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FOCUS ON ENTREPRENEURIAL EXITS – WHO SHOULD WE BE CONCERNED ABOUT? (SUMMARY)

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SUMMARY

FOCUS ON ENTREPRENEURIAL EXITS – WHO SHOULD WE BE CONCERNED ABOUT?

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Principal Topic

Business closures seem to elicit strong feelings particularly because closures are often interpreted as failures, especially in the general discussion. In entrepreneurship closures are often referred to as the dark side of business dynamics. Official statistics in most countries offer a perplexing dilemma as both numbers on new venture creation and closures are rather close to one another. Following Cardon and Porter (2003) we see that the causes of actual business failure are both external and internal to the entrepreneur as issues such as industry, relationship between environment and business and qualities of the entrepreneur (eg. Abdesselam, Bonnet & Le Pape 2004) play into the complex process. The aim of the current study is to look more closely at the nature of firm closures, especially at those closures where the owner-entrepreneurs openly state having no desire to get into business again. What features make them differ from habitual, especially serial or potential serial entrepreneurs?

Method

The used data consist of all firm closures – business failure or voluntary closure – in the county of Middle Finland in 2003 (N=971). Thereby a typical firm closure is under interest – a small, local-market oriented firm in service sector. The numbers of official statistics were found misleading. Information was gathered using phone interviews (n=318).

Results and Implications

The results show that 15 per cent of those interviewed were entrepreneurs again and 15 per cent stand very positively with starting a new business. On the other side, 28 per cent of informants feel strongly that entrepreneurship is never again possible for them. Based on clustering analyses, critical respondents (n=88) can be divided further into three subgroups: aged persons (60%), persons with genuine entrepreneurial attributes (28%) and finally the young and lonely ones (12%). The results point towards the need to rethink the current approach to business closures especially towards two things: avoidance of automatically conceptualizing business closure as a failure and to some extent taming the idea that closures must be avoided at any cost. It is notable that our rigid perception of closures may discourage important phenomena such as serial and portfolio entrepreneurship form emerging. Further studies on the role of lifecycle and developmental needs in the closure process are suggested.

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