The Bottom Line

Business transfer readiness in rural micro and small enterprises: challenges identified by public business advisors

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Abstract

Purpose – This study aims to examine challenges that hinder business transfer (BT) readiness among micro and small enterprises (MSEs) in rural areas, as identified by public business advisors.

Design/methodology/approach – This qualitative study draws on six semistructured interviews with advisors from five publicly funded advisory organizations supporting enterprises in rural Northern Ostrobothnia, Finland. The data were analyzed using thematic content analysis and interpreted through the framework of dynamic capabilities framework, focusing on sensing, seizing and transforming.

Findings – The findings reveal three interrelated categories of challenges. Sensing-related challenges concern entrepreneurs' difficulties in letting go, limited openness about transfer intentions and weak recognition of financial and strategic preparation needs. Seizing-related challenges relate to the practical preparation of the firm, including noncore assets, diversified activities, limited digitalization, weak electronic accounting and owner dependency. Transforming or reconfiguring challenges concern the rural BT ecosystem, including limited buyer availability, buyer–seller mismatch, fragmented information flows and restricted access to specialized advisory and financial expertise.

Research limitations/implications – The findings are based on a small qualitative sample of advisors and should therefore be interpreted as advisor-mediated observations rather than statistically generalizable evidence.

Practical implications – Earlier advisory support should strengthen entrepreneurs' recognition of transfer needs, improve digital and financial preparedness, reduce owner dependency and enhance buyer–seller matching to support rural business continuity.

Originality/value – The study contributes by applying a dynamic capabilities perspective to advisor-observed BT readiness in rural MSEs.

Keywords Business transfer, Sale readiness, Rural entrepreneurship, Microenterprises, MSE

Paper type Research paper

1. Introduction

Business transfer (BT), also referred as business succession (e.g. Kirkwood and Harris, 2011; Ip and Jacobs, 2006) or ownership transfer (e.g. Weesie and Van Teeffelen, 2015), can be defined as the process through which ownership, and frequently managerial control, of an enterprise is transferred to a new owner, either a person or legal entity (European Commission, 2006). While traditionally associated with entrepreneurial retirement, BT is

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increasingly recognized as a broader exit process encompassing activities such as selling the business, transferring ownership to family members or merging with another entity (Pauley, 2025; Stambaugh and Yu, 2021; Walzer and Merrett, 2025). The forthcoming retirement wave among aging business owners is expected to place many businesses at risk of closure (Hand *et al.*, 2025). Recent evidence highlights the timeliness of this phenomenon; for example, the USA is on the brink of the largest wave of small-BTs in modern history, as millions of baby boomers are expected to retire over the next decade (Yearwood *et al.*, 2026).

Micro and small enterprises (MSEs) are the lifeblood of rural communities (Korsgaard *et al.*, 2015; Templin *et al.*, 2016; Walzer and Merrett, 2025). However, many lack the funding, time and human resources needed to prepare for business continuity (European Commission, 2025a). In many rural areas, the large wave of retiring entrepreneurs has intensified attention on BTs as a critical strategy for preserving local businesses (Earls and Hall, 2018; Templin *et al.*, 2017; Walzer and Merrett, 2025). Existing evidence shows that businesses in rural areas face substantial locational barriers, including small and aging populations, low birth rates and outflow (Hand *et al.*, 2025; Korsgaard *et al.*, 2015). Failed BTs can result in the loss of local jobs and services and may hinder community economic development (Hand *et al.*, 2025; Harstad, 2024; Walzer, 2018; Walzer and Merrett, 2025; Yearwood *et al.*, 2026). Most BTs occur in micro-enterprises and are highly local, with buyers and sellers typically originating from the same or neighboring localities (Varamäki *et al.*, 2013; Tall *et al.*, 2017). Despite the growing academic interest (e.g. Hand *et al.*, 2025; Stambaugh and Yu, 2021;) and recognition that locational conditions significantly influence enterprises' life cycle (Korsgaard *et al.*, 2015; Kotey, 2016), empirical knowledge of BTs in rural areas remains limited (Tall *et al.*, 2017; Templin *et al.*, 2016; Walzer and Merrett, 2025).

BT is a form of organizational change in which small businesses, in particular, need external advice and support (Battisti and Williamson, 2015; Hand *et al.*, 2025). In rural contexts, the business services are often less developed, partly due to the limited presence of commercial service providers like accounting and legal enterprises (Klofsten *et al.*, 2020; Smallbone *et al.*, 2002). Because public business advisors routinely serve a broad cross-section of rural enterprises (Saarela *et al.*, 2015; Smallbone *et al.*, 2003) and have a key mandate to contribute to the retention of businesses within rural communities (Walzer and Merrett, 2025), they are uniquely positioned to observe region-specific characteristics and recurrent challenges related to MSEs' ownership transfers.

