STARTING WITH EXIT IN MIND (SUMMARY)

Ferdinand Jaspers
RSM Erasmus University, fjaspers@rsm.nl

Paul van Keulen
Improvid
Principal Topic

Entrepreneurial exit, i.e. “the process by which the founders of privately held firms leave the firm they helped to create” (DeTienne, 2010, p.203), has recently witnessed increased academic interest (e.g., Wennberg et al., 2009; DeTienne, 2010; DeTienne and Cardon, 2010). In a recent contribution, DeTienne (2010) stresses the importance of entrepreneurial exit, not only for entrepreneurs (i.e., all entrepreneurs will inevitably exit at some point in time) and their firms, but also for industries and the economy at large. Exit, for instance, may spur ‘entrepreneurial recycling’ by making entrepreneurs (and their harvested capital) available for new ventures. Furthermore, DeTienne discusses how entrepreneurial exit varies over the life cycle of the firm, i.e. from gestation to maturity. In her conceptual paper, she for instance provides some initial thoughts about possible determinants for having an exit strategy. This paper aims to contribute both conceptually and empirically to our understanding of entrepreneurial exit, as it considers exit strategies during start-up.

Method

Mid 2010 we surveyed Dutch business founders who started their firms less than two years ago. From a sample of 1826 companies we received a completed web questionnaire from 194 entrepreneurs. Representing our independent variable, we asked the respondents whether or not they considered an exit strategy in the first twelve months after start-up. In developing our questionnaire, we used existing measures as much as possible. To test our hypotheses we used binary logistic regression.

Results and Implications

First of all, we shed a light on the prevalence and the characteristics of the phenomenon itself. We find that twenty percent of our respondents considered an exit strategy during the start-up phase of their firms. This percentage is lower than suggestions in prior studies. Interestingly, we find that more than half of those who did consider an exit strategy at start-up regularly prepares for it, and that about one third of them has a written exit strategy. Secondly, we find a regression model ($\chi^2=29.0; p<0.000; \text{Nagelkerke } R^2=0.23$) that provides support for ambition to grow, innovativeness of the firm’s product or service, and equity ownership as significant ($p<0.05$) determinants of starting with exit strategy in mind. Interestingly, we find no support for education, age, and entrepreneurial experience.

CONTACT: Ferdinand Jaspers; fjaspers@rsm.nl; (T): +31(0)10 408 2875; Burgemeester Oudlaan 50, Room T11-45, 3062 PA Rotterdam, the Netherlands.