

Selling Business in Portions – Strategy for Focusing and Adapting to the Changes

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Key words: business growth, business development, strategy, business transfer

ABSTRACT

Objectives

Although acquisitions and business exits have been studied widely, there are very few studies which concern the business deals as a growth strategy from the perspective of seller. Mainstream growth business research as well as business transfer studies are concentrating on the growth of the firm from buyers' perspective. However, in practice it has been found that there are firms which are selling portions of businesses, either directly to improve the operating performance or to get resources, by which the remaining activities in the firm evolves and grow.

This paper focuses on SMEs and strive to understand, what are the motives of the seller to sell a portion of the business and what is happening in the firm after this. The main objective is to clarify how sales of the portion of firm's business affects the development and growth of the firm. Secondary objective is to find out the process of transfer in three stages, the situation before business transfer, the transfer itself as a process and development of the firm after transfer. The data was collected by interviewing seven managing directors of firms, which have sold a portion of their business during the past 10 years.

Prior Work

The growth of the firm can be measured by several indicators, such as turnover and/or number of employees. In addition, the growth of firm is the result of the firm's success, which can be explained and measured by indicators in two areas: financial performance indicators, and indicators of the development of the business. (Sorama et al., 2015). To sell a portion of the business may be a way to seek better profitability, which allows the growth of the firm later on. Steffens et al. (2009) argued that profitability before growth is better path than growth and then a wish to achieve profitability afterwards. The acquisition may have a short term negative impact on the firm's financial performance (Varamäki et al., 2012b), but sale of a portion of the business may, in turn, affect vice versa.

Entrepreneur's motivation has an instrumental role in creating new business, buying and selling business as a part of a broader strategy on entrepreneurship (Amaral, Babtista & Lima, 2009; Birley & Westhead, 1994; Storey 1989). On the other hand, large firms are buying smaller rapidly growing firms and the owner of rapid growth firm owned other firms, too (Sarasvathy, Menon & Kueche, 2013). For this reason, it is important to distinguish between the entrepreneur, business and enterprise and the strategies: entrepreneurship strategy, business strategy and corporate strategy.

The sale of a business portion can be seen as a strategic arrangement. If the firm's competitive advantage in one business area is not strong enough, the sale of it can strengthen firm's other business areas. Sale of the business portion might relate the profitability orientation, which consequently, aims to increase the financial resources of the firm for future growth.

Approach

Research data consists of seven semi structured theme interviews, case descriptions based upon them and the content analysis. As the research seeks to understand the phenomenon and expand the theory, we use a case study strategy and theme interview method. The case study provides an opportunity for diversity without trying to simplify it too much. Case study is suitable particularly when the phenomenon is atypical, but the researchers want to generate a new understanding and development targets.

We sought for the cases in which the firm has sold a portion of its business and continue operating with the remaining business from different sources. The data was gathered from 7 entrepreneurs in the region of Southern Ostrobothnia in Finland. The themes of the interview were gathered on the basis of researchers pre-understanding, the existing literature and the research group's previous studies of business transfer.

The main themes were the following topics:

Activities before and during the sale process

- factors that relate to the business
- business planning activities
- previous experience to purchase or sale the firm
- implementation of the business transfer

The firm after the sale

- the development of business after sale
- the future of the firm
- the likelihood of new acquisitions
- what advice the interviewee give to an entrepreneur who is planning to sell a business.

Results

In the firms with only one owner, the personal motives for selling portion of the business activities are highlighted even though they also include elements connected with business and market conditions. In these cases, the goals for development are often connected with the needs of the entrepreneur. In the firms with several owners, the motives for selling are often connected with the corporate strategy. There are often clear growth and development goals after the business transfer.

In this study, business transfer as a process is rather quick, especially when the target business activity has been prepared well in beforehand. It seems that difficulty of letting go is not connected to selling portion of firm's business in the same way than it is when the whole firm is sold. Targets set to the sales of business activity seemed to get fulfilled well. The development and growth of the firm has mostly been successful in the cases where they were the targets/motives for selling. The recession has hampered the growth, but there has been some development. Selling portion of firm's business activities may enable better allocation of resources and allow entrepreneur to concentrate on the more promising business activities. In addition, it may help to exit business activities which are not yielding profit or require unjustified amount of resources.

Selling a business activity or selling the firm in portions are options for closing down the firm. Selling business activities in portions does not seem to be very common, but those who have done it, have positive experiences. Both personal and firm level motives have been fulfilled.

Implications and Value

Entrepreneur

Selling a portion of firm's business activities is a solution to multiple needs and situations. When the entrepreneur is considering retirement, selling business as smaller portions can help to relieve the pain of abandonment. The gradual abandonment can increase the capacity of the entrepreneur to concentrate better on the remaining business and extend the entrepreneurial career. The sale of a difficult portion of the business may motivate entrepreneur to develop the remaining business.

Firm and strategic renewal

From the firm's perspective the capital from the sale will benefit the development and growth of remaining business. Firm may use available resources more efficiently by focusing on more profitable and more appropriate business. Instead of terminated and run down portions of the business, they can be packaged into resource bundles which have greater value for buyer than to the seller.

Strategic focus and concentrating on core businesses

Business sprawl cause resource shortages, which can be discharged by selling off business resource gluttons. When evaluating the firm's businesses, it should be kept in mind that the excess of one firm is core business to another. In addition, some may have ability and willingness to invest in to which the other does not have assets.

INTRODUCTION

To sell out business portions as a part of development and growth especially in case of SME differs theoretically from mainstream thinking and there is not much research. In practice, however, has been found that there are firms which improve their performance by selling a portion of the business and thus receive resources for development and growth.