This study focuses on how MSEs operating in rural areas prepare for BT, which we consider the most critical phase for BT success. Enterprises must engage in BT planning (Kirkwood and Harris, 2011), achieve a sales-ready condition that attracts potential buyers and facilitates external financing (DeTienne *et al.*, 2015) and ensure that entrepreneurs themselves are prepared to let go of their businesses (Weesie, 2017).

Preparing for BT is a process (Van Teeffelen, 2009). Dynamic capabilities contribute to widening enterprises' knowledge and competence base in the preparatory phase of transfer. Enterprises with strong dynamic capabilities are better able to prepare for BT and adapt their operations, for example, to enhance their readiness for sale. Thus, dynamic capabilities theory (e.g. Eisenhardt and Martin, 2000; Teece *et al.*, 1997;) provides a suitable framework for understanding the challenges associated with BT preparation. While the theory has been applied to succession planning (Cragun, 2017; Cragun and Ulrich, 2024), succession implementation (Fadeyi *et al.*, 2023) and family business succession (Mihotić and Pfajfar, 2026), it has not been yet applied to the preparatory phase of BTs among MSEs in rural context. We selected dynamic capabilities as the primary interpretive lens because our focus is not merely on environmental constraints or institutional pressures, but on how readiness for BT depends on capability-building processes at the individual, firm and ecosystem levels.

This study is grounded in the identified need to deepen understanding of BT processes in MSEs in rural area contexts (Tall *et al.*, 2017; Templin *et al.*, 2017; Walzer and Merrett, 2025). To address this gap, we explore the research question:

RQ. What are the main challenges micro and small enterprises in rural areas face when preparing for business transfer?

We examine this question through the insights and experiences of regional public business advisors, gathered via qualitative interviews. We focus on the BTs within the rural context, where the market structures and enterprise characteristics may diverge substantially from those found in urban environments (Korsgaard *et al.*, 2015; Walzer and Merrett, 2025).

This study adopts the perspective of public business advisors as a distinct analytical vantage point for examining BT readiness in rural MSEs. Rather than capturing entrepreneurs' lived experiences directly, the study focuses on patterns observed by advisors across multiple client cases. This perspective enables the identification of recurring preparatory challenges and readiness-related issues that may not be visible through single-case studies or self-reported data. By drawing on advisors' cross-case observations, this study provides complementary insights into the factors that shape BT readiness in rural contexts.

2. Literature review

BTs in rural areas form a distinct area within BT research, as business transitions in rural and sparsely populated regions are shaped by contextual conditions (Hand *et al.*, 2025; Harstad, 2024; Yearwood *et al.*, 2026) that influence both the transferability of enterprises and the resources available for preparing a transition, thereby differentiating rural contexts from their urban counterparts (Walzer and Merrett, 2025).

2.1 Business transfer process

A BT is an ownership transition in which control of a business shifts to another individual or legal entity while the enterprise continues its operations. It typically involves the acquisition of a controlling interest, usually more than 50% of the firm's assets or equity (e.g. Van Teeffelen, 2010). and includes both family and nonfamily transfers. A business can be acquired by another enterprise or a private individual (Parker and Van Praag, 2012; Bastié *et al.*, 2013).

One way to examine the BT process is to conceptualize it along a timeline comprising the pretransition (before), transition (during) and posttransition (after/posttransfer) phases (e.g. Meijaard, 2005; Van Teeffelen, 2010). Failure may occur at any stage, including when the seller and buyer fail to establish contact, negotiations are discontinued or the succession, integration or transfer outcomes prove unsuccessful (Matalamäki *et al.*, 2020). Van Teeffelen (2009) conceptualizes BT in small firms as a multistep process that begins with owner orientation and information gathering, followed by preparation activities such as valuation, pricing and documentation. The process then proceeds through buyer identification, negotiations, contracting, due diligence and financing arrangements. Importantly, BT extends beyond the transaction itself, as posttransfer advisory support is often needed to facilitate a successful transition for the new owner (Van Teeffelen, 2009, 2012).

Literature widely acknowledges that BT represents both a risk and an opportunity for enterprises, affecting continuity, employment, innovation potential and regional economic development (e.g. Battisti and Williamson, 2015; DeTienne, 2010; Baltazar et al, 2023). Sale readiness refers to the extent to which an enterprise is organizationally and administratively prepared for an ownership transfer (Van Teeffelen, 2012). Prior literature emphasizes that BT is a complex process involving multiple organizational, financial and relational elements rather than a single transactional event (Van Teeffelen, 2012). In rural context, sale readiness, has been linked to organizational and administrative clarity and the availability of information supporting potential buyers' evaluation of the firm (Van Teeffelen, 2012; Battisti and Williamson, 2015; Tall *et al.*, 2017). According to Darger (2024), both research and business advisors' experiences suggest that most small enterprises and their owners are not ready to sell their businesses.

