FIRM GROWTH AND WILLINGNESS TO EXIT (SUMMARY)

Dani Pärnänen
Aalto University School of Science

Mikko Rönkkö
Aalto University School of Science, mikko.ronkko@aalto.fi

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Principal Topic

Although entrepreneurial exit is an important part of the entrepreneurial process, it is currently overlooked in entrepreneurship research. In this study, we analyze the willingness of owners of small high-technology ventures to exit the business focusing on planned, harvesting exits. The willingness of an entrepreneur to exit an already established firm is likely to increase when the firm gets older and larger because the expected payoff for exiting increases as a firm grows. However, eventually the willingness to exit will likely start to decrease because exit oriented entrepreneurs have already done the exit and also because the stable income offered by a mature business might decrease the expected utility of an exit. Willingness to exit should be also linked to both growth aspirations and willingness to grow because both high growth and harvesting exit are often driven by owners seeking financial gains. Moreover, both a successful harvesting exit and running a growing business will increase the entrepreneur’s status in the society.

Method

The data for our study comes from a survey of 283 small and medium sized Finnish software companies. We operationalized the willingness to exit construct with a new four-item scale developed specifically for this study. Size was operationalized with firm self-report of personnel and firm age was retrieved from the Orbis database. Willingness to grow was operationalized using an 8 item scale developed by Ylitalo and Rönkkö (2011) and growth aspirations by two questions developed by Delmar and Wiklund (2008). Regression analysis was used to test the hypotheses.

Results and Implications

Two of our four hypotheses were supported: Firm size was curvilinearly related to willingness to exit, but no effect was found for age. Similarly, we found that willingness to grow was positively related to willingness to exit but no such relationship existed for growth aspirations. The results show that intentions to exit tend to change as a firm grows and thus existing research that focuses on firm exits only in the founding stage or after the exit has already been completed is likely to provide only a partial picture of entrepreneurial exits.

CONTACT: Mikko Rönkkö: mikko.ronkko@aalto.fi; (T): +358 50 387 8155; (F): +358 9 451 3665; Aalto University School of Science, PO Box 15500, FI-00076 Aalto, Finland.