

The added value of advisory services in SME mergers and acquisitions.

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SME, small firm, ownership change, merger, acquisition, M&A, buyer, firm acquirer, resource based view, agency theory, management entrenchment, financing, misinformation, culture, staff, accountant, business broker, banker, lawyer, fiscalist.

Abstract

The objective of this study is to shed light on the added value of the services of five disciplines in M&A advisory in the SME domain: accountants, bankers, business brokers, fiscalists and lawyers. Theory is inconclusive in the added value of advisory services and research on the subject is hardly available. RBV predicts direct benefits in using advisory services in M&A, leading to less obstacles in and directly after M&A or lagged effects on more renewal of the firm. The theory of structural holes, agency theory and management entrenchment theory on the other hand predict neutral or negative effect of advisory services in M&A.

The dataset includes 899 mergers and acquisitions (1) completed before 2003; (2) with an acquirer having bought 100% of target shares or assets; (3) of German, Belgian or Dutch origin; (4) of non-listed firms; (5) where acquirer and target firm are not member of the same family. Using (M)ANOVA's and controlling for the effects of more than one advisor involved, the outcomes show consistently that the M&A advisory services do not reduce obstacles like financing, misinformation and culture and staff problems during or immediately after M&A. Looking at lagged effects of advisory services in the period of two years after M&A strategic more renewal by innovation occurs if bankers, fiscalists and lawyers are involved. Involvement of accountants and business brokers on the other hand decrease renewal.

Overall the theory of structural hole, agency theory and "advisory entrenchment" seem to prevail, during and immediately after acquisition. There is no immediate benefit on using advisors in M&A. The lagged effect on firm renewal, more specifically on innovations support RBV, showing that advisory services increase firm innovation in the two years after acquisition. The database has some limitations. It could not be controlled for the qualifications and experiences of the advisors, the phases of M&A they were involved in and the possibility that firm acquirers didn't listen to sound advice given.

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Introduction

70-80% of all mergers and acquisitions (M&A) are concluded with the assistance of an external advisor both in large firms (Francis et al., 2006) and SMEs (Allison et al. 2007; Bruce and Picard, 2006; Van Teeffelen et al., 2011). Yet there is little knowledge available on added value of advisors in ownership transfers (Battisti and Williamson, 2012; Van Teeffelen, 2012; Wietzel and McCarty, 2010). If research is available it generally focuses on the role of financial advisors in mergers and acquisitions of large or corporate firms, rather than on their added value (e.g. De Jong et al., 2010, Moeller et al., 2004; 2005). SMEs, an important segment in the market of buying and selling firms (European Commission, 2002), are hardly subject of study. This is probably due to their status as publicly unquoted firms, making it difficult to follow their post-acquisition performance.

And yet one might expect added value of advisors in ownership change in SMEs, more so even than in large firms. For the majority of the buyers and sellers ownership change is a once-in-a-lifetime issue and they lack both knowledge and experience of the process (Eurochambers, 2009; European Commission, 2002; Van Teeffelen, 2010a). Also the impact of advisory services in SMEs might be higher or better detectable, since M&A advisors primarily deal with the firm owners and do not encounter the division between management and ownership of large firms (Weitzel and McCarthy, 2010). In favor of the possible added value of advisory services is the persistent need of buyers for professional advice, broken down in services of valuation and due diligence on the target firm (Rosenbaum and Pearl, 2009), the reduction of informational asymmetries between buyers and targets (Servaes and Zenner, 1996) and support and assistance with (price) negotiations and contracting (e.g. Ma, 2007). But there are also indications that advisors may have detrimental effects on transactions. Ownership transfer research shows that advisory services delay transactions and have no effect on the price paid (Van Teeffelen et al., 2011), while the involvement of financial advisors decrease post-acquisition performance (Meijaard et al., 2005; Morrison et al., 1997).

This paper aims to improve the understanding on the added value of M&A advisors in the SME segment. To do so we deduce predictions from two contrasting groups of theories. The Resource Based View (RBV) and the strategic renewal approach on the one hand predict a positive impact of advisory services in M&A. The structural hole, agency and management entrenchment theories on the other hand predict a neutral or even negative effect of advisory service in M&A.

