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SOCIAL AND SUSTAINABLE ENTREPRENEURIAL FIRMS: AN EXPLORATION OF EXIT STRATEGIES (INTERACTIVE PAPER)

Dawn R. DeTienne
Colorado State University, USA

Yolanda S. Sarason
Colorado State University, USA, yolanda.sarason@business.colostate.edu

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INTERACTIVE PAPER

SOCIAL AND SUSTAINABLE ENTREPRENEURIAL FIRMS: AN EXPLORATION OF EXIT STRATEGIES

Dawn R. DeTienne, Colorado State University, USA
Yolanda S. Sarason, Colorado State University, USA

Principal Topic

Ben and Jerry sold their firm to Unilever for $326 million and The Body Shop sold to L'Oreal for $1.4 billion. Burt's Bees was sold to Clorox for $913 million and Tom's of Maine to Colgate/Palmolive for $100 million. Four high profile firms, founded by individuals with strong social and sustainable values, sold to large firms who do not appear to have a mission congruent with that of the founders. Social and sustainable entrepreneurship, focusing on triple bottom line performance, is emerging as an important topic in both popular and academic discussions. Yet, little research has examined whether, and how, these firms differ from traditional economically-focused firms. These differences, however, are paramount to our understanding of the entrepreneurial process. In this research we examine one area of the entrepreneurial process – entrepreneurial exit – and explore how the exit decision may differ for founders of social and sustainable entrepreneurial firms.

Stewardship theory proposes that some individuals may assign a higher value to pro-organizational and collectivistic behaviors than to individualistic and self-serving behaviors, suggesting that founders with strong social and sustainable missions may make different decisions regarding entrepreneurial exit. Yet, the evidence presented above seems to suggest that many exit with strategies similar to other economically-focused firms. Thus, our primary question is "How does entrepreneurial exit differ for founders of social and sustainable firms than more economically-focused firms?" Secondarily, "What factors impact the founder's decision making process?"

Method

To examine these questions we use a multiple case study approach examining both founders who have exited, (e.g. Tom Chappell of Tom's of Maine) and founders who've elected to retain control of their firms, (e.g. Yvon Chouinard of Patagonia).

Results and Implications

We extend theory and develop propositions which suggest that founders of social and sustainable ventures have different, and potentially overlapping, exit strategies including "selling out", "cashing in", and "staying true." We extend stewardship theory by suggesting that life cycle, congruence of stakeholder goals, and perceived need for growth moderate the relationship between the founder's social and sustainable goals and the potential exit.

CONTACT: Yolanda A. Sarason; yolanda.sarason@business.colostate.edu; (T): 970-491-5636; (F): 970-491-3522; Colorado State University; Fort Collins, CO, 80523.