From an entrepreneurial perspective, BT has been conceptualized as part of a broader exit process that unfolds over time and may involve varying degrees of planning and strategic consideration (DeTienne, 2010). Accordingly, sale readiness may be viewed as a gradual and process-oriented condition that develops alongside the entrepreneur's exit intentions, rather than as a fixed or purely technical state preceding the sale (DeTienne, 2010; DeTienne and Wennberg, 2016).

Existing research provides extensive insights into the factors, processes, outcomes and key actors that shape successful BTs, particularly in family-owned and agricultural enterprises (Baltazar *et al.*, 2023; Lobley, 2010; Nave *et al.*, 2022). By contrast, nonfamily BTs have received comparatively limited scholarly attention, despite their growing relevance amid aging entrepreneurs (Duetsch and Oestreich, 2025). Studies indicate that BTs are more successful when preparation begins early (e.g. Kotey, 2016; McKaskill *et al.*, 2004; DeTienne and Wennberg, 2016). However, fewer than 50% of entrepreneurs consider their exit strategy before making the decision to exit (Ryan and Power, 2012).

Building on this perspective, the preparatory phase warrants particular attention in rural contexts, where structural conditions such as low population density, spatial dispersion and socially embedded networks (Pato and Teixeira, 2018) shape entrepreneurs' ability to plan for succession and mobilize necessary resources. These characteristics influence both the availability of external support and the reliance on community-based ties, making preparatory activities more iterative and adaptive than those in urban settings (Pato and Teixeira, 2018; Walzer and Merrett, 2025). Recent research shows that entrepreneurs in rural areas often engage in effectual, context-responsive reasoning when preparing for future transition scenarios, adjusting their plans as conditions evolve (Drapeau *et al.*, 2025). In this study, however, the focus is not on exit strategies *per se*, but on the enterprises' preparedness for BT, emphasizing how rural context shapes the conditions and capabilities that enable a business to remain viable and transferable. Another frequently identified challenge is that many small businesses operate with limited formalization and rely heavily on the owner-manager's tacit, experience-based knowledge (Gherhes *et al.*, 2016; Saarela and Simunaniemi, 2025). This dependence shapes everyday decision-making and creates a significant obstacle in BTs, as owner-centric structures complicate the separation, evaluation and handover of the enterprise (Battisti and Williamson, 2015).

2.2 Dynamic capabilities

The core premise of dynamic capabilities theory is that firms must continuously renew their resource base in rapidly changing markets (Teece *et al.*, 1997; Eisenhardt and Martin, 2000). Resources alone are insufficient for development and competitive advantage; rather, what is critical is a firm's ability to renew, reconfigure and develop its resource base quickly and purposefully. Teece's (2007) framework conceptualizes dynamic capabilities as the organizational capacities that enable firms to purposefully sense opportunities and threats, seize opportunities and reconfigure or transform their resource base in response to changes. BT readiness can be understood as a specific manifestation of these capabilities: firms must identify their transferable value and risks (sensing), enhance their attractiveness and preparedness for transfer (seizing) and restructure their operations, processes, procedures, organizational structures and knowledge base to ensure continuity beyond the current owner (reconfiguring).

Recent succession research further supports the relevance of dynamic capabilities in BT contexts. Cragun and Ulrich (2024) argue that succession planning can function as a dynamic capability when firms systematically scan their environment, develop strategic human capital resources and reconfigure organizational capabilities to meet future leadership and ownership needs. Thus, succession planning extends beyond replacing key individuals and becomes a mechanism through which firms actively build organizational readiness for future transitions. Similarly, Fadeyi *et al.* (2023) demonstrate that succession implementation practices, including mentoring, executive development and top management support, foster dynamic capabilities by facilitating knowledge transfer, capability renewal and organizational adaptability during transition. Recent family business research further suggests that capability development during succession depends not only on organizational resources but also on the incumbent owners′ willingness to support change and resource reconfiguration. Mihotić and Pfajfar (2026) show that ownership transitions require firms to sense emerging opportunities, seize them through strategic investments and transform existing structures and routines, highlighting the role of dynamic capabilities in successful succession outcomes. Consequently, the dynamic capabilities perspective offers a useful theoretical lens for understanding how firms prepare for BT and strengthen their readiness for ownership transitions.

