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## TIME TO EXIT? AN EXAMINATION OF THE INTERNAL AND EXTERNAL FACTORS DRIVING FOUNDER EXIT (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

## TIME TO EXIT? AN EXAMINATION OF THE INTERNAL AND EXTERNAL FACTORS DRIVING FOUNDER EXIT

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### Principal Topic

Although entrepreneurial exit is a central topic of entrepreneurship research, we still have limited insights into what drives founders to exit their firms. In this paper, we begin to answer questions about the antecedents of founder exit. We adopt two theoretical lenses to examine this. First, we draw upon ‘dynamic states’ theory to examine the internal (i.e. within firm; organizational) and external (i.e. outside the firm; competitive) challenges that young firms face. This approach helps move the field beyond ‘external capital’ views of succession (Wasserman, 2003). Second, we draw upon human capital theory to examine the experience and skills of the founders. Human capital has been shown to be an important predictor of exit strategy (DeTienne & Cardon, 2011). It may therefore also inform founder exit on based on firm performance thresholds and alternate founder career opportunities (Gimeno et al., 1997).

### Methods

We adopt a qualitative approach and conduct long interviews with founders who are in the beginning stages of exiting their firm. We have access to these entrepreneurs via an international association of young presidents and a professional workshop specifically focused on founder exit. The sample includes firms of differing ages, sizes, and industries, thus allowing us to begin to develop categories of factors prompting founder exit.

### Results and Implications

Our research offers a number of important implications. First, we find myriad specific factors that prompt founder exit. These factors do not fall entirely within set boundaries of lifecycle theory predictors of size and age (Boeker & Karichalil, 2002). A more fluid and flexible ‘dynamic states’ approach better captures the challenges that these individuals face. Further, by also considering the human capital of the entrepreneur, we are able to provide a more robust examination of the causes of founder exit that include the founders’ preferences and alternate options. This provides novel evidence that other studies of founder exit have not been able to gain access to (Boeker & Karichalil, 2002; Wasserman, 2003). Each of these has an impact on future research on entrepreneurial exit and new firm development.

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