The paper is organized in four further sections. The next sections discusses theory and previous empirical outcomes, deriving the main hypotheses. In sections three and four we will present the methodology and results. The last section discusses the outcomes, limitations and challenges for future research.

Theory

M&A is a term that refers to corporate mergers and acquisitions, but is also refers to firm acquisitions, management buy-ins and management buy-outs in small and medium-sized firms (Weitzel and McCarthy, 2010), where the majority to 100% of shares or equity is acquired by a third party. In the latter meaning M&A is used in this paper. The need for support in ownership transfers in small and medium-sized firms is widely acknowledged by experts and researchers (e.g. European Commission, 2002, 2006; Le Breton-Miller et al., 2004; Sharma et al., 2001; Stone et al., 2004). The majority of the buyers and sellers lack knowledge and experience of the process (Eurochambers, 2009; European Commission, 2002;

Van Teeffelen, 2010a). Frequently mentioned obstacles in ownership transfers from a buyers perspective are financing the deal, insufficient insight in the target firm, financial shortfalls and cultural and staff problems after acquisition (e.g. Eurochambers, 2009; Geerts et al., 2004; Moog and Felden, 2011; Next Business Generation, 2007; Stone et al. 2004; Van Teeffelen, 2012).

The potential positive effects of advising ownership transfers are predicted by the Resource Based View (RBV). RBV looks at all available firm resources, like financial, physical, organizational and human resources (Hall, 1992; Barney, 1991) to gain a competitive advantage. The importance of advisory services are in the experience of the acquisition process and specific legal, financial and human resource knowledge in a transaction. The added value of advisory services are very specific in the domain of human and intangible resources. Especially these factors seem to matter in post-transfer success, since the meta-analysis of Crook et al. (2008) shows clearly that human and intangible resources have significant stronger effects than most tangible resources on firm performance. RBV also states that in order to add value, resources need to be firm specific and rare, valuable, non-substitutional and non-tradable (Barney, 2001). Are advisors in M&A rare? Several authors show that experienced and competent accountants and business brokers are hard to find or are too expensive for small and medium-sized firms to hire (e.g. De Waard, 2002; Next Generation, 2007; Stone et al., 2004; Van Teeffelen, 2012). Most specialized advisors prefer to work for larger mid-sized or corporate firms, dealing with larger transactions and revenues (Stone et al., 2004; Van Teeffelen, 2012). The knowledge advisors bring in is hard to since most SME firm acquirers are inexperienced in M&A. Also when advisors are in, though there are no statistic on the subject, it is common practice that M&A advisors negotiate for exclusivity, leaving no room for similar competitors in the process.

So bringing in specific knowledge and experience in the acquisition process and transaction advisors are likely to reduce or ease the acquisition process (e.g. Geerts et al., 2004, Stone et al., Le Breton-Miller et al., 2004, Van Teeffelen, 2012). Apart from reducing information asymmetries between buyer and sellers (Howorth, Westhead and Wright, 2002; Servaes and Zenner, 1996), valuation and due diligence on the target firm (Rosenbaum and Pearl, 2009), support and assistance with (price) negotiations and contracting (e.g. Ma, 2007), advisors may reduce complexities by planning the process (e.g. Le Breton-Miller et al, 2004; Meijaard et al., 2005, Van Teeffelen et al., 2011). Additionally advisors offer services in the selection of target firms, legal advice, fiscalities and financing the deal (Battisti and Williamson, 2012; Van Teeffelen, 2012). So far there is no empirical support for the added value of advisory services in M&A.

