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ENTREPRENEURIAL EXIT, ABILITY AND ENGAGEMENT ACROSS COUNTRIES IN DIFFERENT STAGES OF DEVELOPMENT (SUMMARY)

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Principal Topic

It has been acknowledged that individuals who exit from entrepreneurial activities often enter the start-up process again (serial entrepreneurship). During entrepreneurial engagement individuals gain entrepreneurship-specific knowledge, skills and experience which they may re-deploy in other initiatives after the exit. The present paper postulates that individuals who have experienced an entrepreneurial exit are likely to develop entrepreneurial ability, which may be a stimulating force to re-engage in entrepreneurship. We argue that the quality of an exit experience matters for the extent to which an entrepreneurial exit experience fosters entrepreneurial ability and subsequent (re-)engagement. The quality of the exit experience is captured by the specific exit reason (distinguishing between 8 exit types) and by a country’s stage of development.

Method

We use individual-level data for 67 countries that participated in an adult population survey that was carried out as part of the Global Entrepreneurship Monitor (GEM) in the years 2007, 2008 or 2009. Entrepreneurial exit is a dummy variable equaling one in the case that a respondent indicates having shut down, discontinued, quit or sold a business he/she owned and managed in the past 12 months, and zero otherwise. We distinguish between the following 8 exit types: 1) Sell-off; 2) Unprofitable business; 3) Problems getting finance; 4) Another job/business opportunity; 5) Planned exit; 6) Retirement; 7) Personal reasons; 8) Other. Entrepreneurial ability is a dummy variable reflecting whether an individual believes he/she has the knowledge, skill and experience required to start a business and thinks there will be good opportunities for starting a business in the area he/she lives in the next six months. Binary logit and multinomial logit regressions are performed to assess the influence of exit type on ability and on entrepreneurial engagement.

Results and Implications

We find support for our expectation that entrepreneurial exit directly fosters subsequent entrepreneurial engagement as well as indirectly through enhanced entrepreneurial ability. With respect to the relationship between recent entrepreneurial exit and subsequent entrepreneurial engagement, results show that exit through sell-off has the largest impact. But large effects are also found for “negative” business experiences, such as “problems getting finance” and “unprofitable business”. Finally, serial processes seem to be hardly present in countries that are in the earliest stage of economic development.

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