

**Altering student's preferences toward takeover entrepreneurship:
Action research based on threshold theory.**

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Abstract

This paper investigates whether students change their entrepreneurial entry preference if they are presented with different options. We propose that students' entry preferences are mediated by concepts proposed by threshold theory: choice options, opportunity costs and psychic income. This study is exploratory in nature, analyzing a small sample of 31 student essays both quantitatively and qualitatively to test our propositions. Though lacking a control group, enrolment in a six-week module on entry mode options by a group of third year Bachelor students at a Dutch university resulted in some interesting changes—in particular, toward greater clarity in the entrepreneurial entry mode preference as well as a shift toward takeover options (including firm acquisition and family succession). However, thematic analysis of students essays reveals that the perceived ability to act on such preferences may still be limited by opportunity costs (i.e., the higher need for financial capital) and a self-perceived lack of human capital (entrepreneurial or management experience).

Keywords:

entrepreneurship; threshold theory; entry preference; multi method; decision choice model; human capital; psychic income; opportunity costs, switching costs, mind shift; students

Introduction

The primary objective of this research paper is to develop a model of preference formation for entrepreneurial entry. The model builds on a decision choice model, referred to as threshold theory, which was originally used to explain why many entrepreneurs remain in business even when performance is poor (Gimeno et al, 1997). However, the key concepts from threshold theory, including choice options, opportunity costs and psychic income, can also be used to predict entrepreneurial entry. In this paper, the proposed model is developed on the basis of data gathered from a group of 31 students who participated in a six-week educational program at a Dutch university. The aim of the program was to help them explore entrepreneurial entry modes other than start-up.

Although the results are primarily qualitative in nature, derived from a systematic coding of student essays using thematic analysis, the preliminary results appear to suggest that even a short six-week course can influence the preferences of students and in particular, shift their interests to alternative entry modes than start-up entry. Shifts in preference appeared to take place during the course. Quantitative statistics tests confirm a significant shift, most

importantly, toward a more definite entry mode preference at the end of the program, by a significantly larger group of students. These preferences also were significantly more likely to be geared toward business transfer as an entry mode (either through firm acquisition or family succession), which we refer to henceforth as *takeover* entrepreneurship. Though not statistically significant, a few additional students also chose franchising by the end of the program. Threshold theory appears to provide a useful framework for identifying the criteria used by the students in considering their preferences over time. In addition, other criteria linked to human capital and self-assessment of personality traits needed for particular entry modes also provide a preliminary explanation for the ‘mind shift’ that takes place between initial and final entrepreneurial entry choice.

Shifting preferences of a subgroup of entrepreneurially-minded students toward acquisition could have a number of important policy implications. Evidence is accumulating that start-ups underperform compared to takeovers with respect to survival, turnover, profit, innovativeness and employment growth (e.g. EROV, 2010; KfW, 2009; Mandl et al., 2010; Meijaard, 2007). Also statistics bear out the continued aging of owners in the European Union. A lack of successors for viable SMEs now threatens innovative driven European economies (European Commission, 2002, 2006; Stone et al., 2004; Van Teeffelen, 2010). For example the Dutch economy suffers 20,000 unnecessary SME liquidations and approximately 10,000 failed successions per year, with a projected economic damage of 80,000 jobs, a loss of turnover of almost €4 billion and a destruction of assets of about €2 billion yearly (Van Teeffelen, 2012b). Expanding the pool of capable and motivated successors for such firms (whether via family or non-family business transfer) would help to offset such negative effects to each national economy. University programs that expose students to different modes of entrepreneurial entry could provide one means to augment such a pool.

The remainder of this paper is organized in four sections. In the next section threshold theory is more formally introduced to determine the main predictors for entry choice. Subsequent sections present the method, research outcomes and the discussion.

Threshold theory as applied to entrepreneurial entry mode

Threshold theory proposes that entrepreneurial decisions do not merely rely on objective economic and financial criteria, but also on subjective criteria. More specifically Gimeno et al. (1997) mention (occupational) choice options, switching or opportunity costs and psychic income as three such subjective criteria. Threshold theory (Gimeno et al., 1997) was originally conceptualized to explain why entrepreneurs decide to remain in business even when firm performance is poor. Threshold theory has also been used by De

Tienne and Cardon (2012) to explain entrepreneurial exit (and/or continuation) decisions.