Yet another perspective is possible on the added value of M&A advisors. Advisors, like accountants, bankers, business brokers, fiscalists and lawyers, connect parties and can be seen as spiders in a networks of buyers, sellers and financial institutions. The theory of structural holes (Burt, 1992, 1995) states that when there are holes in the social network - buyers seeking sellers and looking for finance - actors over spanning these holes will create a competitive advantage for themselves, rather than for their clients. They have a certain amount of control over buying and selling parties as their acting agent. Agency theory (Jensen and Meckling, 1976) also predicts along the same lines, that agents take actions that do not always maximize the welfare of the principal. Schleifer and Vishny (1989) go a step further in their theory of managerial entrenchment by postulating that agents make themselves valuable, invest primarily in their own position and are costly to replace. Adapting this view to "advisory entrenchment", the assumption is that advisors invest primarily in their own

position, like increasing billable hours and collecting surplus fees for closed transactions and less likely to prevent obstacles in M&A. According to this line of reasoning no or even detrimental effects of M&A advisory services are expected. Though few, some research outcomes support this line of reasoning. Advisory services in ownership transfers delay transactions and have no impact on the price paid (Van Teeffelen et al., 2011), while the involvement of financial advisors have proven to decrease post-acquisition performance (Meijaard et al., 2005; Morrison et al., 1997).

In short two opposing groups of theories predict the added value of M&A advisory services. RBV predicts that advisory support will reduce obstacles, agency theory predicts that advisory services will have no or even detrimental effects in M&A. In formulating the hypotheses, RBV is taken as the leading perspective, predicting that advisory services help to prevent obstacles during and immediately after M&A.

Hypothesis 1

Involving any particular M&A advisor will decrease the occurrence of the obstacles during and immediately after the M&A

- a) financing M&A
- b) insufficient insight and/or financial shortfalls during or immediately after M&A
- c) cultural and staff problems immediately after M&A.

There are indications that obstacles of financing and information asymmetries seem to be dependent on SME firm size. Financing mid-sized firms M&A is reported to be easier than in small firms (e.g. Stone et al., 2004), but insufficient financial insight and cultural/staff problems more likely to occur in mid-sized firms than in smaller firms (e.g. Weitzel and McCarthy, 2010) due to more employees involved. For this reason a moderating effect of firm-size could be expected on the benefit of advisory services, where smaller acquisitions benefit more on advisory services to reduce financial obstacles and mid-sized firms benefit more in advisory services to prevent misinformation and staff/cultural problems.

Hypothesis 2

Firm-size is a moderator on the beneficial effect of advisory services in M&A

- a) smaller firms will benefit more from advisory services to overcome financial obstructions
- b) smaller firms will benefit less from advisory services to overcome insufficient insight
- c) smaller firms will benefit less from advisory services to overcome cultural/staff problems

Apart from overcoming potential obstacles during and immediately after M&A the added value of advisors could have lagged effects. There is evidence that in most small and medium-sized firms a change of ownerships leads to innovation and internal change, improving the post-transfer performance over time (Geerts et al., 2004; Meijaard et al., 2005; Van Teeffelen and Uhlaner, 2011). So advisory services may add to firm renewal in the first two years after a change of ownership. Renewal or strategic renewal is defined as aligning organizational competences with the environment to increase the competitive advantage (Flier et al., 2003). This approach is linked to the RBV and overcomes some of the the strong criticism on RBV that it lack a market and environmental focus (Barney, 2001). We differentiate renewal in innovation and organisational changes. Innovation are actions new to the firm (Johannessen et al. (2001), directly related to new products/services (De Jong and Vermeulen, 2006), improvements of products/service (Wolff and Pett, 2006) or improvements on marketing or new market entry (Verhees et al., 2004). Organisational changes are structural changes,

including general (process) improvement of the total firm (Wolff and Pett, 2006), not specifically attached to a product, services or new markets.

Hypothesis 3

Involving any particular M&A advisor have lagged effects and leads to more firm renewal by

- a) increasing innovation in the period of two years after M&A
- b) increasing organisational change in the period of two years after M&A

Method

Sample

The data are collected by a random stratified database of firm acquirers in the period of 1993 - 2002. The stratification was done on firm size (micro 0–9 fte, small 10–49 fte, medium-sized 50–250 fte) and sector (industry and services). In 2004 4000 firm acquirers in Nordrhein-Westfalen (Germany), Flanders (Belgium) and the Netherlands were called. Semi-structured interviews of 1130 firm were collected (response rate 28%). The main reasons for non-response were lack of time or refusing to give confidential information by phone.

