.3 Key employees

The findings indicate a particular relevance of key employees compared with other staff in terms of company succession considerations. As a result, the original item was renamed into "key employees", which takes into account the special status of these individuals.

Despite of this relevance the findings provide support for the notion that little consideration was given to (key) employees being integrated into the succession process. Although the successors regarded (key) employees as being important they did not involved them at an early stage within the succession process. This was surprising from a successor perspective, since he/she would have to work with the employees in the future, thus conflicts hampering the enactment of new measures are rather likely (Dess et al., 2003). Ballinger, Schoorman and Lehman (2009) demonstrated the importance of high quality relationships between successor and employees with regard to the further company's prosperity. The formation of such relationships may be of particular relevance with regard to successors from outside the company, where the employees have, by definition, fewer possibilities to form a judgement of the new owner's abilities, which is an important indicator for trust building as shown by Ballinger, Schoorman and Lehman (2009).

4.4 Corporate culture

The findings suggest that corporate culture was considered as important among most successors. In the case of buy-outs, their assessment of the quality of the corporate culture seems to be based on their own experiences over time, with a positive feeling viewed crucial to the decision process. In the case of buy-ins, where there is not normally sufficient time to build up such an impression, successors had to instead base their assessments on visible factors and a trust in their own knowledge of human nature.

In some buy-in cases, it seemed that the successors did not take into consideration that company culture has been built up over time and change is not easy or may not be possible at all. An explanation of this may be that particularly buy-in successors are willing to implement changes in the firm as a means to increase the firm's performance (Pitcher, Chreim & Kisfalvi, 2000). Having this intent in mind apparently discouraged them from reviewing the existent corporate culture and its genesis.

4.5 Knowledge retention

With regard to company succession, the findings imply that knowledge was mainly associated with key employees, and many successors regarded it as particularly critical to keep these individuals. On the other hand, the predecessor's knowledge appeared to only play a minor role, which is a logical consequence of the emphasis on viewing these persons as negotiation partners.

In view of measures which were used to keep this knowledge, shares in the companies as well as promotions were offered, suggesting that the focus was primarily on keeping it on a personal level in SMEs. Apparently, these measures indicated that the successors held these individuals in high regard. Against this background the original item was renamed into "knowledge retention".

4.6 Broad customer base

The findings revealed the relevance of customers in succession considerations. However, customers were not associated with collaboration as a means of acquiring new knowledge. Instead, the successors' emphasis in the analysis phase was to assess whether the company was too dependent on a few customers. This approach is understandable since this can be a particular vulnerability among SMEs (Stokes, 2006). Accordingly, the original item was renamed into "broad customer base".

4.7 Networks

The findings indicate that this aspect played an inferior role with the successors involved and was far from be-

ing the high priority factor which the academic literature indicates (e.g., Inkpen, 1996). Instead, the study's findings suggest that the benefits of networks have not yet been acknowledged in company succession considerations. Thus, from the findings it can be concluded that the successors acted more like founders of new ventures facing the challenge of establishing new business relations (Delmar & Shane, 2004).

4.8 Brand

The findings indicate that the continuation of the brand name played a critical role within company analysis. An established brand name was seen mainly as a facilitator for doing business irrespective of whether the successor is new in the industry or not.

4.9 Company analysis procedure

The fourth research question was related to "How do non-family successors analyse the company?" Empirical evidence indicates that successors follow on the academic (e.g., Fueglistaller, Müller & Volery, 2004) and practice (e.g., Working Group Chambers of Crafts Baden-Wuerttemberg) recommendation of calling in professional advisors in terms of company analysis. Particularly tax consultants are consulted which is a consequence of Germany's opaque tax system.

In terms of the documents used for analysis, the findings demonstrate that it is based primarily on annual financial statements. The incumbents seldom provide more documents, respectively; it depends on the successors' request. Thus, a successor has to get the active lead in the company analysis process. This hesitance in terms of information disclosure may be a consequence of the legal form given, which require lower accounting standards (Damodaran, 2002), and apparently spread across other business issues as well.