In line with Gimeno et al.'s (1997) discourse, but adapting the model in the specific context of entrepreneurial entry rather than entrepreneurial exit, this paper explores whether similar subjective criteria (i.e. choice options, opportunity costs and psychic income) are relevant for decisions made about alternative modes of entrepreneurial entry. In essence, threshold theory is a decision making model for which we explore each of these criteria, in turn.

Choice options and entrepreneurial entry mode

According to threshold theory, considering other self-employment activities, which we will refer to as “choice options”, affects the preferred kind of entry. We assume that by presenting different types of entrepreneurial entry, and how to go about evaluating them using various personal and external criteria, students alter their preferences for particular entrepreneurial entry modes. Many students think of entrepreneurship primarily in the context of starting a company from scratch, probably because this is what is emphasized in most academic entrepreneurship programs. Most university entrepreneurship programs, where they exist, focus on starting a business, and tend to overlook exposing students to alternative choice options of entrepreneurial entry, such as business transfer or takeover entrepreneurship (e.g. firm acquisition and family succession) or acquiring a franchise. There are few (university) programs available to support successors (outside the family business context) and takeover entrepreneurs (Allison et al., 2007; Eurochambers, 2009; Next Business Generation, 2007; Van Teeffelen, 2012a). Yet, based on a large scale study of European residents, an average of 28% of the population in EU countries of 18 – 65 years prefer firm acquisition or succession (Eurobarometer, 2010) over a start-up, suggesting strong interest in such options in the more general population. We summarize the assumption in the first two propositions as follows:

Proposition 1: When students are offered a broader range of entrepreneurial entry modes (other than start-up entrepreneurship), they are more likely to take one or more of these alternatives into consideration in selecting their preferred entrepreneurial entry mode.

Proposition 2: When students are given the opportunity to reflect more deeply on their entry mode preferences, (including researching criteria for alternative options), they are more likely to reach a decision about their preferred entrepreneurial entry mode.

Opportunity costs and entrepreneurial entry mode

Opportunity costs as defined by Gimeno et al. (1997) refer to switching costs between two alternative occupations, but do not include the difference in returns. These returns are part of the alternative choice options. In entry decisions one might consider switching costs to refer to an evaluation of the financial requirements of the different modes of entry. On average, start-up, franchising and succession and takeover entrepreneurship require different amounts of financial resources. Generally, takeover entrepreneurs require the most financial capital and start-up entrepreneurs--the least (KfW, 2009; Van Teeffelen, 2012a; Parker and Van Praag, 2012). The Eurobarometer (2010) also shows that people with higher earnings are more attracted by to takeover entrepreneurship. Depending on the type of franchise, financial resources required by franchisees are probably somewhere in the middle between start-up (which with bootstrapping, often required very limited amounts of funds for initial launch) and takeover (especially of the non-family firm). Financial thresholds are expected to be part of students' evaluation of different entrepreneurial entry choices.

Proposition 3: Given the different options for entrepreneurial entry, students will take into account financial resources as an important criterion for their entrepreneurial entry preference.

Psychic income and entrepreneurial entry mode

The final subjective factor of importance, according to threshold theory, is that of psychic income. Gimeno et al. (1997) define psychic income as the personal satisfaction an entrepreneur derives from self-employment. The degree of satisfaction attached to entrepreneurial activity is likely to vary depending upon the differences in background and convictions of the individual, and may also help to explain why some individuals may prefer certain entry choices regardless of other criteria such as opportunity costs or perceived financial outcomes. Such differences may be rooted in a variety of sources, including one's childhood experiences and related values. Past findings suggest that start-up and takeover entrepreneurs differ from each other with respect to intrinsic motives and background. For instance, takeover entrepreneurs are less driven by the economic climate, market opportunities and dissatisfaction with their work/work prospects than starters (Oudmaijer, 2006; Van Teeffelen 2012a). Furthermore, start-up entrepreneurs come from more entrepreneurial oriented parents, while takeover entrepreneurs generally have non-entrepreneurial parents (Coopers & Dunkelberg, 1986; Helleboogh et al, 2009). Slightly contradicting these outcomes are findings that children from family firms prefer family succession or a non-family acquisition over a start-up (Parker & Van Praag, 2012). In sum, background and intrinsic motives may serve as strong pre-determinants of the strong prior convictions (i.e. psychic income) which may prevent students from changing their minds

about entrepreneurial entry mode preferences, even though objectively other types of entry would suit them better. As such, we propose the following:

Proposition 4:

Given the different options for entrepreneurial entry, students will take into account psychic income as an important criterion for their entrepreneurial entry preference.