When the acquirer and the target are part of the same family, i.e. family firm succession, data are excluded from analyses. If the firm acquirer was uncertain about the involvement of a particular advisor, data are list-wise deleted from the database. This rigor is applied, since otherwise it is impossible to establish the effect of any single discipline of advisors controlled for the effects of other disciplines of advisor involved. Together with excluding family succession and other missing variables, this reduces the final database to 899 firm acquisitions. The final dataset includes 899 mergers and acquisitions (1) completed before 2003; (2) with an acquirer having bought 100% of target shares or assets; (3) of German, Belgian or Dutch origin; (4) of non-listed firms; (5) where acquirer and target firm are not member of the same family.

Descriptives

Most of the M&A in the dataset was at the turn of the millennium in the period of 1998 - 2002 (89%). Generally there are more advisors involved in small and medium-sized business transfers (see Van Teeffelen et al., 2011). This also applies for this dataset, showing firm acquirers involve 2 to 3 advisors in Table 1. Table 1 shows that in our dataset acquisitions (39%) and mergers dominate (34%) the dataset and that management buy ins (12%) and management buy outs (14%) are far less frequently observed.

There are some national differences in obstacles met and renewal between countries, especially in financing the deal and cultural and staff problems. This is not expected to be related to national differences, but related to the firm size differences in the countries. The average firm size of German firms (75) is significantly far bigger than those of Belgium (49) and the Netherlands (40).

Table 1: Dataset descriptives

	%	mean	sd	n	country differences			
Country						G	NL	B
Germany (G)	36			899				
The Netherlands (NL)	42							
Belgium (B)	22							
Firm size (FTE)		56	65	899	yes	75*	49	40
	median	28						
micro (0-9)	28							
small (10-49)	35							
medium (50-250)	37							
Type of takeover					no			
Merger	35							
Acquisition	39							
MBI	12							
MBO	14							
Number of advisors involved		2.55	1.55	899	yes	2.33*	2.70	2.69
Accountant involved	75				yes	60*	83	80
Banker involved	51				yes	39*	57	56
Business broker	21				no			
Fiscalist	55				no			
Lawyer	53				no			
Obstacles reported				899				
Financing the deal	17				yes	8*	21	25
Financial shortfalls/Misinformed	7				yes	5	11*	6
Regulations/Permits	8				no			
Staff/Cultural problems	21				yes	28*	19	15
Actions taken after M&A				899				
Organizational change	44				yes	48	46	27*
Innovation	30				yes	36*	26	27

* significant differences compared to both other countries at $p < 0.05$

Table 2 shows that firm size is significantly correlated with financial obstacles and cultural/staff problems.

Table 2: Kendall's Tau-b correlations of main variables

	Accountant	Banker	Bus. Broker	Fiscalist	Lawyer	Firm size	More advisors	Financing	Misinformed	Staff/Culture	Innovation	Reorganis.
Accountant	1											
Banker	.38**	1										
Business broker	.15**	.29**	1									
Fiscalist	.33**	.29**	.19**	1								
Lawyer	.32**	.27**	.23**	.55**	1							
Firm size	-.05	-.08**	.05	.04	.16**	1						
More than one advisor	.61**	.57**	.28**	.60**	.59**	.00	1					
Financing problems	.12**	.24**	.05	.08*	.09**	-.11**	.13**	1				
Misinformed	-.02	.02	.10**	-.07*	.03	-.03	.02	-.11**	1			
Staff/Culture problems	-.02	-.05	.01	.01	.01	.26**	.00	-.12**	-.12**	1		
Innovation	.00	.10**	.05	.10**	.12**	-.03	.09**	.03	.04	.03	1	
Reorganisation	.01	-.02	-.05	.04	.10**	.19**	.07*	.00	-.01	.14**	-.09	1