Since there is no significant previous research of the phenomenon, we use application of our business transfer framework in this study. Business transfers include both acquisitions between firms and successions with in the family (Varamäki et al., 2012b). These both can be done as a share deal or as an asset deal (Figure 1). This study focus on asset deals between firms.

Business transfer			
Acquisition		Succession	
Share deal	Asset deal	Share deal	Asset deal

Figure 1. Framing the concept in the field of business transfer research.

In the literature, there seems to be very few studies related to cases in which SME sells a portion of business and then continues with the remaining business activities. Even less there are studies how the seller firm develops and grows after the transaction. This may be a result of mainstream growth firm research where the indicators of growth are: growth in net sales or staff or both. If we use these indicators of growth, there is dilemma related to selling out a portion of firm's business. However, we can expect that in some period of time growth could happen by increased financial resources.

A business transfer is a change of ownership of a firm (Meijaard et al., 2005; Geerts et al., 2004) in three phases: the pre-transfer phase, the transfer phase and the post-transfer phase. Business transfers may be studied from the perspective of the predecessor (the selling party) and the successor (the buying party).

The growth determined as a growth of net sales and/or staff does not appear to be directly suitable perspective in the study. In addition, and especially as an antecedent of growth, we take the development perspective as success, measured both financial and non-financial measurements. Earlier research (e.g. Sorama et al., 2015) has shown that the success measured by these indicators explicate the growth. The success can be measured in many dimensions. Some measures are objective such as profit, growth and coping and others subjective such as the satisfaction of owner (Sarasvathy et al., 2013). The entrepreneur/owner may use firm/business as a tool to create own success and it has no direct link to success or failure of firm/business.

Researchers with resource and knowledge-based view as a starting point (e.g. Barney, 1991; Kogut & Zander, 1992) suggest that growth can increase productivity only if the growth is in line with firm's knowledge and other resources. Selling a portion of business can increase the financial resources, but at the same time a part of knowledge can move with the acquisition. There can be a risk that the potential to success is compromised. However, growth is not only a change in firm size but it is also a process which challenge management (Penrose 1959).

The motivation of the entrepreneur is often an instrumental role in creating, buying and selling business as a part of wider entrepreneurship strategy (Amaral, Baptista & Lima, 2009; Birley & Westhead, 1994; Storey, 1989). Big firms are buying smaller high-growth firms owned by entrepreneurs who have often other companies, too (Sarasvathy, Menon & Kueche, 2013). These entrepreneurs have both financial and social capital and they trust their abilities (Amaral et al., 2009). It is important to separate entrepreneur and enterprise. In the case of selling the business, the compatibility or the incompatibility of the entrepreneur and the enterprise may have a role. The acquisition can be a part of entrepreneur's entrepreneurship strategy, the basis of which the entrepreneur estimates the value of business in relation to his/her own goals. Entrepreneurs who have a long experience may see new opportunities and they need to abandon something to realize them. Entrepreneur may also have reasons related to the personal life situation.

In any case, it can be stated that selling a portion of the firm's business is a strategic choice that serves particular business objectives. In the other hand, it is entrepreneur related choice which serves entrepreneur's personal goals. Sometimes it can be difficult to separate these two. In the background there may be also a new opportunity. Another firm might be interested in buying the business to complement its own business portfolio or to buy out a competing business. In some case customers of business are tempting and acquisition provides faster access to new market.

The business acquisition may be a result of many different factors which can be perceive in three levels: an entrepreneur, a business and an enterprise. These three-level characteristics play a key role in the case of

selling a portion of business as well as to study the consequences to the remaining business success and growth afterwards. These three levels are likely to have strong interdependences.

THE AIM OF THE STUDY

The aim of the study is to find out how the sale of a portion of the business contributes to the development and growth of the firm. The sub-objective is to study the business transfer process and the situation prior to the business transfer, the implementation of the business transfer and firm development and renewal after the business transfer. Because there is no significant amount of previous literature about selling a portion of the firm in order to achieve growth and development, framework developed for business transfers was used. This framework applies process approach and has three phases: pre business transfer, business transfer and post business transfer phase (Figure 2).

Pre business transfer phase can be described in four segments: entrepreneur, firm and business characteristics and motives to sell. Business transfer phase includes factors such as planning, finding buyers, negotiating process, designing details of the trade target and the terms of trade. In post business transfer phase the key factors are the role of the entrepreneur, firm and business development, success and growth, strategy and strategy work renewal, use of external expertise, objectives achievement and future outlook.

A business transfer is a change of ownership of a firm (Meijaard et al., 2005; Geerts et al., 2004) in three phases: the pre-transfer phase, the transfer phase and the post-transfer phase. In the pre-transfer phase the firm owner considers his options and prepares the firm for sale with regard to legal, tax, financial, organizational and market aspects (EU, 2002; Kommers & Van Engelenburg, 2003; Le Breton-Miller et al., 2004; Sharma et al., 2001). In the transfer phase, the matching of seller and buyer takes place. They negotiate and agree on the conditions of ownership change (Le Breton-Miller et al., 2004; Morris et al., 1997). The post-transfer phase represents the period following completion of the change in ownership. In this phase, the focus is on the successor, who has the opportunity to change the firm's operations, services and products (Meijaard et al., 2005). In total, these three phases may take a decade for an individual firm.