Human capital and its relationship to threshold theory

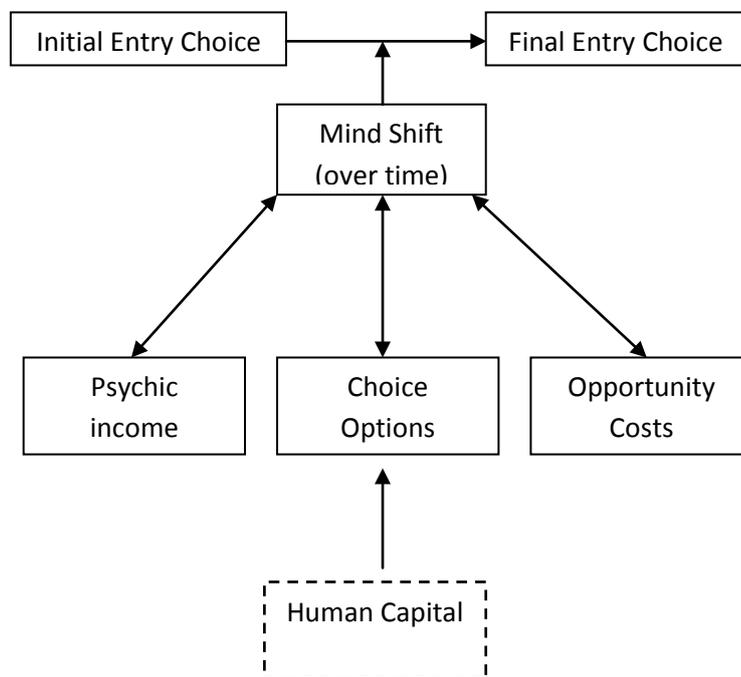
The available studies indicate that human capital variables such as age, entrepreneurial, industry and management experience and educational level account for difference exit choices (Gimeno et al., 1997; DeTienne and Cardon, 2012) as well as entrepreneurial entry (Parker and van Praag, 2012). Studies on the differences between takeover entrepreneurs and start-up entrepreneurs corroborate these outcomes. Gender, age, work and management experience (Amaral and Baptista, 2007; Coopers and Dunkelberg, 1986; Parker and Van Praag, 2012; Van Teeffelen, 2012b), sector experience (Kay and Schlömer, 2007; Van Teeffelen, 2012b) and education (Helleboogh et al., 2009; Oudmaijer, 2006; Parker and Van Praag, 2012; Van Teeffelen, 2012b) vary between start-up and takeover entrepreneurs. All of these studies show that start-up entrepreneurs are more highly educated than takeover entrepreneurs. If differentiated on type of takeover entrepreneur, family successors seem to be younger and lesser experienced than start-up entrepreneurs (Coopers and Dunkelberg, 1986; Parker and Van Praag, 2012; Van Teeffelen, 2012b) or non-family successors (Van Teeffelen, 2012b).

In the original model, Gimeno et al. (1997) use human capital theory as the main underlying logic to understand the decision to exit an entrepreneurial venture. They also use certain human capital variables to measure the concepts we have already presented. Thus, they use age as a proxy for switching or opportunity costs, and view the reported satisfaction the entrepreneur derives from self-employment (their measure of psychic income) as a form of human capital. Although we view both general and specific human capital as important in determining preferences, we modify the original version of the threshold model by suggesting that occupational choice options, opportunity costs and psychic income may be independent concepts from human capital, per se. Nevertheless, In line with Gimeno et al. (1997) we thus presume that human capital variables can also influence one's preferences for entrepreneurial entry.

Proposition 5: Given the different options for entrepreneurial entry, students will take into account their human capital (both currently available and required) as an important criterion for their entrepreneurial entry preference.

Figure 1 provides a simplified view of the proposed framework. Over time, the three criteria, choice options under consideration, opportunity costs, and psychic income influence the preferences of the individual (referred to here as ‘mind shift.’) In the current application, the preference for entrepreneurial entry mode is expected to shift, as these criteria are more carefully reviewed and evaluated, or what threshold theory refers to as comparing alternative modes of (self) employment.