* p < 0.05, ** p < 0.01, *** p < 0.001

Dependent variables

The dependent variables are the binary occurrence of specific obstacles during or immediately after the M&A process and the occurrence of reorganizations and innovations after M&A in the first two years after M&A. The firm acquirers were asked in an open question for main obstacles that occurred during or immediately after M&A. The interviewers were not allowed to mention pre-coded answers and had to ask for further clarifications. More than 90% of the firm acquirers mentioned just one main obstacle, so only the first mentioned obstacle was taken into the analyses. The pre-coded answer are: financing the transaction, unexpected financial shortfalls after ownership change, problems with regulations/permits and subsidized costs, problems with firm culture, problems with the staff, insufficient or incorrect information given by the selling party. The answers were reclustered in three main categories: a) problems in financing the transaction b) misinformation including a lack of sufficient information, incorrect information on regulations/permits/subsidized costs and financial shortfalls and c) problems with culture and staff.

To measure the innovations or organizational changes the interviewers asked the firm acquirers: "What actions did you take in the first two years after the ownership transfer?". Interviewers coded the spontaneously given answers in 14 options, including no actions taken. In accordance with our previous given definition on innovation and reorganization the answers were clustered. All answers referring towards new products, services, markets, export and marketing activities are considered innovations. Answers given in line of restructuring, change of staff, general improvements of flexibility, communication and relocation are considered organizational changes. We performed a check by asking four lecturers on business administration, to rate all mentioned actions, providing them with our definitions. They scored on a single Likert scale item from one (definitely not innovation) to seven (definitely innovations). We found a high reliability on organisational change items (Cronbach alpha = 0.90). The reliability according the raters on product/market innovation items (Cronbach alpha = 0.72) is a bit lower but still acceptable, probably due to the several different aspects of innovations involved.

Independent variable

The independent variables are the binary use of advisors by type (accountants, bankers, business brokers, lawyers, fiscalists), controlled for a binary coding if other advisors are involved. We also include the firm size as independent variable since we expect an moderating effect - an interaction term in the analyses - of firms size on the added value of

advisors. The added value of advisory services could be lower or higher according to firm size.

Analyses

MANOVA (Type III) is used to test hypothesis 1 and 2 in a 2 x 3 table, analysing per advisory discipline on involvement (yes/no) and firm size (micro, small or medium-side), controlling for the involvement of more than one advisor. To test hypotheses 2 on moderating effect of firm-size, the interactions effect of the use of a type of advisors and firm-size is tested. Hypotheses 3 is tested by one-way ANOVA's per advisory discipline on the occurrence of innovations and organizational change, controlled for the use of other advisory disciplines.

In our design both the dependent and most of the independent variables come from the same source. This makes study susceptible to common method bias (Podsakoff and Organ, 1986). Harman's single-factor test, a principal component analysis on all our dependent and independents, is used to test for common method bias. The objective of this test is to show there is *no* dominant single factor underlying the dependent and independent variables. The principal component analysis shows four factors with an eigen value above 1, explaining 60% of the variance. The first and largest factor is the involvement of one or more advisors (25%), the second factor is the obstacle met (14%), the third factor is the firm size (11%) and last factor is change after M&A (9%). These outcomes indicate a minor risk of common method bias.

Results

Table 3 shows the outcomes of all MANOVA and ANOVA analyses of each discipline of advisors, controlled for the involvement of other advisory disciplines.

Table 3: All MANOVA and ANOVA outcomes combined

If advisor involved in M&A	Accountant	Banker	Business broker	Fiscalist	Lawyer
Obstacles in M&A					
Financing	more reported	more reported***	equal	more reported	more reported
Misinformed	less reported	equal	more reported***	less reported**	equal
Staff/Culture	equal	equal	equal	equal	equal
Obstacle x firm size					
Financing	the smaller the more	the smaller the more	the smaller the more**	the smaller the more	no
Misinformed	no	no	no	no	no
Staff/Culture	the larger the more	the larger the more*	no	the larger the more	no
Renewal after M&A					
Innovation	less reported*	more reported*	more reported	more reported*	more reported**
Reorganization	equal	equal	less reported**	equal	more reported

