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EXIT ROUTES: WHAT ARE YOUR OPTIONS? (SUMMARY)

Bernadette Power
UCC, Ireland

Geraldine Ryan
UCC, Ireland, g.ryan@ucc.ie

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SUMMARY

EXIT ROUTES: WHAT ARE YOUR OPTIONS?

Bernadette Power, UCC, Ireland
Geraldine Ryan, UCC, Ireland

Principal Topic

There comes a time when owner-managers of small firms choose, or are forced, to retire. This decision gives rise to a succession problem. This predicament can be resolved through family succession; by selling the firm to an insider or outsider; or the owner-manager can either sell or dispose of the businesses' assets. Closure of these viable businesses represent business transfer failures which have consequences for the contribution of these small firms to employment and output in the regions in which they are located.

Little is known on what determines the owner-manager's choice of end-game. Previous research has primarily examined intergenerational succession in family businesses (Bennedsen *et al.*, 2006; Burkart *et al.* 2003). Attributes of alternative succession routes of small firms have only received scant attention in the past (Zajec *et al.*, 2006; Howarth *et al.* 2004). In this paper, we explore firm (e.g. the firms attractiveness) and market (e.g. pool of buyers) specific characteristics on the entrepreneur's expectations for its end-game strategy.

Method

Evidence was collected on the entrepreneur's expected exit strategy in telephone interviews with entrepreneurs in Ireland, conducted between October 2008 and February 2009. This sample of firms provides a good representation of the relevant populations of small firms in Ireland. Almost all sectors by SIC are represented in the sample from agriculture to domestic services. The regional representation of the sample is also extensive. Additional variables were obtained from secondary sources on the number and characteristics of the potential pool of buyers in the regions in which these entrepreneurs operated their business. Variables on the attractiveness of the region were also included.

Results and Implications

This paper presents novel evidence on the impact of key variables on entrepreneurial expectations for its exit strategy. We find evidence that the age of the firm, the size of the firm, the pool of potential buyers, the location of the firm, the motives of the entrepreneur, whether the entrepreneur has an exit plan, the level of family involvement and the type of the business influence the entrepreneurs expectations for its' end-game. The evidence suggests that specific support mechanisms for business transfers should be targeted to address regional disadvantages to ensure the longevity of established small businesses.

CONTACT: Geraldine Ryan; g.ryan@ucc.ie; (T): +353-21-4902051; (F): +353-21-4273920; Department of Economics, University College Cork, Ireland.