2.3 Characteristics of entrepreneurship in rural context

Although rural entrepreneurship research has increased in recent years (Gashi Nulleshi and Tillmar, 2022), it remains scarce compared to urban-focused entrepreneurship research (Munoz and Kimmitt, 2019). The field covers topics ranging from microlevel firm dynamics to macrolevel regional development across diverse rural areas (Müller, 2016). Consequently, the contextual dimensions of rurality remain insufficiently understood in many respects (Gaddefors and Anderson, 2019; Korsgaard *et al.*, 2015).

Compared with urban regions, rural regions are often characterized by small and scattered populations as well as lower income and education levels, which hinder the development of extensive entrepreneurial networks and reduce enterprise competitiveness (e.g. Shields, 2005; Snow, 2020). Consequently, rural business ecosystems tend to be less developed than those in urban areas (Klofsten *et al.*, 2020).

Both rurality and entrepreneurship in rural areas can be approached in multiple ways, which has created conceptual ambiguity in the literature (Gaddefors and Anderson, 2019; Pato and Teixeira, 2018). In this study, rurality is understood, following Stathopoulou *et al.* (2004), as a set of hard and soft measures that differentiate rural from urban, while entrepreneurship in rural areas is defined in line with Henry and McElwee (2014) as an entrepreneurial activity that is conducted in a rural setting. These definitions highlight that the study focuses broadly on entrepreneurship in rural areas, which is less engaged in the rural setting than rural entrepreneurship (Pato and Teixeira, 2018; McElwee and Smith, 2014). Based on the literature review on BT processes, we argue that this focus enables BTs in rural areas to be examined as a more general phenomenon.

2.4 Public business advisory services

As SMEs are fundamental to the European economic landscape, it is important that public business support instruments are accessible to all SMEs (European Commission, 2025b). Partially or fully publicly funded business advisory services, including coaching and other nonfinancial support, are among the most widespread and enduring forms of public business support across economies (Cumming and Fischer, 2012; Saarela *et al.*, 2015). Such support is particularly justified in remote rural areas, where businesses often face limited access to commercial service providers, creating market failures that public business services can help address (Klofsten *et al.*, 2020; Smallbone *et al.*, 2002; Smallbone *et al.*, 2003).

Not surprisingly, Boter and Lundström (2005) found that small businesses use public support in lower population regions more often than their counterparts in urban regions. Public business services are particularly important for microenterprises, whose limited financial resources may prevent them from purchasing comparable services from private providers (Ahmad and Abd Latif, 2012). From a regional development perspective, BT planning has become an increasingly prominent issue for public business advisory services (Earls and Hall, 2018). Given that public business advisors routinely interact with a broad spectrum of enterprises in rural areas (Smallbone *et al.*, 2003), they are well positioned to identify regional characteristics and recurrent challenges related to small BTs. This is supported by the findings of Schiefer *et al.* (2019), which indicate that local public authorities and enterprises have a similar understanding of BT challenges.

2.5 Challenges in business transfers in rural context

Selling a small business in a rural area can be difficult (e.g. Stambaugh and Yu, 2021; Walzer and Merrett, 2025). Although planning a successful BT is challenging regardless of location. Rural business owners often lack a systematic approach to preparation, resulting in limited awareness of exit options and reduced access to context-specific advisory services (Harstad, 2024). Small businesses in rural areas also rarely use formal sales platforms, and rely instead on informal networks, which makes information on potential BT opportunities fragmented and difficult to access (Yearwood *et al.*, 2026). Low profit margins, shrinking local markets and a limited pool of potential buyers reduce the viability of BT in rural areas (Walzer and Merrett, 2025). Prior research identifies additional challenges, including limited private capital (Hand *et al.*, 2025), overestimation of business value (Ip and Jacobs, 2006; Templin *et al.*, 2017), unwillingness to communicate that the business is for sale (Templin *et al.*, 2017) and the limited use of business brokers (Hand *et al.*, 2025; Templin *et al.*, 2017; Yearwood *et al.*, 2026). Moreover, financial reporting may be insufficient, and owners may be unable to communicate the existence and value of intangible assets (Templin *et al.*, 2017) further hindering the attraction of credible buyers and limiting the evaluability of potential businesses for sale (Yearwood *et al.*, 2026).

3. Data and methodology

A qualitative research approach was selected to address the research objectives. Qualitative methods are particularly appropriate when the aim is to explore how actors interpret and make sense of their experiences (Miles and Huberman, 2002).

The study adopted a qualitative research design based on six semistructured interviews conducted with business advisors from five public organizations who primarily operate in rural regions in Northern Ostrobothnia, Finland and provide support for MSEs across different stages of the business lifecycle and in a variety of business situations, including BT processes.