* p < 0.05, ** p < 0.01, *** p < 0.001

Looking at the obstacles met, we see that the involvement of any discipline of advisors nearly always increase the obstacles for financing. There is also a clear differentiation between the type of advisors involved and the occurrence of misinformation. While the involvement of accountants and fiscalist lower misinformation, the use of bankers and lawyers have no effects and the services of business brokers increase misinformation. Only the involvement of a fiscalist (F=9.91, p=0.002) significantly reduces misinformation. Staff and cultural obstacles

do not differ whether any advisor is involved or not. In all we could observe no beneficial effect of the advisory services of any discipline in preventing the three obstacles in M&A, except for the fiscalist, which helps to prevent misinformation. Therefore we reject our first hypotheses, stating that involving any particular M&A advisor will show a reduction of the obstacles during and after the M&A.

The “obstacle x firm size” part of the Table 3, shows if interaction effects of firm size on benefit on advisory service occur. It shows a consistent pattern, where smaller firms do generally not benefit more from advisory services in financing problems, while generally larger firms do not profit more from advisory services reducing misinformation and staff/cultural problems. The interaction effects found of the banker and business broker on culture/staff problems, shows no consistent pattern, where micro or mid-sized firms benefit more from advisory services. Rather small firms (10- 49 employees) seem to profit a bit more from advisory services than micro (0-9 employees) and mid-sized firms (50-250 employees). Overall findings, showing no significant differences, lead to rejection the hypotheses 2, stating that firm size is a moderator to benefit on advisory services.

Renewal, as lagged effect of advisory services, seems to occur when M&A advisors are involved in acquisitions. With the exception of the advisory services of the accountant ($F=3.58$, $p=0.03$), leading to a significant less innovation, the involvement of bankers ($F=3.27$, $p=0.03$), fiscalists ($F=2.86$, $p=0.046$) and lawyers ($F=6.32$, $p=0.006$) increase innovations after M&A compared to no advisor used. There is hardly any significant effect on reorganizations, but a detrimental significant effect of business brokers ($F=5.38$, $p=0.01$).

Therefore hypothesis 3a stating that M&A advisory services lead to more innovation, is confirmed, while hypothesis 3b, stating that M&A advisory services increase organisational change is rejected.

Discussion and implications

The objective of this study is to shed light on the added value of the services of five disciplines in M&A advisory services for SMEs: accountants, bankers, business brokers, fiscalists and lawyers. Theory is inconclusive in the added value and research is hardly available. RBV predict direct benefits in using advisory services in M&A, leading to less obstacles in and directly after M&A or lagged effects on renewal of the firm. The theory of structural holes, agency theory and management entrenchment theory on the other hand predict neutral or negative effect of advisory services in M&A.

The outcomes of our study show consistently that the M&A advisory services do not reduce obstacles during and immediately after M&A. We neither could find that smaller firms benefit more than mid-sized firm in financing and medium-sized firm benefit more from advisory services in the prevention of misinformation and staff/cultural problems. It is quite unlikely, having drawn a random sample with similar rates of involvement of advisors as in previous research (e.g. Allison et al. 2007; Bruce and Picard, 2006; Van Teeffelen et al., 2011), that our outcomes are biased by purchasers already having or expecting more problems and obstacles in M&A.

Striking findings are that the use of accountants and business brokers, generally being involved from the early stages of M&A activities to the end (Van Teeffelen, 2012) have no or even detrimental effects on M&A. Accountants seem to counter innovations and the involvement of business brokers leads to more misinformation and less organizational change.

This is hardly a recommendation for the trade and the professional associations of accountants and business brokers. Fiscalists are the only discipline to stand out proudly, preventing misinformation during M&A, having immediate effects on reducing obstacles during and right after M&A.

It seems we have to discriminate between immediate reduction of obstacles and lagged effects of advisory services in the two years after ownership change. Looking at immediate advantages of M&A advisory, agency theory and more particular “advisory entrenchment” prevails. A possible explanation, also in line with agency theory and “advisory entrenchment”, is the lack of cooperation between the 2-3 disciplines involved in M&A advisory. Looking at lagged effects strategic renewal is confirmed as to innovation. If bankers, fiscalists and lawyers are involved we see more firm innovation after M&A. An explanation for these findings could be that advises given during the process of M&A may be executed later on by firm acquirers.