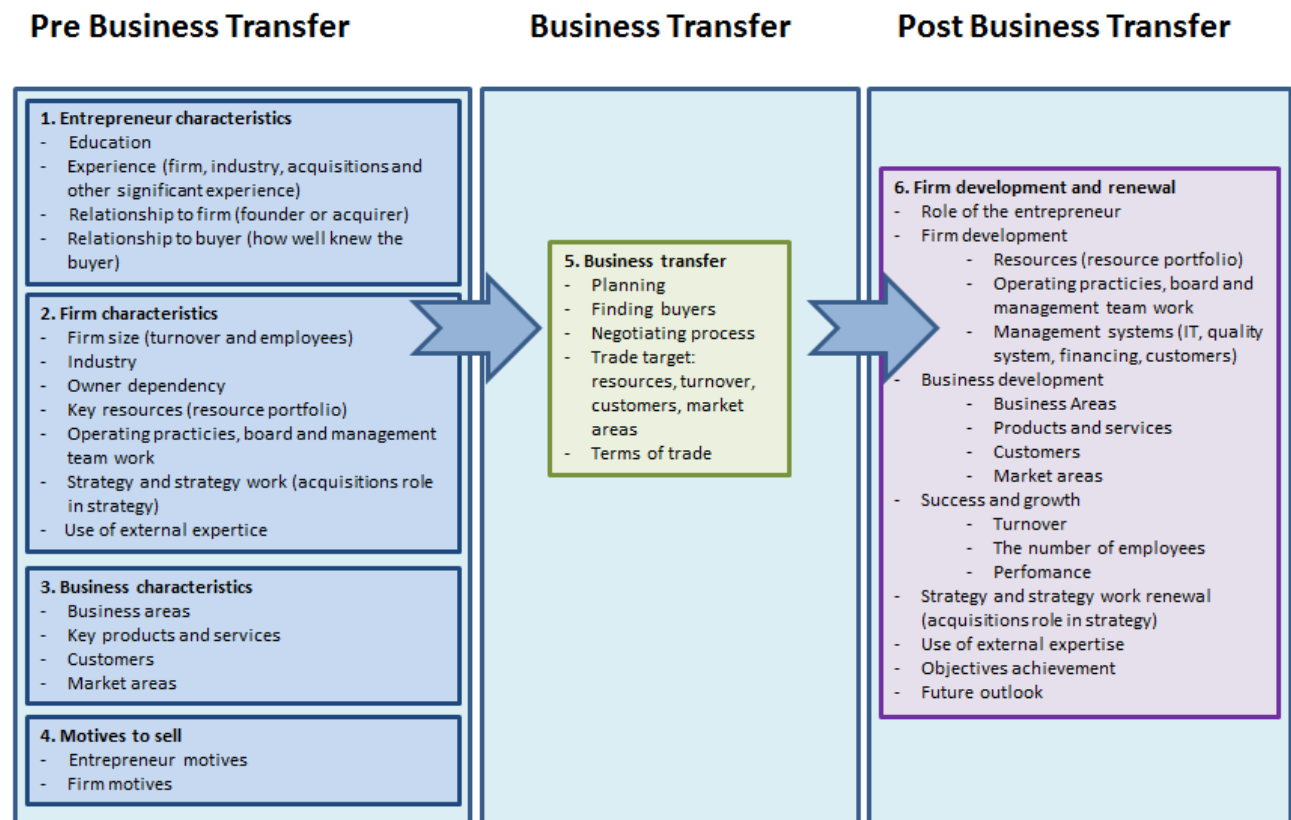


Figure 2. Research framework.

IMPLEMENTATION OF THE CASE STUDY

As the research seeks to understand the phenomenon and expand the theory, we use a case study strategy and theme interview method. The case study provides an opportunity for diversity without trying to simplify it too

much. Case study is suitable particularly when the phenomenon is atypical, but the researchers want to generate a new understanding and development targets. Case study as a method may include quantitative or/and qualitative methods. In this study we primarily use a qualitative semi structured theme interview. Theme interview suits well especially in studies of activity and therefore it is very useful in this case study.

Cases, in which the firm has sold a portion of its business and continues operating with the remaining business, were searched for the study. Already in early stage it proved to be difficult. This led to thinking that there may not be many such cases in business life, or at least they are "hidden". Merges and acquisitions of big companies are reported well for example in newspapers and other media. When a business transfer takes place in a smaller firm, it is also in newspapers, but this includes cases where the whole business is sold. When a portion of the business is sold, it is neither reported in papers nor in statistics. In the study of Sorama et al. (2015) ten percent of 120 entrepreneurs announced that some business activities had been sold from the firm or had been cut back. Therefore it is presumable that even though it was difficult to find cases for this study, selling portion of business activities takes place rather often. We came across situations, where general information did not reveal what actually happened – who bought, what was bought, what was left to whom.

In the beginning there was a list of 16 possible cases. They were called and during the call some questions were asked to make sure they fit into the criteria that was set for the cases. If a portion of the business had been sold and the remaining business continued, it was asked if it would be possible to make an interview. Two contacts refused to give an interview and one case was not a SME, but a bigger enterprise. In five cases the sales proved to include the whole business or the process of sales was planned so that it would be done in stages. Meaning that the old owner still had a small share of the firm but there was a clear plan to sell the rest also. Finally, we were able to find eight cases that fit to the description and agreed to give an interview. In a later phase, one case was dropped off from the final analysis, because although it was an interesting case, it proved to be an incorporated business. Portion of the business was gradually moved to the new firm. The final seven cases and entrepreneurs located in the region of Southern Ostrobothnia in Finland.

The themes of the interview were gathered on the basis of researchers pre-understanding, the existing literature and the research group's previous studies of business transfer. The main themes were the following topics. First topic was related to the activities before and during the process of selling. Factors that relate to the business were: field of operation, products / services, customers, market areas, annual revenue and number of staff. Business planning activities included factors that led to the decision to sell, choices for selling the business and objectives set for the sales. The next set of questions was asked to find out if there was previous experience about selling or buying business activities or firms. Finally, preparations for the sales, selling price, use of professional help or experts, relationship between seller and buyer and how the buyer was found, were clarified.