Regarding the proceeding of the company analysis process, the qualitative findings suggest that successors pursue a checklist-like approach when analysing the company. This means that non-family successors consider each asset separately. This proceeding involves the danger that interaction between assets, which is specifically given with intangibles (Roos, 2005) are overlooked and/or underestimated. This danger may particularly be supported by using those checklists, which are frequently offered (e.g., trade corporations, commercial banks and in textbooks on entrepreneurship edited by e.g., Scarborough & Zimmerer (2001) or Kuratko & Hodgetts (2004)) and used in terms of company succession. Within these checklists, each relevant factor is processed according to a list and thence there is a high risk of missing this interrelatedness.

This course of action is delicate as it gives the impression that each aspect within the company is changeable at will. Yet, the change of intangibles such as corporate culture is not comparable to a change in the company's financial structure. Instead, in view of such issues successors should wonder if they are changeable at all or if they have to take these issues for granted and build on them rather than changing them.

Moreover, it can be reasoned that the danger of overlooking is specifically given the lower the degree of business qualification in general and/or the knowledge of modern management theories in particular is. For example, a missing expertise in human resource management may be a reason for some ill-considered decisions.

The qualitative findings reveal a tendency of successors acting like new founders; thus neglecting the company's past and instead focussing on the setting of their own style to put their vision into effect. This behaviour is further supported by the individualistic appearance of most of the successors – in view of thinking: "the company is mine thus I am the one who decides". This is in line with previous research stating that individualism is closely connected with the establishment of small businesses (Herbig, Golden & Dunphy, 1994).

In theory, it is recommended that company analysis performed in response to succession issues should also comprise aspects of risk or asset management (Roos, Pike & Fernström, 2005). This means that successors are aware of implications associated with the loss of assets or their depreciation because of company succession. In terms of risk management related to intangible assets which – in view of non-family succession – is mainly given in view of human capital (loss of competencies) and relational capital (loss of customers, suppliers) the findings suggested that only little attention was paid to protecting a loss of this capital. The successors seemed to be aware of the danger of losing key employees. They applied different personal measures to retain these employees, e.g., by promoting them. This proceeding suggests a people rather than a system perspective, i.e. measures addressed the human being. However, this awareness appeared to be limited to key employees. In view of knowledge and experience of the former incumbents as well as old business relations the findings imply that practically nothing happened in terms of protection, thus exposing the firm to risk that might be avoidable (Kupi, Sillanpää & Ilomäki, 2008).

Although the importance of a rigour company analysis is often highlighted in the literature (e.g., Scarborough & Zimmerer, 2001) the qualitative findings suggest that only a few successors tackled it or were able to tackle it comprehensively. This may have been a pragmatic consequence of missing data availability and data access in SME company succession, which in turn also

means that the successors were exposed to some future risk (Robbie & Wright, 1995). On the other hand, the findings imply an impact of the professional background on the rigour the company analysis is conducted. Successor with a banking or consulting background accomplished, based on the constraints given, a rather thorough company analysis. Successors who did not dispose of this expertise turned to external professionals as discussed above. Additionally, with the latter successors the findings indicate that they tended to perceive a less rigorous analysis as all right. May be it was result of their overconfident in their own abilities (Townsend, Busenitz & Arthurs, 2010) that pushed them forward in their succession activities.

In the course of the examination of the company analysis process, one interesting aspect emerged which was the meaning of the successor's place of residence in terms of the final considerations regarding their business acquisition intentions. Among the successors interviewed, there was no one who had chosen a company in a region respectively federal state outside his/her own one. Hence, non-family company succession seems to primarily happen in familiar surroundings. This finding is interesting as it indicates that company selection is in the end a combination of personal issues and company-related issues, or in other words, a combination of affective and cognitive aspects. A decision for familiar surroundings appears to be reasonable because the imbeddedness within a region might facilitate customer acquisitions, employee recruitment, and other activities related to running a firm. On the other hand, this "region"-focus could lead to the result that companies are chosen based on their proximity to the successors' residence and not based on their future perspective. However, based on the research approach applied in this study it is not possible to say if this region-focus necessarily means that succession is less of a success.

5 Research contributions

5.1 Contributions to research on company succession in SMEs

Extant theory appears to rely largely on financial, legal, tax, and family aspects, i.e. the perspective of the incumbents or family successors respectively, to describe, explain and discuss company succession. Yet, the importance of intangible assets to non-family successors as well as demographic trends suggests a broader set of concern.