Limitations and future research

For a more final conclusion on the added value of M&A advisory more detailed research is needed. Research on the topic is rare and alternative explanations for our findings are possible, since our database has limitations. First we have no information on the qualifications and experiences of the advisors in our dataset. Allison et al. (2007) for example found that anybody may call himself a business broker and Van Teeffelen (2012) points out that accountants generally lack specific experience and education in the field of M&A. So it could be that inexperience and lacking the competences and skills to operate in M&A could explain for the lack of immediate results. Reformulating our hypotheses towards experienced and/or certificated M&A advisors opposed to non-experienced and unqualified advisors might alter future outcomes. Secondly, we have no information in which phase the advisors were active, so the neutral or negative outcomes of bankers and lawyers, usually involved late in M&A (Van Teeffelen, 2012), might be caused by their late involvement. So refining hypotheses towards early present and later present advisors in the process could change the outcomes. Thirdly it could be that advisors did give sound advice, but that the firm acquirers didn't want to listen (Blackburn and Jarvis, 2010). Involving more parties in the research design, like observations of the advisors and selling parties, could eliminate alternative explanations like buyers not wanting to listen to sound advice.

Another issue is the time frame of our database, ranging from the end of the 1990's to the beginning of the 2000's. Might the database be outdated and incomparable with the beginning of the 2010's? We believe this is not the case. Both periods in time show a similarities, since these periods are known for declining or negative GDP growth for Germany, Belgium and the Netherlands (Eurostat, 2004). Also the financial and advisory sector is known to be conservative. Recent deal-breakers reported (Transeo, 2011) are still similar of that were reported a decade ago (European Commission, 2002). Financing might be more challenging in our times, since tougher banking regulations like Basel III are limiting bank's financing capacities.

Practical implications

The outcomes generate some practical implications for the specific groups of advisors in the field M&A. The added value of accountants and business brokers are not evident neither in immediate and lagged effects. M&A in the SME segment requires experienced specialists, also in the field of future development and renewal of the firm. Maybe accountants could increase their competences, by specializing more on ownership changes, M&A and also

towards business model innovation. Clearly business brokers, could profit from better due diligence skills, especially regarding regulations, permits to prevent the reported misinformation and skeletons in the closet if they are involved. Like accountants they could have more of an eye for the near future, involving renewal in the post-acquisition period and possible hurdles on the way. Though not verifiable from this dataset, bankers and lawyers, could add value by earlier involvement in the M&A-process, decreasing the odds of obstructions on legal and financial grounds with their early involvement (e.g. Van Teeffelen, 2012). They could consider to profile firm acquirers among their SME-clients, for example fast growing SMEs, and might consider low threshold services providing information on the most common reasons for legal and financial problems. Banks could provide additional information how they rate sectors, business plans and M&A credit applications to prevent unrealistic expectations on funding buyers.

Raising the standards of the professional associations, including cooperative skills, might be a first step in the M&A market. A better eye for the post-acquisition period, might prevent immediate staff/cultural problems in mid-sized firms. Better due diligence skills and checks are necessary to prevent misinformation. It is highly unlikely that the expensive one-to-one advisory corporate services will fit SME M&A (e.g. Allison et al., 2007; Eurochambers, 2009; Van Teeffelen, 2012). There remains a consensus in M&A and business transfers research that any M&A is complex and in need for assistance and advice (e.g. Eurochambers, 2009; European Commission, 2002, 2006; Stone et al., 2004). A new business model in M&A services could lower costs and raise the added-value, when future firm acquirers are trained in workshops collectively to recognize and prevent obstacles in M&A or overcome met obstacles by learning from peers.

If we have to believe agency and “advisory entranchment” theory, this will all be an illusion, to find the perfect advisor that adds value to the M&A process by reducing the obstacles met. In order to raise the odds firm acquirers should not rely on the “expertise and experience” claim of M&A specialists. Rather than trust they need to check references, negotiate on price and fixed outcomes, ask for track records and find advisors who know to cooperate. Strong financial connections and good knowledge of the target sector also might help to add value.

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