Second topic covered the firm after the sale. Aim was to cover different themes connected to the growth and development of the firm as widely as possible. These could be example changes in the products or services, changes in customers or effects of the business transfer on competences or other resources and the strategies of the present operations of the firm. We also wanted to know, how the interviewee estimates the future of the firm / entrepreneur from the viewpoint of present business activity. We were also interested to find out how the experience from occurred business transfer effected on the intention of making new business transfers. Finally, we asked the interviewee to give an advice to the entrepreneurs who are planning to sell a business.

Three researchers made the interviews during the March and April 2015. The interviews were recorded and transcribed. A case description was written from each case. Case descriptions are compact presentations and follow a uniform order in presenting. As the cases are unique, therefore there is also some variation in the case descriptions. All in all, they give a good picture about the variety of the starting points for the selling the portion of the business and how many different processes are included and also how diverse the end situations are. Themed analyze tables were built to help analyzing the similarities and differences. The tables serve as a basis for the comparison. Case studies, analyze tables and transcribed interviews form the material for the content analysis.

Themed case analysis

Background information about companies and entrepreneurs

Oldest of the studied firms was founded in 1970's and the youngest in the early years of 2000. The age of the entrepreneurs varied from under 40 to nearly 70 years. Educational background was mainly higher education. Number of firm's owners varied from one owner to 18 owners and the revenue before business transfer was from 400 000 euro to 13 million euro. Three companies were in the field of service, three in the industrial sector and one in transportation. Industrial businesses had bigger revenues than enterprises in other fields.

All firms had several business fields and in most cases this was the crucial factor which led to the sales. It also enabled the procedure of separating the portion of business from the rest of the firm. Four firms had a history of some sort of earlier business transfer. In most cases, the seller was the firm, which means that the capital received from the sales added the firm's capital, though if the firm only had one owner, at least part of the money went for the entrepreneur.

Firms had different options for selling the business. Mainly they were either to stay in business and develop it or to shut down the business and exit.

Motives for selling the business portion

Motives for selling can be connected to the seller as a person or they are connected to the firm. Personal goals of the entrepreneur - the entrepreneurship strategies - and goals connected clearly to the firm - business strategies – are important background factors for the sales. In the three studied industrial firms, the business strategy required focusing, and therefore selling a business was rised. When the firm has several owners, the individual motives are not as significant as the business strategies. In four cases, the motive started with the strategic need of focusing. The activities had sprawled, equally strong business areas prohibited popper focusing or some of the business portions were not profitable. In three cases the entrepreneur wanted to relieve his work load. In all of these cases motives were non-economical.

Economical motives for business transfer were also present. They were often connected to firm. Harder competition on the market, the profitability becomes weak, dropping of price level, oversupply, are examples of reasons which force to think other options. Poor profitability is a good motive, if someone is willing to buy the unprofitable business portion. Renewing the business may include investment requirements which are not possible or there is no will to do it. Field of business may have changed into direction which is considered to be unhealthy for the market. Resources may not be adequate in the competition, which leads to the need to focus.

Firm's non-economical reasons are connected to the renewals of the organization. The need may come from outside, resources need focusing so that it is possible to become good in some field of business. Or there is a will to focus on developing new things, which requires focusing of resources.

It seems that individuals name non-economical reasons more often (Table 1). This is supported also by the observation that it was easy to agree the selling price. When a business portion is sold, it does not have a price rising emotional value for the seller. Reasons for the sales are connected to change of life, willingness to ease the work load and aging. General changes in the business and operations model may lead to diminishing interest in the field of business. The required changes might mean a notable amount of additional work, which is not tempting. But some portion of the business is and therefore the portion that is not interesting can be sold. On the other hand, if a firm makes profit, it is usually not a thing that is highlighted in a finish culture. This fact got mentioned in two interviews.

Table 1.Motives for selling the business activities.

MOTIVES	economical	non-economical
individual / seller		change of life (C1, C2) will to ease the work load (C1, C5) retirement (C5) interest in the business has lost (C1) concentrating on the more interesting fields (C1) family reasons (C2) concentrating on more interesting themes (C1)
connected to the firm	tightening competition (C1, C4) drop of price level (C1) oversupply at the market (C1) necessity of renewal (C1) required investments (C1, C6) need of money (C4) selling off loss-making portion (C7)	necessity to revise the organization (C2, C4) need to focus the resources (C3, C6) will to concentrate on developing novelties (C3, C4)

Business transfer process

The transfer process begins mostly from the first contact between buyer and seller. From these seven cases there was one case, where the seller was actively looking for a buyer. In three cases the process begun when the seller contacted the potential buyer. In fifth case the buyer made the initiative. In sixth case the seller hired a person and started to transfer the information to him in order to get a successor. In seventh case the two companies had a common project and during it they noticed the possibility. The seller was not looking for a buyer but saw the possibility.

In some cases the negotiation process was short. In three cases it was just some weeks. The longest negotiation process was over a year. It seems that when there is a common aim to make the transfer fast, it can be done. Also if there was a ready "package" – a clear complex, the transfer itself was fluent. If there was a risk that the competent staff would run away in an unstable situation, it was highly important to make a fast transfer. If the buyer and seller knew each other well, the transfer was a fast process. It seems that each detail in the contracts did not need to get polished if there was a strong trust between the parties.