The intangible assets identified are summarised in the developed framework representing the key contribution of this study. It maps different intangible assets which seem to be relevant in view of non-family successors' in SMEs. The framework provides an alternative perspec-

tive on non-family company succession in small firms as it highlights those intangible assets which make a company attractive to external successors in their course of company selection. Thus, the framework provides insights into the process that occurs between the initial decision to found a company and business transfer.

The framework developed to the researcher's knowledge is the first that takes not only the non-family successors' perspective but is also based on the assumption that especially intangible assets are the critical factors in the successors' considerations regarding their business acquisition intentions. This may help in better understanding the dynamics of succession as it provides insights into the rather neglected perspective of (external) successors. Thus, presented findings extend the body of knowledge relating to the succession process in SMEs (e.g., Schulte & Wille, 2006).

Focusing on intangible assets the framework also displays a clear future orientation. Thus, expanding existing approaches that are more focused on past attainments of firms (e.g., Kuratko & Hodgetts, 2004). Particularly, this future orientation is regarded as crucial because this is what really matters in terms of company succession and future continuity. In sum, the proposed framework can be regarded as a new due diligent approach highlighting the prospects of firms.

The qualitative findings call into question the actual relevance of the owner in the case of non-family company succession. The qualitative study provides clues that from the external successors' point of view the owners and their expertise and relationships are not regarded as relevant in the preparation stage. This finding apparently signifies a strong difference between family successors and non-family successors. Of the former it is usually expected that he or she will to some extent keep the familiness of the firm (Mitchell et al., 2009). Whereas of the latter it is rather likely to expect that he or she is not interested to keep these ties with the past. Under such circumstances, the company's ability to build on past attainments introduced by the founder is curtailed and it becomes more comparable to a new venture. This finding contributes to SME succession literature as it helps to show differences in perspectives between the various types of successors.

A similar argumentation can be assigned to the findings related to the item "knowledge retention". With non-family succession the focus seems to be on the retention of knowledge as a first step within the succession process, whereas in family-succession the focus is more on knowledge transfer which should, by definition, be easier with this form of succession.

Another contribution is the meaning of the partner during prospective successors' considerations. For successions involving a team, this study highlights the crit-

ical role of the quality of relationships between the partners. Although teamed activities as an object of study have been well researched (e.g., Weinzimmer, 1997), it has mainly been considered in the context of new venture creation (Pasanen & Laukkanen, 2006). There, however, other aspects are equally significant, e.g., customer acquisition and employee recruitment, whereas in corporate foundation through company succession restructuring is important, for instance. This aspect has been neglected in the related literature to date. This study extends the knowledge basis in this area.

This study contributes to company succession research by creating awareness of the relevance of intangible assets in the succession process in general and particularly in the preparation stage thereby taking the non-family successors' perspective. Based on the study's findings it can be concluded that the preparation stage is incomplete to date. The empirical reality implies that the preparation stage is more complex as currently discussed in the literature. The awareness related to the relevance of intangible assets seems to be currently underestimated in this stage. This study has identified critical intangible assets as perceived by non-family successors in this stage of the company succession process, which in turn can help to increase the quality of company succession in SMEs.

Based on the findings it can be further concluded that in terms of company analysis a distinction between physical and financial asset and intangible assets should be made to better deal with these assets' different natures, e.g., their interaction with other resources or the risk related to them. Additionally, the current templates need to be expanded by including further intangible assets to make sure that some of them are not neglected just because it is not thought about them or because of their specific attributes compared to conventional assets. Furthermore, the templates should be reconsidered regarding their structure in order to be better able to take into consideration the interaction between assets. The checklist character often found with these frameworks is not suitable for this challenge. The present situation has also severe consequences for the following succession stages, as wrong assumptions of a company's standing due to incomplete information are rather likely.

The research approach applied in this study supported in gaining better insights into company succession in SMEs:

The findings suggest differences in asset relevance between advisors and non-family successors. This may be a consequence of the different perceptions with regard to intangible assets' attributes. The findings further signify that also successors and incumbents have different perceptions about the relevance of the types of asset (intangibles vs. tangibles) under investigation. Both find-

ings imply that researchers in this field of study must be prepared for these possible differences when addressing the area, and they also call for more educational work.