The study is situated within the BT ecosystem of Northern Ostrobothnia, a geographically extensive region in northern Finland characterized by number of MSEs, many operating in rural areas. BTs are supported through a multiactor ecosystem involving public business advisory organizations, municipal and regional development companies, entrepreneur associations, financial institutions and private-sector experts in legal, taxation and accounting matters. Stakeholders' collaboration is further facilitated by the Northern Ostrobothnia Business Transfer Forum and the National Business Transfer Forum, which provide regional and national platforms for cooperation and knowledge sharing.

Interviewees were selected using purposive sampling, targeting advisors directly involved in supporting BTs in MSEs operating in rural areas. They represent publicly funded advisory organizations and possess extensive experience in BT processes. According to the interview data, the advisors worked with approximately 5–90 BT cases annually, indicating substantial practice-based knowledge of such processes.

The interviews were conducted between December 2025 and January 2026, with each interview lasting approximately 60–90 min and were carried out remotely via Microsoft Teams. All interviews were audio-recorded with participants' consent. A semistructured interview guide was developed based on prior literature on BT, entrepreneurial exit and rural business support (e.g. DeTienne, 2010; Wennberg *et al.*, 2010; Battisti and Williamson, 2015). The format ensured consistency across interviews while allowing flexibility to explore emerging themes through follow-up questions. Participants were asked, for example, to describe the challenges they encounter in their work related to BTs, and their responses were further elaborated through questions aimed at deepening and clarifying their accounts and experiences.

The analysis followed a thematic content analysis approach to identify patterns of words and the structures in the interview transcripts (Pope *et al.*, 2000). After *verbatim* transcription, the data were analyzed through iterative and reflexive phases following Braun and Clarke's (2006) framework for thematic analysis, including familiarization, initial coding, development of candidate themes and iterative review and refinement of thematic structures. Constant comparison and analytical memo-writing were used throughout the process to enhance interpretive rigor and transparency, in line with established qualitative analysis practices (Miles and Huberman, 2002; Patton, 2002).

The analysis proceeded in two stages. First, the interview material was analyzed inductively to identify empirically grounded patterns and challenges related to BT readiness. Second, the themes were interpreted abductively through the dynamic capabilities framework to examine how challenges constrain sensing, seizing and transforming processes in rural BT contexts.

4. Results

The findings were interpreted through dynamic capabilities dimensions of sensing, seizing and transforming (reconfiguring) (Teece, 2007). Based on the analysis, the challenges related to BT in rural MSEs can be understood as barriers emerging at different stages of the ownership transition process. These challenges concern entrepreneurs' ability to recognize and prepare for BT opportunities (sensing), mobilize and organize resources required for transfer (seizing) and reconfigure organizational and ecosystem resources to support continuity under new ownership (transforming). Seizing and transforming challenges appear particularly pronounced in rural enterprises. Table 1 summarizes the identified challenges.

Table 1. Business transfer readiness challenges by dynamic capability dimensions

Dynamic capability dimension	Challenge (occurrence)	Description
Sensing-related challenges (opportunities and readiness recognition)	Problems in letting go (6)	Entrepreneurs may delay succession planning due to emotional difficulty in letting go and uncertainty about future roles beyond entrepreneurship
	BT is a taboo subject (3)	Reluctance to discuss BT restricts early planning and stakeholder engagement
	Lack of openness (3)	Hesitation to explore ownership transfer opportunities may reduce the business visibility of potential buyers
	Strong industry expertise but weak understanding of financial matters (3)	Limited financial and strategic understanding may hinder the recognition of BT readiness and planning needs
Seizing-related challenges (mobilizing and preparing for BT)	Noncore assets on the balance sheet (5)	Noncore assets complicate valuation, financing arrangements and the definition of the transaction scope
	Business complexity/ diversification (3)	Multiple business activities operating under the same enterprise can make valuation and transfer processes more difficult
	Lack of digitalization and basic digital skills (3)	Inadequate digital systems and documentation may hinder preparation for ownership transfer and due diligence processes
	Business closely tied to the owner (3)	Customer relationships, tacit knowledge, and daily operations remain dependent on the owner, reducing transferability to a successor
Transforming (reconfiguring) challenges	Finding a successor is difficult/ mismatch problem (4)	Limited buyer availability and weak matching mechanisms between buyers and sellers constrain the transfer of business ownership
	Employees and young people show little interest in buying the business (3)	Low interest in entrepreneurship and business acquisition reduces opportunities for BT
	Public support and financing challenges (3)	Constraints in advisory services, public support mechanisms and access to financing may hinder the reconfiguration processes required for successful ownership transfer

4.1 Sensing-related challenges

This category comprises challenges related to recognizing, planning, and openly addressing future ownership transitions. The data indicate that psychological barriers play a central role in delaying or complicating BT in rural areas. Letting go of a lifetime's work presents a profound identity challenge for many entrepreneurs, particularly in microenterprises where personal and professional identities are tightly intertwined. According to one interviewee:

> Very often it comes down to the fact that you just don't have the heart to let go. It feels so good to work in your own enterprise and to own it […] — you start wondering what you would even do after that.

