

## IDENTIFY INDIVIDUAL FACTORS INFLUENCED THE CHOICE OF EXIT STRATEGY

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### **Abstract**

Entrepreneurship as an important phenomenon has a significant role in countries economic development. Given the importance of entrepreneurship many research in the field of creating businesses, motivations, and entrepreneurship characteristics has been done, but considering that the entrepreneurial exit in science is a new phenomenon, many researches in the field of entrepreneurial exit have not carried out, especially in our country, in Iran entrepreneurial exit has imagined as failure. Entrepreneurship exit is an area of importance, yet new, but little literature exists on this area, as well as on entrepreneurial exit routes and what factors affect the choice of exit routes. The aim of this study is to identify factors that influence the choice of exit strategy. The study is practical in terms of goal and is qualitative in terms of research and the statistical population is corporate managers that have experienced exit. The sample consisted of 15 managers and the selection was objective based, the collection tool is in-depth semi-structured interview and its validity has been confirmed by experts and the necessary reforms have been carried out. Analysis is performed in three steps which include: Initial coding, open coding, axial coding. The findings are classified into one groups: human capital, **Keywords:** the entrepreneurial exit, entrepreneurial exit strategy

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## Introduction

Entrepreneurship is the engine of innovation-based economy, every year a large number of people are involved in the entrepreneurial process. As the number of businesses they create are certainly a number of businesses out there. Exit the business has to be considered the beginning of the process. Such a prediction is required to develop contingency plans for events that may never even happen. Exit of a business planning as well as planning to start an important task. Timely withdrawal of a position does not mean spending time and avoid disappointment in the future. Exit entrepreneurial venture is an important step in the development. Timely withdrawal of a position does not mean spending time and avoid disappointment in the future. exit entrepreneurial venture is an important step in the development, GEM enjoyed in the rate of 15.3% and ranked 29th exit business, according to statistics stated and noted that Iranian companies to sort out of the business are involved. But even though this issue is important, but preceding studies have not been done in this area, generally Peugeot hashes in the field of entrepreneurship, more attention to the causes and influential factors for building a business focused and less exit literature focused businesses. Many entrepreneurs to create business enterprises are, after a while for various reasons, including personal reasons or environment of their business abroad. In America, on average, 40 percent of business owners think about their business at the initial stage exit. About 40 to 50 percent of businesses in America to create business knowledge to formulate an exit strategy (transmission to family members of the independent sales. Acquisition of shares sold to employees .liquidation) of a kind used in the design of their business exit strategy [Detienne2010]. For entrepreneurs exit a liquidity event gives entrepreneurs the opportunity to review other cases to identify new opportunities and the chance to win your business launch. Exit entrepreneurial have huge impact on the economy, the industry, [Petty, 1997] without any doubt exit entrepreneurial an important event for entrepreneurs. Thus, transmission and distribution of wealth through entrepreneurial exit meaningful impact on the economy of the area [Detienne2010].

The aim of this study is to identify factors affecting the choice of the type of entrepreneurial exit strategy based on a literature review of previous research identifying factors is dumped, as well as interviews with experts confirmed these factors and operating factors that may affect the

choice of entrepreneurial exit strategy identify wishes. Because, much research has been done in this field in Iran. emphasis vacuum requires preceding studies done in this area

## 2research background

The exit of entrepreneurial new issues and important topics in entrepreneurship, most researchers who work output limitations on leaving the separation from the failure knows, but as a new beginning as the companies are success [Wennberg et al, 2010]'. People who experience exit is likely to be out of your business and business is dumped into their new commissioning [Hessel et al 2010]. exit entrepreneurial can be considered from two perspectives: individual, corporate, individual perspective of the manager or owner of a business that has created the Institute finds exit the initial ownership structure decision [DeTienne 2010: 204], When the company as a unit of analysis

The main focus is on organizations rather than individuals and organizations examine rate instead of the owner or shareholder [Wennberg et al. 2010] .This view emphasizes that corporate existence of are independent of the shareholder or owner, as the company as a unit of analysis is the exit can occur on several levels, leaving shareholder, exit of business, new investment , exit of the product market. [Wennberg et al. 2010]. The main research [DeTienne] The most significant research has been to distinguish between exitand the failure and their emphasis on the exit mainly means not fail. In fact, regardless of the exit entrepreneurial and training to entrepreneurs, entrepreneurship, understanding the process is incomplete [Detienne, 2007]. [Stam and colleagues]Exit entrepreneurialas a decision to leave a career, reminder that entrepreneurship can be quite individual decide to exit or at least make a major change in work activity or the nature of the work [Markowska, 2011]. Here, perhaps, change can be considered an innovation, as Schumpeter defined innovation can be occurs in the production process, however, is a kind of exit. This difference is based on different definitions of exit of many cases including individual will, and to make independent decisions and the degree of rationality as well as the level of analysis.