The findings have demonstrated the particular meaning of key employees in terms of non-family successors' acquisition considerations. Yet, on the other hand, the successors seem to neglect to early integrate the employees in the succession process in order to build high quality relationships with them to facilitate the entire succession process and thus its success. Thus, this study can join company with the call of Ballinger, Schoorman and Lehman (2009) for putting greater emphasis on the training of potential successors in terms of relationship formation as a critical means to overcome possible negative reactions, particularly by those employees who had good relationships with the predecessor.

The inclusion of different data sources also provides improved insights into the company analysis process. This understanding of analysis practice in terms of non-family succession may be helpful for the development of improved guidelines for company analysis in SMEs. This is of importance specifically with regard to the interaction of organisational resources. In turn it may assist in overcoming a pure execution of these resources, e.g., via checklists, and thus upgrading the outcome of company analysis. It can currently be argued that the awareness and knowledge related to the possible interaction among assets is missing.

5.2 Contributions to research on intangible assets

With regard to the research field of intangible asset, the proposed framework abrogates the fragmentation of intangible assets which is usually given when discussing relevant intangible assets in the academic literature (e.g., Marr, 2005; Roos, 2005). Although most of the intangibles that are highlighted in the framework are discussed in the academic literature, a synthesis of individual and relevant intangible assets was missing, thus providing a coherent body of knowledge at least with regard to company succession. However, the model has been established in the context of non-family company succession in German SMEs, and therefore might not be adopted for other successors and/or countries without further testing. Nevertheless, due to its generic nature, the framework can be taken as starting-point for further research. In addition, this study provides insights into intangible assets of actual importance. Consequently, this study makes its contribution in delaying the tendency of paper publications in the field of intangible asset research which is, according to Roos and Pike (2007), primarily based on secondary data rather than on primary data. Rather than relying on a mono-method approach alone

(Petty & Guthrie, 2000), this study has provided fresh empirical insights from a mixed methods approach.

The finding referring to the item "partner" contributes to the development of the intellectual capital classification scheme as well. A review of literature related to the intellectual capital scheme and its components suggests that this item seems to be neglected so far (e.g., Guthrie, 2001; Bontis, 2002; Marr, 2005). This appears to be a logical consequence of the definition of the sub-domain relational capital, which refers to relationships with external stakeholders (cf. Zambon, 2004). On the other hand, the human capital is based on the internal stakeholders and their personal knowledge, skills and so forth. Relationships among internal stakeholders seem to be undervalued. Based on the study's findings it can be concluded that the term "social capital" seems to be more appropriate as it allows to include relationships within and across firms (Subramaniam & Youndt, 2005).

Generally, some of the findings confirm expectations from the existing literature concerning the role of intangible assets. These findings contribute to a more detailed understanding of the intangible asset phenomenon especially in view of traditional SMEs rather than merely in view of knowledge-intensive firms typically involved in research so far (e.g., Hayton, 2005; Claessen, 2005).

Against this background, it can be concluded that by linking up the research field of company succession with that of intangible assets a cross-disciplinary perspective is given. This course of action may assist in reaching a broader audience; thus making the concept of intangible assets more visible.

5.3 Managerial contributions

Presented findings indicate that a focus on tax, legal and financial aspects is not sufficient for adequately dealing with (non-family) company succession. Instead, intangible assets should be included as well. Linking intangible assets to understand non-family successors business acquisition considerations can help to improve the quality of company succession. This insight has implications for the main actors involved in company succession such as incumbents, prospective successors and advisors. In addition, the findings have implications for policy makers as well.

The framework appears to be a valuable tool for understanding the importance of intangibles in non-family company succession in general and particularly their influence on non-family successors' business acquisition intentions. This understanding is viewed as of high importance regarding the changes in demography and consequently, the decreasing pool of successors. The framework may guide potential successors, predecessors and advisors in their course of actions during succession and daily business respectively. Accordingly, the frame-

work may serve as visual aid for all these groups illustrating the process from the preparation stage to the realisation stage.