The transfers included often machinery, equipment and staff. In business transfers, there is often an agreement about prohibition of competition or agreement about advising during and after the transfer. In these cases both occurred once. On few cases the seller had been consulting and giving advice, but it was more of a good will. In one case the seller was still passing on his networks to the buyer.

Business transfers often face a problem of pricing. Only in one of these seven cases the seller needed to drop the request a little bit. Easy agreement about the price seems to be rather exceptional in business transfers.

Use of external expertise

External expertise was used only in two of the studied transfers. In other case it was a consultant who was familiar for both seller and buyer. The seller was pleased to the effort, the consultant for example helped to find financing for the sales, which was needed in order to get the business transfer done. He saw that the help they got was well worth the reward. In other case there were two lawyers, because knowledge about the contract law was needed in the transfer.

In other six cases the transfer was done without external expertise. The bigger firms had experienced board members and capital investors who had the needed knowledge. The interviewees told that they did not need experts because they knew the buyer – usually they were each other's customers or suppliers.

Firm's strategy and development after business transfer

The clarification of a business strategy has been done in the firms where the growth is a goal. In one firm a capital investor has brought in new expertise. The strategic change to concentrate strongly on exports has required new knowledge and capital. Second firm had a good couple of years after the business portion transfer and therefore they had not put a big effort on the strategy – but were planning to. The firm was open to the idea that a business transfer could be a way to grow in the future.

Four firms had a clear goal of growing and developing the remaining business portions after the transfer. In these cases the main motive for sales was focusing to the business which had the best correspondence to the resources and market situation. A case firm in the service sector invested in product development, which is beginning to pay off. In further two cases the goal was to remain at the present level with lighter and easier measures than earlier. The cases are related to such life situations where the goal has been a lighter work load.

Achieving of objectives and future outlooks

All interviewees were satisfied to the business portion's transfer. Achieved goals brought the experience of successful transfer. The firms' whose goal was strategic focusing and development of business had been able to do it. In the firms' where the goal was to ease the work load, the goal had also mainly been achieved. Even though it was not yet possible to see the results, the future in the firms seemed bright. This was the case in those two companies, where the transfer was made recently.

All interviewees emphasize that good planning in advance, clear rules and good documentation help to make the business transfer unproblematic. External expert is needed when own knowledge is not enough or the buyer and seller do not know each other. Good preparation makes the transfer phase itself to go smoothly. The preparation includes also the mental preparation of the seller. The seller needs to define what will be sold and what could be a suitable price. A price estimation can be asked from an expert already in advance, which gives time to adjust to the idea and situation before the buyer is on the other side of the table.

Generally, the interviewees saw that the business transfers will increase in the future. This is due to the retirement of the entrepreneurs but also an attempt to find solutions to the changes in the field of business.

Summary of the cases

Although there are only seven cases in the study, they give a good picture of the impacts that the selling a business portion may have to the strategic development and growth of the firm. Cases are a heterogenic group, but still they do help to create a more general view of the motives behind the business transfers. Cases also help to increase the understanding about the crucial factors during the business transfer and how the objectives, goals, set to the process were achieved.

In firms with one owner, the personal motives get highlighted, although they also include business and marketing related factors. This was seen when the entrepreneur felt that the whole field of business had changed much during the time he worked on it. It did not feel like "own" anymore. In two cases the age of the entrepreneur affected to the willingness and capability to adjust to the transformed business and learn the new rules. Similar results can be found from the earlier studies (e.g. Amaral et al., 2009; Birley and Wetshead, 1994; Storey, 1989), which show that the entrepreneur's motivation often has an instrumental role in business transfers as part of the broader business strategy. Penrose (1959) presented that firm's growth limit equals to the capabilities of the manager / entrepreneur. In the complex and unpredictable environment the entrepreneur's previous experience and know-how do not necessarily lead to the success of the firm (Ericsson, 2006; Sorama et al., 2015). These cases belong to the group where the main focus is on the entrepreneurial strategy, although the business strategy amplifies the personal motivation.

In firms with wider ownership base, the motives to make business transfers are more clearly connected to business strategy, which makes it the main focus. Background factors for operations in these firms are strategic focusing, and redirecting resources to the areas where better development and growth is expected. The cases show an example of a firm, which did not have enough resources in a harsh competition, something needed to be done and selling portion of firm's business was the solution.

The business transfer process seemed to be relatively easy and fast in nearly all cases. Only in one case the buyer and the seller did not know each other from previous occasions, which seems to effect on the fluency of the transfer (e.g. Varamäki et al., 2014). Good preparations done by the seller and clear mutual ambition are important factors for successful process. Trust, openness and mutual aim are highlighted in the cases where the parties are familiar to each other already before the transfer.

External experts were used if there was a need. But in several cases the companies had board members of interest group members who had the required knowledge. In some cases the meaning of the business transfer was considered to be so small that it did not require special expertise.

Although the generally weak economy has had an effect on the low or zero growth of the revenue, there have been improvements. There has been strategic development and product development. The earlier studies show, that the buyers actively develop after the business transfer (e.g. Varamäki et al., 2012b; Varamäki et al., 2013). There is also evidence that the buyer's will to grow and knowledge how to grow are in the key position after the business transfer (Varamäki et al., 2012b). When we take a look from the firm's development point of view, entrepreneur's own goals to grow – or lack of it - seems to be in the central role, no matter if it is purchase of a firm or selling portions of firm's business activities.

In the follow-up study of growth firms in South Ostrobothnia (Sorama et al., 2015) the non-economical success was described as development of commercial activity, which was measured by the development of new services and products, growth in the amount of sales, growth of market share, widening markets, development of staff and developing relationships with interest groups.