A summary of the research are shown in the table below as you see, there has been a lot of research in this field as well as research has been done in this field in Iran.

| research method  | results  | Researcher      |
|--|--|-----------------|
| <b>Interviews with entrepreneurs, research methodology was qualitative research.</b>               | Entrepreneurial experience directly related to their re-entry after exit.  | Wennberg(2008)  |
| <b>Interviews with business owners were for more than three years in the industry mixed method</b> | Personal and psychological factors are the most important factors affecting entrepreneurial exit.  | Hessels (2008)  |
| <b>Check in technology companies in Germany by little</b>  | The impact of factors such as goals, motivations and educational background, age over the selection of a particular type of exit strategies. | Appel (2011)    |
| <b>Survey of 624 companies in America with little</b>  | The impact of the experience on intended to exit   | DeTienne (2012) |

Table: 1-1  
**Exit strategies**

Entrepreneurs is considered with strength as possible as the main source of wealth creation, technological development, economic growth and social progress. In the past, people thought that champion those successful entrepreneurs do major changes, innovations and risks. But in recent decades, strategies, structure and creative guidance that pursue, organizations. Interestingly, a significant portion of the field of entrepreneurship deals shown with issues of strategic management. Decision exit one of the most important decisions is in the life of an entrepreneur .Different people have established their own company because of various reasons and this can affect their exit strategy .Exit strategy somewhat revealing their opinions about a

project in organization. Exit strategy affect in the company's future decisions and Behavior Company. [DeTienne, 2010.] The requirements of business, selection strategy, strategy in the initial stage to compete for market entry and their choiceExit strategies. So the basic aspects of exit strategy will not only increase our understanding of the exit but also provides basic information for developmentbusiness[. Cater and Just is, 2009] .There is little information in the field of entrepreneurial exit strategies and types of exit strategy, although somewhat was carried out research on the strategy. Overall, almost half of the entrepreneurs have an exit strategy in mind, the systematic planning are doing for their exit and total shareholders note with growth and profit incentive to further develop their exit strategy .Tobias Dehlen, et al 2012] Exit routes have been expressed .....

**We consider these exit strategies**

| exit strategies  | the writer              |
|--|-------------------------|
| Transfer to family members   | Ambrose(1983)           |
| 1-Voluntary liquidation 2bankruptcy 3-acquisition  | ÅsterboandWinter(2012)  |
| 1-closure success 2- closure un success  | Bates(2005)             |
| 1- Sales to third parties 2- Selling to other businesses 3- Sale to employees 4- liquidation 5- ipo      | BirleyandWesthead(1993) |
| Transfer to family members   | BrownandCoverly(1999)   |
| Transfer to family members   | BruceandPicard(2006)    |
| 1- DeTienneandCardon(2012) 2- Independent sales 3- sell to employees 4- IPO 5 acquisition 6- liquidation | DeTienneandCardon(2012) |

Table: 1-2

### Research Methodology

This research pay whit expression and their view presents results of scientific and practical. So in terms of purposePracticaland qualitative data collection methods. In the firstwas conductedsemi-structured interviews with 15 people with purposive snowball sampling on the principle of sufficient data.ScholarsTechnology (IT) and the University familiar with the concept of it and experience exit have during the process their business. We interviewed 15 entrepreneurs with businesses and academic experts, the interview continues until the sampling and analysis of the theoretical saturation was reached after interviews with 10 people, but we went interviews with 15 people. For gathering data were used semi-structured exploratory interviews with experts. More on this basis that the interview questions were what made you choose this exit strategy if the other conditions are re-thinking whether this strategy would you choose what other factors do you think has had an impact on your strategy .For the analysis of qualitative data referring to the text of the interview after interview, in three steps, the initial coding, open coding, axial coding were used similar groups to classify the data in the table. After the identification and extraction of coding and category for them, the final list of factors affecting the choice of entrepreneurial exit strategy is identified and extracted.