Uncertainty about life after entrepreneurship reinforces avoidance. According to the advisors, such delays may diminish the entrepreneur's energy, reduce business performance, weaken profitability and ultimately prolong or prevent the sale. These findings align with earlier research on psychological barriers in BTs, which emphasize that intangible and emotional aspects of ownership transfer are often insufficiently addressed despite their central role in the process.

Limited openness about succession further exacerbates these issues. Entrepreneurs may avoid discussing BT employees due to concerns about staff turnover, and hesitate to publicly list their business for sale because of potential negative reactions from customers or stakeholders. As one interviewee explained:

> It's a bit strange, and there was one case where it just didn't really work to tell the staff either, because there was a fear that they might leave.

Such limited communication reduces the visibility of the sale opportunity and restricts the pool of potential buyers. Similarly, another interviewee noted:

> There is an incredibly high threshold for putting a business up for public sale.

Advisors also highlighted that many entrepreneurs possess strong industry-specific expertise, limited interest, motivation or competence in financial, administrative and strategic planning tasks. This may reduce awareness of BT readiness and delay necessary preparatory actions. In dynamic capabilities terms, these findings suggest that sensing-related challenges may hinder the early recognition and proactive management of ownership transition opportunities.

4.2 Seizing-related challenges

The second category comprises challenges related to preparing businesses for transfer and mobilizing the resources required to execute the transaction successfully. According to the advisors, these challenges concern the internal sale preparedness of enterprises, and are particularly pronounced in microenterprises in rural areas.

Noncore assets on the balance sheet complicate valuation, financing and the delineation of transaction boundaries. According to one interviewee:

> One of the challenges is that the balance sheet includes items that do not really belong to the business itself […] You can easily have equipment worth a million tied up in the business, while the actual business operations and turnover are generated with less than half of that […].

Such issues prolong the sales process and make profitability assessments more difficult for potential buyers. Another interviewee noted:

> Many exiting entrepreneurs think the process is much shorter, that it will all happen very quickly — that they suddenly decide before Christmas to put the business up for sale and assume it will be sold by February — without really recognizing how long the process can actually be.

Business complexity, such as operating several sectors under one business ID, further impedes valuation and increases transaction ambiguity. As one interviewee explained:

> In my view, having several lines of business under a single business ID is more common in rural areas. I might enter an enterprise expecting a metal workshop, only to find that it also engages in various other activities […] When I worked as a business advisor in an urban setting, I never encountered this kind of situation.

Advisors also identified limited digitalization as a recurring challenge. Deficiencies in electronic accounting systems, including incomplete or poorly defined cost centers, limit financial transparency and hinder buyers' ability to conduct due diligence. Although many entrepreneurs in rural areas possess strong industry-specific expertise they may lack interest, motivation or competencies in administrative and digital tasks. When asked why this is the case, one interviewee responded:

> It has always been done this way. There is a huge amount of know-how, and they are smart people who really understand their business, but somehow it has gone in a direction where they want to take the easier route with the accounting side. So it hasn't been seen as necessary, because the business keeps running like that.

This creates gaps in documentation and reflects a broader perception that ownership transfer is a straightforward, low-effort process. Moreover, many MSEs are highly owner-dependent (Saarela and Simunaniemi, 2025), with customer relationships tied to the entrepreneur rather than the firm. According to one interviewee:

> People don't talk about the business by its name, they talk about the person or entrepreneur by their first name […] and everyone knows that means going to the local shop. These situations are really challenging.

Such dependence increases perceived buyer risk and reduces the business's transferability. These challenges are amplified in rural enterprises, where digitalization may lag and administrative practices may be less formalized. In dynamic capabilities terms, the findings suggest that seizing-related challenges constrain the ability to mobilize and organize the resources needed to realize an identified ownership transfer opportunity.

4.3 Transforming (reconfiguring) challenges

The third category encompasses challenges associated with reconfiguring the organizational and ecosystem resources necessary for successful ownership transfer. In this study, we follow Teece's (2007) notion of transforming, seeing transforming or reconfiguring challenges as barriers that hinder the realignment of ownership, resources, relationships, advisory support and financing mechanisms required to ensure business continuity under new ownership.