Figure 1 – Conceptual model for analysis



Method

Study design and setting

A mixed quantitative and qualitative research design was chosen to test the propositions. We analyzed the essays of third-year Bachelor students who chose to take an entrepreneurship minor on firm acquisition and franchising. These students were committed to consider multiple entrepreneurial entry options.

During the first course of the minor, students were provided with a six-week programme on various alternatives to start-up entrepreneurship, including family succession, firm acquisition and franchising, and comparing each alternative to start-up entrepreneurship. As a final assignment (completed

immediately after the final session of the first course) students were required to write an essay. For this essay, they were to select and justify at least three of the following entry modes as initial options: start-up, firm acquisition, family succession, franchising, and providing advisory services to SMEs. As part of the assignment, students were asked to build a matrix with a least 5 criteria from the research literature to compare their selected options. They were then asked to use these criteria to rate each option, and then, based on those ratings, to determine which entry option or options fit them best. They concluded their essay by discussing the outcomes of the matrix and their preferred entry choice, also describing some steps in the near future to realize their preferred mode of entry. (See Appendix A for a more detailed description of the program and the assignment).

Students were at liberty to include their entrepreneurial profile scores. During the course they filled in an online entrepreneurship scan <http://www.entrepreneurscan.co.uk>. The entrepreneurship scan is a psychometric assessment tool which evaluates 10 entrepreneurial characteristics. The questionnaire is developed by Driessen (2005) and is validated in both The Netherlands and the UK.

Out of the 35 essays 4 essays were not usable because the essays were of poor quality and students did not pass the course prerequisites, leaving 31 essays to analyze for this study

Data analysis

To test propositions 1 and 2, entry mode choices were compared at the initial and final stage of the program using the Two proportions or McNemer test (Newcombe, 1998), to see if significant differences were found in choices at the beginning and end of the course. Additionally for all propositions, a systematic thematic analysis was carried out to analyze the student essays. In order to facilitate the codification process we used Atlas/ti 7.0.85 (2013). For the qualitative thematic analysis reported here, we generated atlas/ti reports on specific coding, containing excerpts from all relevant essays. We used 'constant' or repeated comparison to explore anticipated and emerging themes. Reanalyzing all essays on our final themes and coding, saturation (Boeije, 2010) occurred after 15 essays.

More specifically, the following steps were used in the analysis process: after depersonification of all essays, a first round of ten essays was read to obtain an overall impression of the content. These first impressions led to segmentation of the relevant reflections on the entry choices and codification. A preliminary topic guide was developed from the discussions among two of the authors, who served as coders. The preliminary codes were based on Gimeno's threshold theory and underlying human capital. This is in line with Justice (2007), who states that it helps researchers to formulate a framework based on literature for analyzing their topics and problems. In the second round all cases

were read to add on relevant themes and codes. Evidence that did not seem to fit was also labelled and the authors modified ideas and themes in order to fine-tune the model (Silverman, 1997). In the third round authors agreed on 8 themes and 32 main codes, also defining inconsistent themes towards the propositions. Themes are in line with the conceptual model: preferred entry choice, choice options, opportunity costs, psychic income, human capital, comparing final entry choice to initial choice, steps to realize final entry choice. In addition we found a theme on personality traits and competences. ⁱ

Results

Results for choice options and entrepreneurial entry mode

This section presents results for both the quantitative and qualitative analyses for the first two propositions. Table 1 below shows the initial as well as the final choice of the students that were specifically indicated in the essays. In the case where students lacked a clear initial or final choice, it is coded below as indecisive.

Table 1: Initial and final entry choice of students

	Initial entry choice	Final entry choice
Advisor	3	3
Start-up	3	2
Firm acquisition	0	7
Family succession	3	6
Franchise	3	5
Indecisive	19	8
Total	31	31

Table 1 shows a decline in indecisiveness from the beginning to the end of the six-week course. There also appears to be an increase in non start-up options for launching a firm (firm acquisition, family succession, and

franchise), with the same choosing to be an advisor. The McNemer test was applied to test for significant differences between the two phases. (See Table 2). Because family succession is limited only to those students who are already in a family firm, we combined firm acquisition and family succession into a new category we named takeover entrepreneurship. As shown in Table 2, there is a significant increase in takeover entrepreneurship as a preference, and a significant decrease in indecisiveness, when comparing initial and final entry choice. These results tend to support both of the first two propositions, especially with respect to takeover entrepreneurship and decisiveness.