### Reliability and Validity

Reliability in qualitative research refers to research done by other researchers as possible and achieve the same results from the same data, in this order based on the recommendations provided by qualitative researchers, first of all, this study documented the initial stage to final. It also uses a number of people in the Check coded and the data reliability study raised by participants, internal validity refers to the extent to research and interpret the results correctly based on the fact to the internal validity of estimates. mind this study of 15 patients was used. Internal validity refers to the extent to which research results are based on facts rather than guesses mind. Researcher for internal validity of several researchers and Check with them back to the participants and the number of study rather than a case, each are as tests. The use of multiple strategies to increase external validity of the study to achieve theoretical saturation was used in this study of 15 patients

| Gender                           | تحصيلات                                       | Number |                  |
|----------------------------------|---|--------|------------------|
| <b>3 males</b><br><b>1 woman</b> | Department of Management and Entrepreneurship | 4      | Academic experts |
| <b>9-males</b><br><b>2 woman</b> | 4-Ph.D.<br>5-master<br>2 experts              | 11     | Industry Experts |

Table 1-3: information Interviewees

**-findings**

The researcher after studying the detailed text of the interview, classifies data in one categories. First evidence for written interviews that were implemented are identified separately for 15 interviews .The next step categories and the like are removed, the related components have been identified, and next, in order to identify components, the necessary combination between the components is done by means. After open coding and axial gained from the interviews three main factors in 7 sub according to the experts and prior literature,as follows were classified these factors.Individual factors

| Frequency | Comments   | Axial codes | Open coding |
|-----------|--|-------------|-------------|
| 15        | Quotation: because I'm young and optimistic risk and everything around I see more risk strategy that is chosen to create greater profits for the company.  | Age         |             |
| 15        | Quotation: Scientific knowledge and academic skills in a business context information can be enhanced and easily you can easily analyze your surroundings closely and try to choose the best strategy. | Education   |             |
| 15        | Quotation: Experience in business strategy affected  | Experience  |             |

**Discussion and conclusion**

Studies show that many factors affect the choice of exit strategy. This makes choosing what kind of exit strategy are not checked. This is a process of emerging scientific research, especially in

research in this area is negligible and is the first study to explore these factors will pay for quality.

### **The first findings of human capital**

Human capital is effective by his knowledge and skills in their chosen strategy. Human capital is the only capital that has increased but by greater use not decreased. People have different reactions in equal conditions of the day. So it can be said that human capital is different for each person and then acts choose the kind of exit strategy different from others. In their study measured the impact of human capital on exit and human capital (experience, age, education)

Experience Entrepreneurs who have previous experience .Manage your business with greater confidence and greater goals for their business. So entrepreneurs are able to experience more value to their company achieve through exit strategy a public stock offering and acquired. As well as interviews conducted to confirm this with executives' entrepreneur. They say having previous experience to easily create new business. More exit strategy to explore and identify new opportunities in the market and they certainly have experience in the field of business strategy It is not the liquidation. Experience Inverse relationship whit transferable to family member's strategy.

Age: One of the factors that affect the choice of exit strategy, and we got it properly in an interview with Iranian leaders .One such entrepreneur executives said the company I was in competitive conditions. Enter the business as a competitor, and I like my ex could not compete with the company and in these circumstances I had two options exit. We have been dissolved, before the company was experiencing losses have been dissolved. Or were merged with that company. After consultation with the partners came to the conclusion that we choose merger. All young participants and follow the progress and risks, it was difficult for us to do this quickly dissolved their business. As a result, we decided to choose our merger strategy. Previous showed research that people with age related conditions have a threshold of risk tolerance.[Hallahan et al. 2003; Morin and]. The lower energy level [Sapienza and Grimm 1997] and lower productivity [Harada 2004], and lower the company's growth plans [Lau and Busenitz 2001]. According to