Business advisors identified several structural barriers to successful BTs, many of which are particularly pronounced in rural settings. The rural context presents a shortage of potential successors; microenterprises outside urban areas struggle to attract buyers, resulting in viable, well-performing firms closing solely due to lack of successors. This has direct implications for local employment and the availability of essential services in rural communities. Younger generations and employees often show limited interest in acquiring existing business. One advisor explained:

> When you look at it by sector, at what young people are currently educated for and what kinds of businesses are actually available for sale here, it just doesn't really match.

Entrepreneurship may be perceived as risky, and financing as difficult to obtain. Furthermore, buying a business is not widely recognized as a legitimate or attractive pathway into entrepreneurship. A persistent skills or information mismatch compounds the issue: sellers and buyers frequently fail to connect; sale listings do not reach relevant audiences and BT markets remain fragmented.

These structural mismatches appear sharper in rural regions, where networks may be smaller and opportunities less visible than in urban regions. From the perspective of dynamic capabilities, the challenge is therefore not only whether an individual business is prepared for sale, but also whether the surrounding ecosystem can support ownership reconfiguration and business continuity.

Challenges in public support and financing contribute to the problem. Professional advisory services are often viewed as costs rather than strategic investments, and even subsidized services may remain financially burdensome for microenterprises. This also has a psychological dimension, as perceptions cost, risk and uncertainty may discourage engaging with advisory services. Meanwhile, access to free public support is limited, and advisors' expertise varies, reducing the effectiveness and reliability of guidance for sellers. As one advisor noted:

> There should be more public support available on the seller's side, or it should be organized in some other way so that expert services would be accessible. Legal and financial experts' working time is never cheap, and it often takes many hours — even dozens of hours — in these cases.

Similarly, another interviewee emphasized:

> When it comes to business transfers, there is practically no public support available for preparing an enterprise for sale or getting it into a ready-to-sell condition.

Taken together, these findings suggest that successful BT depends not only firm-level readiness but also on ecosystem′s capacity to facilitate transition. Difficulties in successor identification, limited buyer interest and constraints in advisory and financing systems hinder the reconfiguration processes required to ensure business continuity under new ownership. Therefore, transforming or reconfiguring challenges are understood here as barriers emerging at the interface between the selling firm and the broader rural BT ecosystem. Table 1 synthesizes the identified challenges to the dynamic capabilities framework, demonstrating how barriers associated with sensing, seizing and transforming may constrain successful BT in rural MSEs.

5. Discussion and conclusion

This study contributes to BT literature in three ways. First, it shifts attention from entrepreneur-reported exit intentions to advisor-observed BT readiness barriers in the preparatory phase of ownership transition. Second, it locates these barriers at three interrelated levels: individual, firm and ecosystem, interpreted through sensing, seizing and transforming/reconfiguring. Third, it shows that rurality actively shapes BT by intensifying market thinness, limited visibility, close social relations and livelihood-based diversification. This aligns with portfolio entrepreneurship, where entrepreneurs secure their livelihood through multiple business activities rather than a single income source (Carter and Ram, 2003). In rural contexts, such arrangements reflect long-standing practices of combining activities to manage risk and sustain income, rather than strategically separating ventures into distinct entities (Rosa and Pihkala, 2019). Thus, BT readiness emerges as a multilevel capability-building process requiring actors to recognize transfer needs, prepare firm resources and realign organizational and ecosystem conditions for continuity under new ownership.

Sensing-related challenges, concerns entrepreneurs' ability to recognize and openly address BT as a timely and strategic issue. Early planning improves succession outcomes, yet exit decisions are often reactive and systematic plans remain uncommon (Kotey, 2016; McKaskill *et al.*, 2004; DeTienne and Wennberg, 2016; Wennberg *et al.*, 2010; DeTienne and Cardon, 2012; Ryan and Power, 2012; Darger, 2024; Walzer, 2018). Advisors attributed delayed preparation to emotional, cognitive and communicative barriers that constrain sensing by obscuring the strategic relevance of ownership transfer. This accords with research on psychological barriers in succession and BT (Van der Merwe, 2010; Weesie and Van Teeffelen, 2015; Weesie, 2017; Hessels *et al.*, 2018). Although not uniquely rural, these barriers may be amplified by reputational sensitivity in close-knit communities, thin labor and buyer markets and strong identification with locally embedded businesses.

Seizing-related challenges concern the practical preparation of the enterprise and the mobilization. Diversified activities, noncore assets, owner dependency, limited documentation and low digitalization complicate valuation, financing and due diligence. Prior research similarly identifies owner dependency, informal processes and limited documentation hinder transfer success (Battisti and Williamson, 2015; Gherhes *et al.*, 2016; Saarela and Simunaniemi, 2025). In MSEs operating in rural areas, these problems are intensified when operations depend on owners' personal knowledge, local relationships and embedded practices.