Table 2: McNemar Test for significance in the differences in choices (initial vs. final choice)

	Uncorrected Chi Square	Corrected Chi Square ^a
Takeover (firm acquisition plus family succession)	8.067 ***	6.667**
Franchisee	.667	.16
Indecisive	8.333**	6.750**
N=31 a: Yates correction for continuity *: p<.05; **: p<.01; ***: p<.001.		

Regarding qualitative evidence in support of the first two propositions, a review of the essays suggests that the six-week series of seminars was indeed the cause of these shifts, at least in a number of cases. In their essays, students explain the cause of their mind shift as resulting with reflections triggered by the course. In total 15 quotes in 15 essays were found, of which four are presented below.

“...I now see the positive sides of taking over a company, which was not the initial reason for me to start the minor. I think the challenge will be to make a name for yourself, building a customer base and to have a [well] running business. When one takes over a company this is already the case. Now [that] I have read more about the subject, I tend to lean more in the direction of buying a company as a viable option...”

“A few months ago before I started this course I thought I wanted to go and work for a company on the payroll as a manager or advisor. In the back of my mind I have the idea that taking over a company could be an option and working in a franchise did not attract me so much. During the minor section entrepreneurial skills I read some more on the various subjects, taking over a business as well as starting a franchise look like viable options now.”

“Before I started the minor business transfers I thought that I would start a business or would become a franchiser. But after the first couple of weeks I have changed my mind and I think buying an existing business fits me better”.

“.....before I started on the module of entrepreneurial skills I had never considered the idea of franchise companies. However a new world has opened up for me the past couple of months. Now I know more about the subject I would like to start as a franchisee. When I finish my studies I will have a limited amount of experience. Hence I think [becoming a] franchisee is a good way to start as an entrepreneur.”

Results for opportunity costs and entrepreneurial entry mode

In line with Proposition 3, the qualitative data indicate that a consideration of financial constraints and resources may also influence the final preference for type of entrepreneurial entry. In 16 essays financial resources are included in the decision making matrix. In text fragments, financial considerations and other opportunity costs were coded 24 times in 19 different essays. The quotes below are illustrative of these comments:

“Because my own capital is not large enough to start or take over a company the finance could be arranged by, for example, the franchise organization”.

“The financing in this perspective will be a large hurdle to take because I have little or no personal capital.”

“My focus for the next couple of months will be to gather starting capital for the business”.

“Because of the crisis it is increasingly difficult to get a loan from the bank to buy, for example, a company or to transfer a company. Banks want more reliability when there is an application for a loan”.

In analyzing the student essays, we also found another unpredicted type of opportunity cost in relation to firm acquisition or family succession apart from finance, that of loss of knowledge and relationships :

“Taking over a company is my first choice, then franchise and finally [to] begin as an employee. The last two choices are not bad but they will limit me in my feeling and need for freedom. I would like to start as a normal employee to gain more experience... ..and to apply that knowledge [to] my own business in a later stage. In the end I want to be my own employer and I am glad this came out of the test as well. In my situation this is not a bad choice as I deal with my father’s company. From the lectures I have learned that if the owner drops out of the company it is likely that a part of the customer base will drop as well. In my situation this could happen as well. Hence I will ask my father after the takeover to stay with the company for another 3 years”.

Results for psychic income and entrepreneurial entry mode

The criterion of psychic income was also apparent in reviewing several student essays. In making a final choice we found 6 students appeared to have a strong attachment to a particular entry mode in spite of the fact that it seemed to contradict other aspects of their analysis. In these six cases their final preference actually opposed the outcome of their decision matrix, which took several other criteria into account--most of them scoring best as takeover entrepreneur but still wanting to be a franchisee or start-up entrepreneur. These findings demonstrate how powerful a role psychic income can play in selecting a preferred entry mode. The following quote is illustrative:

“My vision is that buying a company is the best viable option for me because I want to be independent from a franchise organization where I have to pay a monthly fee and I want freedom. In addition when taking over a company one does not have to start from scratch. I want the processes to flow more precisely which fits better with my studies in technical management. When starting a company you have to start with nothing which does not fit with my qualities. Despite that I would like to start as a franchisee.”