Selling a portion of firm's activities gives a better possibility to concentrate. It increases the resources for developing further the remaining products and services and on the other hand how the know-how can be organized on a new, productive way. The business transfer as a situation breaks the routines, which often is a positive thing and enables new thing to emerge and grow.

Nearly in all studied cases also employees moved with the sold portion of business. Mostly the tasks were related to the portion of business and therefore it did not effect on the competence of the selling firm. In one case also some special expertise was included in the transfer. The selling and buying firms agreed about competence transaction within the next half an year, which hindered a serious lack of resources in both companies.

It seems that generally the impacts of the business transfer allocated mainly to economic resources. This happened if the selling price become capital to the firm. In firms with one owner the price went mostly to the entrepreneur, but in firms with several owners it often transferred to the firm. Received capital gave possibility to pay loans, add liquidity and invest in product development or other development processes.

It is important to notice, that all sellers are satisfied to the business transfer, including the process itself and achieving the goals. In each case the target of sales was well prepared, "packed" as an understandable unity. Also the fact that the seller and the buyer knew each other already before the transfer seems to have had a positive effect.

CONCLUSIONS AND DISCUSSION

The main objective of the study is to explore how the sale of the business portion affects the growth and development of the firm and its remaining business areas. In other words how the firm has been able to grow and develop after it has sold a portion of business. Sub-objective is to explore the proses: situation before business transfer, the transfer implementation and the development activities after transfer.

To sell a portion of the business is a strategic choice either by the entrepreneur or by the firm. The entrepreneur choices are based on personal targets, which are connected to the broader entrepreneurial strategy. The strategic choices of the firm, in turn, are based on the factors related to the firm's goals. In addition, both the entrepreneur's and firm's choices are influenced by the reasons related to the business itself.

The study showed that companies owned by one person focused on the motives and objectives of the entrepreneur. These cases can be placed to the group of entrepreneurship strategies. In the companies, which have several owners, a clear focus is on the firm's objectives. Firm's strategic choices were the main reason to sell a portion of the business. These cases can be placed in the corporate strategy group. In both groups, there are also cases where changes in the business itself had contributed the decision to sell out a portion of the business.

In cases related to entrepreneurship strategy the development and growth of firm's remaining business is strongly affected by entrepreneur's own objectives and needs. In these cases, there are no growth targets for the firm and the development objectives of the firm reflected entrepreneurs own needs. In these companies where the reason to sell business related to firm's strategic choice, there are clear and visible targets to growth and development.

The following figure presents the model developed in this research: the sale of the business portion as a part of the firm's growth and development.

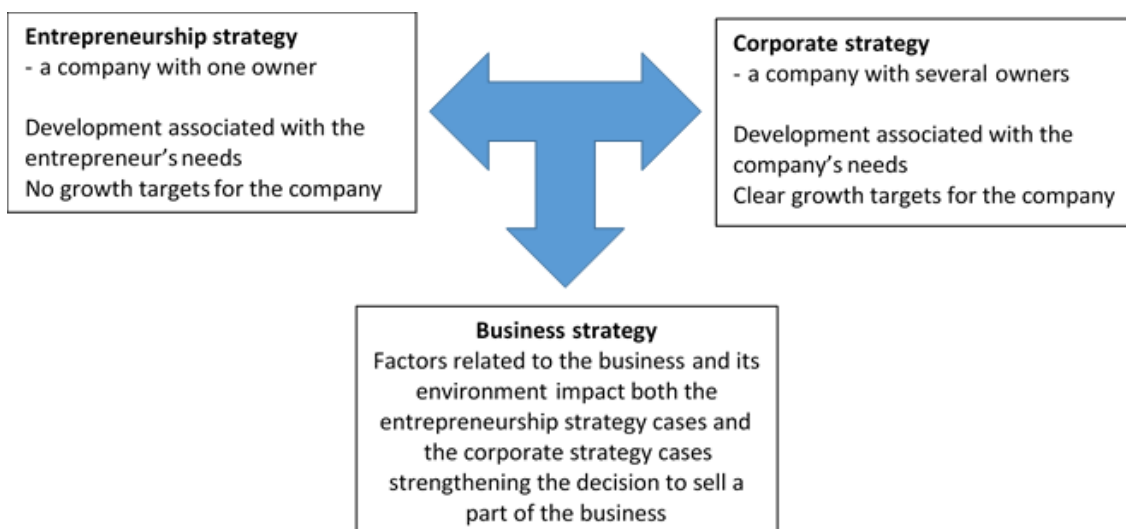


Figure 3. The factors that affect decisions to sell a portion of the business and their effects to growth and development objectives.

Firm before selling a portion of business activities

The sale of portion of the business can be considered as independent action of entrepreneur and firm. However, the motives behind the measure seems to be very similar. The business transfer is a strategic choice that can get initially driven by reasons linked to the entrepreneur's, firm's or business needs. Selling motives are diverse:

the entrepreneur's loss of interest, progressive preparing for retirement, intensified competition, the firm "sprawl" and the inefficient use of resources or even a decline in the profitability of the firm. The situation can be resolved, perhaps by selling something away instead of being driven down or close down the whole firm. It may be a small portion for the seller and for a very much of interest for the buyer.

This study focused on the seller's experiences, opinions, estimates and projections about selling a portion of business activities as a mean to achieve business development and growth. Selling a portion of business activities does not seem logical. Especially if the firm's growth is measured by growth in net sales or number of staff. However, numerous previous studies (e.g. Varamäki et al., 2012a; Varamäki et al., 2014) have shown that even if target business has been "weak" in the past, after the business transfer the buyer is able to make it a successful business. In some cases there are no needs to close down unprofitable business, because someone else might want it and be able to make it profitable.