In view of non-family successors, the study's findings suggest that intangibles and their specific attributes, e.g., future orientation, need also be considered when preparing company succession. As a stronger consideration helps to obtain a more holistic perspective of a company's asset composition which in turn may strengthens the entire outcome of the succession process and might avoid possible pitfalls after the succession has taken place. Furthermore, when analysing the different assets (intangible, physical, and financial assets) of a company, a would-be successor should be aware of their different characteristics. Especially the relationship between intangible assets and the implications of a loss of them for the firm should be analysed. Moreover, the study's findings may help to increase the general awareness towards different assets (financial, physical and intangible assets) given in SMEs and their different attributes. Usually resources in SMEs are scarce. However, a disregard of existing resources, e.g., networks established by the predecessor, worsens this situation even more. In addition, because of the future perspective associated with intangible assets, an analysis of them provides prospective successors with improved insights into a target firm's future prospects. However, successors should also be aware of the uncertainty associated with intangibles.

From the perspective of incumbents, the framework may be used as an excellent foundation providing insights into non-family successors' considerations and showing incumbents that it is useful to incorporate intangible assets in their own deliberations as well. Consequently, awareness of the meaning of intangibles to non-family successors can condition the disclosure decisions of incumbents as they start their succession preparation, i.e. during negotiations, incumbents should put a stronger emphasis on the communication of the firm's intangible assets. Ideally, this may also contribute to improved negotiations.

Furthermore, the relevance of the successors' residence in terms of company selection suggests that incumbents can limit their search for potential successors in the first instance to the particular region.

In view of advisors, the framework provides an overview about aspects that are critical in non-family succession in addition to legal, tax and financial issues. With it, they are enabled to expand their field of assistance. The overall findings also imply that the existing education system of advisors needs to be reconsidered or revised respectively. Within the current system the past perspective seems to further prevail when analysing firms. This is no longer suitable when dealing with assets that are future-oriented and based on other traits

compared to traditional assets (e.g., non-rival and interconnected). This also makes clear that increased activities, e.g., more teaching courses, promotional activities, workshops etc., are needed to stronger place intangibles in the mind of policy makers, academics and business consultants in order to change the dominant perception.

Understanding the meaning of intangibles to non-family successors is not only useful for the actors above but also for policy makers involved in specifying programmes and courses of succession in SMEs. The study demonstrates that increased information about intangibles in general and in terms of company succession is in need. In terms of the latter, more solid information is required to bring intangibles into the mind of relevant actors (successors, incumbents, etc.). First steps may encompass a stronger integration of the topic of intangible assets in the brochures provided by the government. This would also mean that the checklist(s) provided are updated. Additionally, policy makers should think about introducing specific courses/programmes that are intended to draw attention to the implications of intangibles-related risk caused by company succession failure. The study has sensitized to an aspect with regard to company succession that requires greater attention.

6 Research limitations

This study is not without limitations. Starting with the quantitative stage the small number of participants provides only a very restricted view of the SME setting and the decision to place the focus on German trade associations may have introduced a bias, rendering the findings at least partly unsuitable for application in other countries.

With regard to the qualitative stage and because of the nature of a thesis, data coding and themes identification were conducted by a single researcher. This can be considered as a limitation compared to teams of researchers. However, it was tried to keep bias at a minimum by having the transcripts and draft reports reviewed through informant checks. Furthermore, the inclusion of further perspectives such as those from advisors can be named as another strategy to deal with this limitation.

Since priority was given to the qualitative research, only analytical generalizations (Yin, 2003) and not statistical generalizations can be offered. Thus, the qualitative study of ten German successors does not allow inferences to be made as to whether the results would also apply to successors in other countries and larger SMEs.

Another limitation might have to do with the current lens of the non-family successors involved. Thus, data were obtained which provide information concerning these successors' present opinions regarding the issue

of company succession. However, it can be argued that in research this retrospect is usually the case.

The data pool given in Germany regarding information about non-family successors did not allow to focus on a particular industry, thus in this study the aspect of small firm heterogeneity was excluded. In terms of exploratory studies, this course of action is sufficient (Bortz & Döring, 2006). Yet, the researcher is aware that the value of intangibles is contextual. Consequently, the relevance of single intangibles will vary among the successors.

7 Originality/value

The study's findings can be viewed as a new perspective on company succession as it highlights the intangible assets that make a company attractive to non-family successors. Given the increasing number of SMEs waiting to be transferred to new owners, these findings are highly important as they provide a more holistic view of the dynamics of company succession (and non-family succession in particular). They can facilitate the formulation of suitable political measures for adequate treatment of company succession and they also shed more light on an alternative way of embarking on entrepreneurship.

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