Although in the original formulation of psychic income, it would appear only to apply to situations where the rational choice is contradicted, we felt some of the other quotes led to a somewhat broader interpretation of the concept. For instance, students noted other psychological benefits of certain entry modes, such as freedom, having support of others, and having fun. Such sources of psychic income, though not necessarily shifting choices to the point of obstructing a mind shift as supposed by threshold theory, may still play a reinforcing role in the final choice. For instance, freedom and security as

positive outcomes were coded 10 times in 6 different essays. Some quotes follow:

“According to the entrepreneurial test I like to make my own decisions, but I value the opinion from other [people] as well. This fits with the franchise concept where one can always turn to the [franchisor]. As an entrepreneur one can solve this by gathering people around [you who] can assist you. There is always someone around that is willing to help. Surround yourself with people [who were] successful”.

“.....it is very important to gather people around you that can help you. This could be advisors, entrepreneurs or other people. When starting a business one has to start from the beginning. When a franchiser will start or you take over a business there might be people around you that can help you... ..and with a transfer there are also suppliers, banks and customers [with whom] the entrepreneurs can work. My network at this point in time is still limited. Hence a franchise or a business transfer would be the best option.”

“My initial vision was that I will buy my own company. This is because I do not want to be dependent on a franchise organization where I have to pay a monthly fee and I want freedom. In addition when taking over a company you do not have to start everything up yourself. I want to improve the processes that fit with my educational focus of technical business management. When starting a business you have to start from scratch and I do not think my qualities are there at the moment.”

Having fun is also considered to be a factor as well as psychic income to be taken into account. This was mentioned as important in 3 essays:

“It is very important to love what you do, especially concerning entrepreneurial issues. Being an entrepreneur asks a lot from a person. [Spending] lots of hours [at work] and a lot of stress are more a rule than an exception. If you do not perform 110% for your business it is likely to accept that you work very hard and will have a lot of stress what could result in a bad situation for the company”.

Human capital, an additional variable considered in Threshold Theory

Consideration of one’s human capital may also influence one’s entrepreneurial entry mode preferences, consistent with threshold theory. Nineteen essays included human capital factors in the decision matrix to compare the different modes of entry. Most frequently mentioned criteria included are education, management and entrepreneurial experience. In particular, we found many

quotes that link human capital to the final entry choice. Furthermore, some of these quotations were not only related towards choice options but also towards opportunity costs.

Experience development in general was coded 31 times in 18 essays. Illustrative is the following quote.

“Regarding the criteria that determine success I can conclude there are several points for improvement: getting more management experience; building my own capital and to build and maintain my own network”.

Plans to gain entrepreneurial experience, in particular, were mentioned 20 times across 16 essays:

“...I want to get more experience in business and especially in the hotel and catering segment before I will start my own business.”

“My actions for the next ten years will have the following highlights: finishing my education, getting more work experience, building a network, getting in contact with more people, building capital, and listening to customers and looking at their needs and wants.”

“...the correct order for focus on the future would be to get more working experience, than take over a company or become a successor in a family business and finally to start as an advisor.”

“...the management of people to pursue one’s goal is something that fascinates me. But I want to do this when I really know what I am talking about. This knowledge I will get partly from my studies and the theoretical approach but some practical experience also seems important.”

“After my studies I will try to stay at the company... ..go on business trips to projects around the world... .. keep focusing on various segments of the market... .. and get more experience so I can face financial issues in a better way.”

The sheer abundance of human capital factors mentioned to compare choice options corroborates our proposition that human capital is related to choice options. Students especially mention the need to gain more managerial or entrepreneurial experience, in their plans to realize their final choice. In their essay reflections we note that human capital is also related towards building an appropriate network and for gaining needed financial capital.

Additional findings from the thematic analysis—personality traits

Although not included in our propositions, we also found many quotes in student essays connecting their assessments of their personality traits and competence with choice options and opportunity costs. Students may have been influenced, in part, in including such information since the six-week course emphasized a personality analysis, referred to as the entrepreneur scan or e-scan. However, the original formulation of threshold theory also points out that personality traits may play a role in influencing decision choice. Gimeno et al. (1997, p. 754) states as follows: “Since the entrepreneur’s skills and objectives play a dominant role in dictating the direction of newly founded businesses (Bruderl, Preisendorfer, and Ziegler, 1992), we focus here on how the entrepreneur’s traits and characteristics, or human capital, influence the performance threshold.” In the student essays, risk tolerance, market awareness, creativity, perseverance and flexibility appear especially frequently in the decision matrices of students.