[Hallahan et al. 2003, pp. 494– 495]. The higher the age, the lower their risk tolerance because of the -The age is lower entrepreneur [Sapienza and Grimmial energy.]. May be less likely to have exit strategies that rely heavily on corporate performance and growth of their company. Entrepreneur age, especially after age 60. So we expect that younger entrepreneurs are looking for higher yield growth and exit strategies that pursue higher yields. Most likely Young Entrepreneur of the initial stock offering and acquisition exit strategies to follow and older entrepreneurs pursue exit strategies that have less risk. Young entrepreneurs with growth and higher performance and higher aspirations have for their business. [Lau and Busenitz 2001](Levesque and Minniti2006) So we expect more young entrepreneurs less likely than older ones to use exit strategy dissolution. In addition, the study of family business most likely with age entrepreneurs choose strategies transferable to family members and transfer younger members of the family[e.g., Santarelli and Lotti 2005]. And showed a positive relationship between women entrepreneurs and strategy transferable to family members. [e.g., Santarelli and Lotti 2005]Entrepreneur positive relationship between age and transferable to family members. Young entrepreneurs are less likely to be transferred to family members apply the strategy. Because they do not have children at this age can now take responsibility. In fact, older entrepreneur'srelatively young entrepreneurs are more likely than non-economic objectives for their business. As a legacy for the next generation is therefore likely to be transferred to family members relatively linked to strategies for young entrepreneurs. The conflicting views and alternative exit in the literature related to the potential role of age in entrepreneurship [Dimovand Shepherd 2005] and refers to the effects of age on exit strategy.

Education. Factors that may affect the choice of exit strategy education level.

Level of education is an important part of human capital. Entrepreneurial managers begin acknowledged in interviews about this. Stated that education can be associated with a larger population and have a broader social network and identify market opportunities and gather more information about the market. To a higher level of education can affect their strategy. According toGEM Individuals with higher levels of education are more likely to engage in entrepreneurial activities. Other results [e.g., Kim et al. 2006; Robinson and Sexton, 1994] not only by increasing the educational level of entrepreneurial activity leads to even further success in the entrepreneurial activities.Have expressed a greater level of education is conducive to

entrepreneurial activity. Some researchers have concluded that the level of education is stronger than previous experience in entrepreneurial success. ] Robinson and Sexton (1994[.Significant positive relationship is between the level of formal education and economic performance of the company.]Gimeno et al. 1997, Fairlie and Robb 2007, and Robinson and Sexton, 1994] Argued that whatever level of education is lower success is also down. In particular, the level of education can be an important factor in the ability of entrepreneurs in obtaining finance a positive impact on the company's growth [Cooper et al. 1994]. Sapienza and Grimm, 1997]Have suggested that higher education is more chance of achieving the goals. So entrepreneurs have with larger goals whit their higher education. We therefore look forward to the opportunity cost of options available whatever level of education is even more of an entrepreneur is more functional threshold. Persons with higher education are more likely to have access opportunities because they have higher social networks[Arenius andDeClerq 2005] with more education have more access to the information necessary to explore the possibilities and potential exit path. And they may have the ability to communicate this knowledge and for opportunities potential entrepreneurs [Arenius and DeClerq (2005) ].So entrepreneurs identify more opportunities whit higher education.[Diochon et al 2008]. Stating that budding entrepreneurs with higher levels of education were more likely to leave their company. So educated peoplebegin their workmore confidence [Arenius and DeClerq 2005,] and to achieve their performance objectives. So entrepreneurs with higher education are more likely to pursue exit strategies and the acquisition of the public stock offering. Entrepreneurs with higher levels of education are less likely to follow the strategy transferable to family members. This may be because Entrepreneurship education level is higher when his business is more complex and special knowledge needs and it is possible that family members do not have that knowledge [Klyver, 2007]. They may not be willing to wait for family members to acquire skills and education in the field.

### Suggestions

- Since the study has a limited number of factors. Where there is more research and broader identification of factors that influence the choice of entrepreneurial exit strategy. Also, the relationship between these factors be considered exit strategies. In this study only looked at where we check to identify factors thatbe considered affect these factors also should.

- Since the exit entrepreneurial direct impact on the economy and job creation society, Requires that the government provide the infrastructure for the training of entrepreneurs and employees and until his business entrepreneurs fail to have on time exit. Also government could provide appropriate tax system for the exit entrepreneurial.
- Government support for businesses to exit their existing businesses and creating the conditions for business again.
- Government support for business owners to get out of the current situation and enter into the international market and provide a perfect platform to enter the international market.

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