In all the cases, employees were included in target business, but the proportion varied considerably from case to case. Also, target business's turnover related to seller firm's total turnover varied. Although this share was significant in all cases; at its peak, more than 70 per cent. Thus, it may be noted that the business transfer was, at least in the short term, significant impact on the size of the business. Perhaps for this very reason every such case, in which the underlying motive for the business transfer was narrowing down the business areas, the seller firm did have clear target to grow in remaining business.

In many cases, the business transfer contributed to the need to improve the firm's profitability by selling off a portion of the business, which was experienced the most difficult to achieve profitability. Tough competition is one example of this kind of business environment. Also, when the business would require major investments aimed at increasing the capacity of the sector much more than demand, it is a good reason to sell the business to a competitor with strong market position. By doing this it is possible to avoid "payoff" between competitors.

When the firm has several business areas - different products and services, customers and market areas, the management ties up resources. This means in smaller firms, usually the entrepreneur's own resources and larger firms throughout the firm resources that could be used more efficiently. In some cases, profitability may need enough resources to exploit market potential. Resource-based theory of the firm suggests that buyer firm may have kind of resources that can be combined with resources of the target business with an innovative and new way (Barney et al., 2001; Grant, 1991; Wernerfelt, 1984). In addition, according to the same theory the value of target business is a buyer-specific (Wernerfelt, 1984). The results of this study are in line with the resource-based theory. Target business can be seen as a resource portfolio and the value of it is greater to the buyer than to the seller. Accordingly, the seller must consider the paid price more valuable than the value of resource portfolio formed by target business.

Before the actual start of the sales proceedings it is important to analyze all business elements and mechanism - how they are intertwined. This gives an idea of how different portions of businesses link together and how the abandonment of any portion affect to the remaining resource portfolio. When this picture is clear enough, it is doable to package the target business. Also, it is easy to the buyer to buy this package. Another issue the seller needs to consider at very early phase of business transfer process, is how to find a potential buyer. Previous studies have found that in most cases of small firm business transfers the buyer and seller know each other (e.g. Varamäki et al., 2012a; Tall, Varamäki, Kettunen, & Katajavirta, 2015). Also in this study, the sellers and the buyers knew each other. This fact seems to have been the effect of the whole process: the measures prior to the business transfer, negotiations and the measures after closing the deal. When the seller and the buyer know each other, it is easy to start business transfer negotiation. Also, it is possible to proceed quickly in negotiation and even so, both parties can be satisfied with the deal. Although views of the buyer were not studied in this research. According to previous research using the buyer's point of view, to obtain reliable information about the target business is absolutely key factor in the business transfer process to proceed towards closing the deal (Very & Schweiger, 2001).

Implementing the sale portion of firm's business activities

In the earlier study, which focused on the unfinished business transfers, both seller's too high asking prices and buyers' too low bids were among key factors to interrupt business transfer negotiations (Varamäki et al., 2014). The same study also found that sellers believes that buyers often lacked a real desire to buy the business. In addition, many business transfer studies (e.g. Varamäki et al., 2013) have shown that too high target business pricing actually is the main reason to interrupt business transfer negotiations. The results of this study are different and such a phenomenon does not appear in these cases. All but one of the sellers received the price of what had been requested. In this one exceptional case the difference in price was so low that negotiations reached an agreement relatively quickly. Apparently, when sold only a part of the firm's business, it involves

less "emotional value". The result supports the thinking that the realistic valuation of the firm promote business transfers. Well done homework speed up business transfer negotiations.

In this study, the use of experts did depend on firm's and entrepreneurs own perceived needs. Several firms had experts in their board. Their knowledge and experience were used in business transfers. In some cases business transfer was considered such a minor issue that it was implemented with expertise in the firm. In two cases external expertise was used. In the first one because the buyer was a fairly large foreign company and terms of the deal were very complex. In the second one expert was involved because an entrepreneur did not have enough skills and experience to take care of the complex issues related to the deal. It appears that the firms could benefit by using external experts in their board. By doing this firms could use experts knowledge and experience throughout the entire process: in planning, designing and negotiating the deal and in developing and growing the firm after the sell portion of firm's business. In the earlier studies experienced deal team is regarded as one success factor in business transfers (e.g. Rovit, Harding & Lemire 2004; Aiello & Watkins, 2000; Tall, 2014).

The growth and development after business transfer

In the background of acquisition there are three adjoining and each other confirmatory strategic perspectives: entrepreneur's entrepreneurship strategy which has interface to ownership strategy and both corporate strategy and business strategy. These different strategies have dissimilar effects to post-sale objectives. When entrepreneur's personal motives are in the background, there are no growth targets for remaining business. Instead, in all cases where in the background there are strategic needs to focus and exploit resources more effectively, there are clear aims to grow the remaining business. In both cases there are as an additional motive to sell certain business the changes in the markets. Such factors as changes in competition or in operational model are entrepreneurs' reasons to sell out business. The increased competition and firm's inability to respond to it are reinforcing factors in the cases of corporate strategy based motives.

The basis of firm's growth is the motivation to grow. In this study all cases based on corporate strategy motives are strongly motivated by growth. In the cases based on the entrepreneurship strategy there are no growth motivations, although there are development objectives in all cases.

Generally, the age of the entrepreneur is expounded negatively to the growth motivation. In this study, there are two cases in which the age of the entrepreneur affects the entrepreneurs' motivation to grow the business. The other entrepreneur related factor affecting to growth motivation is entrepreneur's need to grow business. The older the entrepreneur the less need for additional revenues. Many factors related to private life will decrease with age and raising the standard of living is no longer necessary. This is clearly seen in two cases, in which the entrepreneur's own personal motives are in the background of business bargain. The entrepreneurs have sufficiently property and there is no need to get more at the expense of private life. In these cases, the sale of the business increases entrepreneur's own property, which in turn, lowered the entrepreneur's need to grow remaining business.