Some sample quotes for *risk tolerance* (coded 24 times) by the students are as follows:

“For me it is best to avoid risks as much as possible. Starting a business taking risks is part of the deal”.

“As a manager you value security more and that is more in line with my profile. I rather avoid risks as much as possible. Therefore a franchise formula would fit my needs better. These formulas have a proven track record and hence are less risky. But one still has the freedom and responsibilities to run your own business.”

“...personally I did not think a starter profile would fit with me because I have given this option [a lot of] thought before. But I do not have the guts to take the risks that are involved. I still want to find out if my thoughts are correct hence I will investigate my options in more detail.”

A sample quote for *market awareness* (coded 17 times in 12 essays) was provided by one student:

“I will try to find out which chances there are in the market, getting to new ideas and built knowledge for time when I take over a company so that I am well prepared. I have not made a choice yet on what form that will be”.

Creativity was another relatively commonly mentioned trait (coded 11 times in 8 essays). Two such quotes follow:

“Successful entrepreneurs have an open mind [toward] their surroundings and what happens in there. They are motivated by the opportunities and do not hold back when there are challenges. As a

starter or a buyer of a business it is very important to be creative...
...to see opportunities and to act on them. If you are active in a franchise and you have very creative ideas this might frustrate you later on. The scan indicates that I am very creative. Hence I would be a better start-up entrepreneur”

“Via my studies I will do various workshops such as personal leadership, personal effectiveness and creativity to develop that further... ...the choice I have made is the most safe one. If I would like to start a business or buy one I will try to cancel out the most risks.”

Perseverance was mentioned 14 times in 12 essays. Below is but one example:

“...endurance is an important criterion for an entrepreneur. I have a reasonable score on this item. According to my definitions endurance has to do with the best utilization of starting a business. With all the 5 options one invests with their own money and will have to work hard to earn back this money and to run a business at a profit. Still I think that starting a business next to monetary investments one should invest time. Regarding this last investment endurance will be crucial.”

Below are two illustrative quotes for *flexibility* (coded 10 times in 9 essays).

“Flexibility is very important for every entrepreneur... ...as a starter and as a buyer of a business you will always encounter surprises...
...things never go as they should go. In a franchise one has less flexibility... ...one could argue that you have to be creative in fitting in with the formula.”

“I do not like change and rather stay with familiar things. Because I know it is important that during entrepreneurship it is important to adapt and change plans and changing situations... ...when buying a business one should adapt to the buyer’s demands. Especially in regard to a franchise formula one has to be flexible”.

Discussion

The main objective of this study is to investigate how students evaluate their entrepreneurial entry intentions. We proposed that students’ ultimate preferences are influenced by criteria mentioned by Gimeno et al.’s (1997) threshold theory, namely choice options, opportunity costs and psychic income. In line with threshold theory we also proposed that human capital underlies the assessment of choice options.

Our analysis suggests that choice options, opportunity costs and psychic income are related to a shift of entry choice. Saturation of the defined relationships in our model occurred after only 15 cases. We especially observed shifts in entry mode choice towards a takeover entry mode—either firm acquisition or family succession-- at end of the six week course. Though not statistically significant, we also observed some shifting from family succession, as an initial preference toward (non-family) firm acquisition, for some students.

In exploring the criterion of psychic income, we found that particular, we found that it did not necessarily serve to contradict other objectively justifiable choices, but could also serve to enhance those choices, somewhat counter to the way the concept was first developed within threshold theory (Gimeno et al., 1997). Such aspects as freedom and fun can act also to reinforce entrepreneurial entry mode preferences that would be consistent with other criteria. The outcomes also indicate that human capital not only relates to choice options, but may also link to perceptions of opportunity costs, a link also not examined within the original version of threshold theory. Finally our results show that personality traits and competences are also strongly linked with choice options, where Gimeno et al. (1997) only mention human capital factors in their model to be of importance.

The discussion on the importance of personality traits in relationship to entrepreneurship is hardly new. Already Schumpeter (1934) mentions that creative and innovative characteristics of entrepreneurs. Markman and Baron (2003) as well as Driessen (2005) stress the importance of profiling of entrepreneurs on traits and competences. Also Rauch and Frese (2007) reopened the debate on the importance of personality traits in relationship with small firm performance. It could be worthwhile to consider not only human capital variables but also personality traits and competences of students on entrepreneurial entry choice.