Transforming or reconfiguring challenges concerns the realignment of ownership, resources, relationships, advisory support, financing mechanisms and market visibility. Rural enterprises operate in constrained ecosystems characterized by sparse populations, fragmented markets and weak visibility (Smallbone *et al.*, 2003; Klofsten *et al.*, 2020; Shields, 2005). Limited openness about sale intentions further restricts information flows and buyer–seller matching. Effective transfer also requires adequate financial records, valuation support and communication of tangible and intangible value, yet owners may fear adverse reactions from stakeholders (Darger, 2024). Difficulties in finding buyers, disseminating information and reaching geographically distant successors align with research on fragmented markets, the limited attractiveness of acquisition as an entrepreneurial pathway and successor scarcity (Pato and Teixeira, 2018; Battisti and Williamson, 2015; Walzer and Merrett, 2025).

The advisor quotation:

> Sometimes the ball is on the buyers' side, telling them to reach out to firms, because otherwise they don't even know that a business is for sale until a direct purchase offer is made.

Illustrates how passive signaling and low transparency constrain rural transfer opportunities. Advisory encounters can nevertheless prompt reflection on firm continuity and exit strategy. BT readiness therefore depends not only on a prepared seller but also on an ecosystem capable of reconfiguring ownership, knowledge, financing, advisory relationships and visibility. Small networks, limited buyer pools and weak information flows help explain why viable rural firms may fail to transfer.

Where conventional buyer channels are insufficient, employee or community ownership may help maintain locally important enterprises (Harstad, 2024; Walzer, 2018; Walzer and Merrett, 2025). Because such firms are closely connected to local economies and communities, BT research should consider these broader relationships rather than only firms and owners (Walzer and Merrett, 2025). The advisor's perspective strengthens this contribution: situated between entrepreneurs, buyers, financiers and the ecosystem, advisors identify cross-case patterns that complement entrepreneur self-reports.

In conclusion, rural MSE BT readiness reflects interacting sensing, seizing and transforming/reconfiguring challenges. Psychological barriers constrain recognition; documentation gaps, noncore assets, diversification, digitalization gaps and owner dependency hinder preparation; and successor scarcity, fragmented information, weak visibility and limited ecosystem support constrain continuity. Rural BT consequently depends on the capabilities of entrepreneurs, firms and regional ecosystems, making readiness a gradual, multilevel process rather than a one-off transaction.

Future research should examine how entrepreneurs, advisors, buyers, financiers, employees and communities jointly shape these capabilities over time; how rural contexts affect market-, employee- and community-based transfers; and how regional ecosystems develop shared practices, governance and support for continuity. International comparisons across rural, peripheral and sparsely populated regions could test the transferability of these findings beyond Finland.

5.1 Practical implications

This study highlights several practical implications for strengthening BT preparedness among rural MSEs. First, improving sale readiness requires early and systematic planning. Entrepreneurs would benefit from separating business activities into clearly distinguishable units, removing noncore assets from the balance sheet and investing in basic digital accounting systems. These actions enhance transparency, support accurate valuation and increase buyer confidence, particularly in rural settings where transaction ambiguity may be greater.

Second, addressing psychological barriers requires more targeted advisory work that explicitly acknowledges the emotional dimension of entrepreneurial exit. Business advisors, regional development organizations and peer-to-peer networks can help normalize discussions around BTs, support reflection on future identity, and encourage preparation well before retirement. Increasing openness may also broaden the pool of potential successors by making sale intentions more visible.

Finally, public business support services can strengthen BT preparedness through early guidance, coordination and information provision by offering neutral spaces for discussion and assisting entrepreneurs in the preparatory phase, these services may lower thresholds for initiating ownership transfer processes. Overall, enhancing BT readiness in rural areas requires firm-level actions, psychological support and supportive structural conditions. These elements can help secure business continuity, safeguard local employment and preserve essential services in rural communities. At the ecosystem level, readiness cannot be strengthened through firm-level advice alone; matching mechanisms, visibility-enhancing practices and access to specialized financial and legal expertise must be coordinated, especially in sparsely populated rural settings.

5.2 Limitations

This study has some limitations that should be considered when interpreting its findings. The empirical material is based on six semistructured interviews with business advisors, reflecting the perspectives of a specific professional group rather than those of entrepreneurs or successors directly involved in BT. In addition, the qualitative design and limited sample size restrict the generalizability of the results. Although the study provides in-depth insights into rural BT challenges, rural regions differ in their economic, demographic and institutional contexts. which may influence transfer processes.

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Further reading

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