Davidsson (1991) uses firm's age and size as firm-related indicators of need for the profit. In connection therewith, it can be concluded that in particular in cases where the origin of business bargain were firm's strategic-based choice, the productivity is one of the motives to the business. It is not clear, if the smaller size of firm is such a factor, which affects to the growth motivation. Davidsson's growth model (1991) is suitable framework for explanatory model for the business bargain. The growth motivation and the motivations in the background of business sale are very similar.

Rapidly changing operating environment may challenge the ability of entrepreneur as well the firm's capacity. When the sale of the business is associated with changes in the market, it is connected with the entrepreneur's abilities. This is the case especially when the origin of sale the business are entrepreneur's personal motives. Aging and retiring experienced entrepreneur may recognize new approaches in industry difficult to understand and even more difficult to change his own practices to respond to changes. In this study, the changing business environment proved to be a challenge to the firm's capabilities, too. In particular, challenges related to the firm's ability to take the risk. For example, the increasing competition in the market may require such financial resources which the firm does not have.

The business transaction does not appear to be directly associated with the firm's growth, even if it momentarily decreases the revenue and possible the number of employees. There seems to be also directly access to the firm's development objectives, especially when the capital obtained from the trade are reinvested in the firm. However, even if the capital is not reinvested to the firm, it is seeking more efficient use of resources in the business, in which it is considered to be better chance to succeed. In other words, the firm concentrates its efforts to less competitive markets, where the firm already has acquired better position.

All of the companies involved in the study have not perceived the growth target in spite of development. This is related to the general weak situation of the economy. In the companies both radical and gradual developments can be implemented. Strategic development can be divided into exploitation and exploration strategies (March, 1991). The firm may use also ambidexterity strategy in the same time (Duncan, 1976; Lubatkin, Simsek, Ling & Veiga, 2006). In this study, only one case firm has been investing heavily in development of a new product for international markets. In other firms the focus has been on exploitation of existing products and gradual developments. In these cases, development has been principally improvement in operational efficiency and applying better use of resources. Although, one should bear in mind the general economic situation, which in previous studies (e.g. Sorama et al., 2015) has been found to have an effect on the focus of development activities.

In many previous studies (e.g. Varamäki et al., 2013; Tall et al., 2015) it has been demonstrated that a new owner develops firm's business successfully after acquisition. In this study, the most common obstacle for development before acquisition in selling companies has been the sharing of resources between several different businesses. Especially in cases where the motive for selling business was strategic focus on better use of resources. In these cases the state of affairs was plunged into situation where resources were directed to where "the fire was the largest". They were not able to concentrate or to develop any core business, but they tried to be "pretty good" in many businesses. In many cases the purchased business was part of core business for the buyer, by which the buyer firm strengthens its market position and complement business portfolio and so reinforce market position. The seller firm, in turn, was able to develop the remaining business and make the use of resources more efficiently after selling a portion of business. In many cases transaction strengthens firm's financial capital and gives more input to development.

Although there have been difficulties to achieve growth in case companies, there has been operational development. It is not possible to prove this to be a consequence of transaction, but probably it has played a role. The transaction has given at least some of the companies the opportunity to use its resources more efficiently and with obtained capital companies have developed operations. The sale of the business, therefore, has been reasonable arrangement.

In all cases the buyer was a firm. Basically it could be possible that the buyer is a person. In such a case, the arrangement could be implemented, for example, so that the firm sells spin off portion of its business to a person or a group of buyers.

Based on this study, it can be concluded that rather than terminate businesses the firm should think about to sell them in portions according to its situation. Such action does not appear to be very common, but it should be seen one of the options. A sale of a smaller proportion would be easier to implement than the sale of the entire firm or all business areas at the same time. The buyer gets exactly what he/she wants and he/she needs probably less financing than in the case of buying the entire firm. In addition, selling business in portions should be considered, in particular, when the objective is the entrepreneur's retirement. Selling business in portions reduce entrepreneur's "pain of abandonment".

Most commonly the buyer was a competitor, or a business partner and in some cases a previous owner of the firm. This seems to have a positive impact on the process. As previous studies have shown: the process is quicker and smoother, because the trust has already been built between parties. When the seller can package the trade subject clearly, the process is quicker. The pricing was easier as well, because the seller did not have a need to "bake in" any emotional value to the price.

In fact, the resources have greater value to buyer than to the seller. Business acquisitions offer an efficient and quick way to move the key resources to someone who utilize them the best way. This is important for the development of business and industry dynamics. The promotions of mergers and acquisitions and the development of business transfer ecosystems would be seen as a key task of the economic policy.

This study focused on selling portion of firm's business activities and how it impacts into the business development. The study was conducted as multiple case study. The main source of data were sellers. The approach was new and the results are interesting. Surprisingly, although the very first impact of the deal could be significant decrease in turnover, the main motive to sell may be growth. This research process raised a number of topics for further research in order to clarify the picture of business transfers in business development and growth. First, these qualitative research results could be improved with quantitative research methodology by implementing online survey. Second, qualitative research methods could be utilized by forming two groups and focusing on similarities and differences between these groups. In one group the main sale motives are associated with entrepreneur and in another one with motives associated to firm development. Third, it would be interesting to implement international study similar to this one and focus on similarities and differences related to selling portion of firm's business activities. Fourth, future information about the role of selling portion of firm's

business activities in existing business strategies could be obtained with online questionnaire to large sample of firms.

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