PITCH PERFECT: THE IMPORTANCE OF COGNITIVE AND AFFECTIVE PRIMES IN ENTREPRENEURIAL RESOURCE ACQUISITION (INTERACTIVE PAPER)

Matthew Josefy
*Indiana University*

Markus Fitza
*Frankfurt School of Finance & Management, m.fitza@fs.de*

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Principle Topic

The small yet growing body of literature on exit strategies has focused on whether an entrepreneur has an exit strategy in place, the type of exit strategy in place, and focused specifically on exit strategies in family firms. While the individual and firm level characteristics which influence the intended exit route has been investigated, contextual factors have been largely overlooked.

Embeddedness has been shown to be important for founding decisions. For example, most founders start businesses in the location where they were born or were previously employed. The markets served also tend to be local markets as the entrepreneur has better knowledge of the business opportunities in their local environment. Given the importance of embeddedness for founding decisions, it are also likely to play a role when entrepreneurs consider their exit strategies, however, how these contextual factors influence exit strategies remains underexplored.

We build on the typology developed by DeTienne et al., (2015) to incorporate how embeddedness influences the choice of exit strategy. We focus specifically on a regional context where embeddedness is likely to influence the available pool of buyers but where successful ownership transition is important for the vitality of the regional economy.

Method

We test our hypotheses on a sample of 120 firms located in a municipality on the outskirts of a large Australian city. The owner-managers were interviewed by telephone. Established measures were used.

Results and Implications

We find that entrepreneurs who have close personal ties to the region are more likely to exit using the stewardship strategy of selling to another individual while firms which are embedded in the region are more likely to exit using the stewardship exit strategy of family succession. Our findings extend the literature on exit strategies by identifying additional individual and firm level characteristics which influence intended exit strategy, extend the literature on exit strategies to a regional context and provide insights for regional policy makers to help facilitate ownership transitions of firms so they remain in the region and continue to contribute to its economic development.

CONTACT: Anna Jenkins; a.jenkins@business.uq.edu.au; (T): +61-7-334-68159; Strategy Cluster, University of Queensland Business School, St. Lucia, Queensland, Australia, 4072.