DISENGAGEMENT OF ENTREPRENEURS FROM THEIR VENTURES ALONG EQUITY AND MANAGEMENT DIMENSIONS (SUMMARY)

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Entrepreneurial exit is a critical component and a distinctive domain of the entrepreneurial process (DeTienne & Chirico, 2013). Why, how, and when founder-managers leave their ventures have lasting implications for their subsequent undertakings, as well as the survival and performance of the venture they have left (Ucbasaran, Westhead, Wright, & Flores, 2010). Despite its important implications, researchers have only recently begun to systematically expound different exit pathways (Wennberg, Wiklund, DeTienne, Cardon, 2010; DeTienne, McKelvie, Chandler, 2015).

Although entrepreneurs have both founder (equity) and executive (management) stakes in their ventures, the different pathways in which they can disengage from their ventures have received very little attention (Robbie & Wright, 1995). Some founder-managers disengage from their firms as managers while retaining an equity stake (e.g. in growing startups), whereas others might be forced to dilute their equity stake disproportionate to their managerial involvement (e.g. for cash-strapped ventures that still have the potential for a future turnaround – Hellmann, 1998; Schwienbacher, 2007). Thus, we need to consider how an entrepreneur disengages from her venture along equity and/or management dimensions, as well as the different pathways that shape the disengagement process and the ultimate exit.

Theoretical Model

This paper advances a theoretical model of entrepreneurs’ exit from their ventures by juxtaposing the entrepreneur’s intentions (growth-oriented vs. independence-oriented) and the nature of the relationship between the entrepreneur and private equity investors (cooperative vs. conflicting). More specifically, I argue that perceptions of success of an entrepreneur’s exit is conditioned by the extent to which the entrepreneur desires exit and is able to control the disengagement process, along equity and management dimensions of the entrepreneur’s engagement with her venture, that leads to her ultimate exit.

Contributions

This paper contributes to the development of a nuanced view of exit. With few notable exceptions, different exit pathways have received scant attention in literature (DeTienne et al., 2015). To that end this paper makes two key contributions to exit literature: the proposed theoretical model of exit 1) incorporates private equity investors’ attitudes as they pertain to the entrepreneurs’ exit, as well as entrepreneurs’ motivation; and 2) conceptualizes the entrepreneur’s exit as an outcome of a disengagement process along equity and management dimensions.

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