Practical implications

Presenting alternative modes of entrepreneurial entry, assessing them in an essay on pro's and con's seems to result in a shift of student's entrepreneurial entry choice. Letting students pick evidence based criteria also helps them to consider different entry modes. During the seminars we noticed that online psychometric tools are very helpful for students to make up their mind on the final entry choice. We can't claim our course has effects with certainty, since in our research design lacks a control group.

The shift towards firm acquisition and family succession is partly blocked by both opportunity costs – the larger need of more financial capital - and the perception of a lack of human capital, i.e. experience in leading a firm.

The outcomes also indicate that lowering opportunity costs for firm acquisition, for instance by financial support programs, will make firm acquisition more realistic on the short term for students. There is a definite lack of provision for equity financing in many European countries (Duffhues and Roosenboom, 2011), leading to unnecessary financial barriers and high opportunity costs. Promoting to students or other young people, the alternative of becoming a minority shareholder in an existing firm or becoming partner could be an alternative to lower opportunity costs and at the same time provide a learning environment for students to gain experience.

Finally, this study suggests that universities and business schools might be important actors to mitigate the (expected) massive lack of successors in SMEs. By giving students new ways to exploit their competences and skills, a substantial portion focus on business transfer or takeover options rather than start-up entrepreneurship. We like to encourage universities and governments to widen their entry programs on entrepreneurship towards family succession, firm acquisition and franchising. This could be one of the keys to solve SME succession problems.

Limitations and future research

This study has its limitations, due to nationally confined sample and the bias towards students who had chosen to minor in firm acquisition and franchising. By doing so, they already signal willingness to consider options other than starting their own firm. Another limitation is that we only look at entrepreneurial entry intentions and did not relate the entrepreneurial behaviour. These intentions may change over time not necessarily leading to actual entry as entrepreneur. However, the Theory of Planned Behaviour provides a strong basis for arguing that intentions and behaviour are linked, especially if individuals believe that they have the requisite resources and opportunities (Ajzen, 1988; DeTienne and Cardon, 2012). Nevertheless, longitudinal studies on (shifting) entry intentions will give more accurate observations on the effects of these kinds of entrepreneurial entry courses. Future research may also compare the benefits of using other concepts from the Theory of Planned Behaviour to augment or replace some of the Threshold Theory concepts.

Also not explored in the present study is the reason why some students do not shift their entry choice. Some of the essays suggest that the six-week program served to reinforce existing choices, making those students more self confident about their initial entry choice. Hence offering alternative options, though not leading to a change, might be beneficial to students' entrepreneurial entry choice as well.

Finally, research on a broader array of alternative entrepreneurship programs, as well as evaluation of their effects, would be useful in validating

our findings about the relevance of such programs, both theoretically, with respect to threshold theory, as well as on a practical level, to enhance students' abilities to select appropriate entry modes for their entrepreneurial careers.

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Appendix A

Assignment entrepreneurial qualities

The course, Entrepreneurial Qualities is a part of the minor, business transfers and franchising, taken by Economic and Small Business students in their 3rd Bachelor year at the university where the study was conducted. The complete minor consists of 30 European Credits (5) and 840 hours of work divided over 6 courses in a period of two semesters. The first course consists of six lectures and tutorials over a period of 7 weeks. Each week the students work on assignments, read literature, and prepare for lectures individually. Questions that are raised during the course are: What is the business transfer process?, What kind of entrepreneur am I? What are my strong and weak points?, What advantages and disadvantages of firm acquisition or family succession or franchising? What strategic alternatives do I like to become an entrepreneur and how may I finance my plans (start-up, takeover, franchisee).

The final assignment for the first course (5 ec) is an essay. This is due after the last lecture of the course. The students are required to choose at least three options out of five different entry positions: buyer, starter, takeover, franchiser and advisor of business transfers. The students were asked to make a decision matrix of at least five criteria derived from scientific as well as practical papers to consider and argue their preferred choice.

Entrepreneur scan

The e-scan for entrepreneurs, taken during the six-week course, is based on research by prof. dr. Martijn Driessen of the University of Groningen the Netherlands. Central to the test is the entrepreneurial competence model. This model is based on four elements: motivation, personal characteristics, knowledge and experience.

ⁱ More details about the categories and coding process are available from the authors.