

Pathway to exit:

An empirical study exploring how and why young
Austrian firms exit from business

Final Project Report

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Zusammenfassung (Deutsch)

Jährlich stellen eine beträchtliche Anzahl an Unternehmen sowie Unternehmerpersonen ihre unternehmerische Aktivität ein. In den Ländern der Europäischen Union schließen mehr als 50% der jungen Unternehmen ihre Aktivität innerhalb der ersten fünf Jahre nach der Gründung. Einige Unternehmen werden aufgrund des geringen Erfolgs geschlossen während andere geschlossen werden, obwohl sie erfolgreich sind. Die Unternehmerpersonen verlassen entweder ihr gegründetes Unternehmen und beenden ihre unternehmerische Aktivität oder widmen sich neuen unternehmerischen Aktivitäten. Der Ausstieg der Unternehmerpersonen oder der Exit des von ihnen gegründeten Unternehmens haben nicht nur auf die Unternehmenspersonen selbst eine erhebliche Wirkung sondern auch auf die Branche und die Gesamtwirtschaft. Während zu erfolgreichem Unternehmertum bereits umfangreiche Forschungsergebnisse vorliegen, herrscht zum Thema unternehmerischer Ausstieg auf Personen- als auch Unternehmensebene noch eine große Forschungslücke.

Das Ziel des Forschungsprojekts "Pathway to Exit: An empirical study exploring how and why young Austrian firms exit from business" ist es, das Phänomen des unternehmerischen Ausstiegs zu untersuchen. Im Speziellen sollen die Charakteristika der Unternehmerpersonen, die einen unternehmerischen Ausstieg in der frühen Unternehmensphase vollzogen haben, sowie die Gründe und Wege dieses Ausstiegs, analysiert werden. Weiter sollen die Aktivitäten der Unternehmerpersonen nach der unternehmerischen Laufbahn identifiziert werden. Um diese Forschungsfragen zu beantworten, wurde ein Forschungsdesign mit einem Methodenmix gewählt. Wir verwendeten sowohl quantitative Erhebungsdaten als auch qualitative Tiefeninterviews mit österreichischen Unternehmerpersonen um das Phänomen des „Entrepreneurial Exit“ zu ergründen.

Die Ergebnisse zeigen, dass die österreichischen Unternehmerpersonen sowohl aus personen- wie auch unternehmensbezogenen Gründen ihre unternehmerische Karriere beenden. Die meist genannten unternehmensbezogenen Motive waren Probleme mit der geringen Nachfrage oder die zu starke Konkurrenz. In Bezug auf die personenbezogenen Gründe wurden „bessere“ alternative Berufs- und/oder Geschäftsmöglichkeiten als Hauptgründe für den Ausstieg aus dem selbst gegründeten Unternehmen genannt. Als Ausstiegsstrategie wurde vielfach die Schließung des Unternehmens gewählt, jedoch existiert auch ein beträchtlicher Anteil an Unternehmerpersonen, die ihr Unternehmen ruhend meldeten. Demnach beabsichtigen einige Unternehmerpersonen in einer von ihnen nicht näher definierten Zeit ihre unternehmerische Aktivität wieder aufzunehmen. Interessanterweise möchten sich die meisten österreichischen Unternehmerpersonen nach dem

Ausstieg erneut unternehmerischen Aktivitäten widmen. Einige TeilnehmerInnen an der Studie sind bereits wieder in unternehmerische Aktivitäten involviert, während andere unselbständig erwerbstätig sind. In der letzteren Gruppe verspüren jedoch einige den Wunsch, in Zukunft erneut unternehmerisch tätig zu werden. Die Ergebnisse zeigen die Notwendigkeit, unabhängig vom Erfolg des geschlossenen Unternehmens, den Unternehmerpersonen eine zweite Chance zu geben.

Abstract

Every year a substantial number of firms and entrepreneurs exit from entrepreneurial activity. In European Union countries, more than 50% of young firms close their activities within five-years of establishment. Some firms are closed in poor performance, whilst others are closed even though they are in good performance. The entrepreneurs of those firms either exit from their founded firms leaving entrepreneurial activity or engage in other entrepreneurial activities again. The exit of entrepreneurs as well as firms have a significant impact not only on individuals but also on the industry and economy. While there is a lot of research concerning successful business, a research gap exists on firm exit and entrepreneurial exit. With the project “Pathway to exit: An empirical study exploring how and why young Austrian firms exit from business” we address this research gap.

This project aimed to explore the phenomena of exit of young firms in Austria. Specifically, the goal was to analyze the characteristics of entrepreneurs who exit in the early stage from the firms they have founded, to explore the reasons and ways to exit, and to identify the activities of the entrepreneurs after their exit. To answer our research questions we applied a mixed method research design. We used quantitative survey data as well as in-depth interviews with Austrian entrepreneurs to explore the phenomena of entrepreneurial exit.

The findings show that concerning reasons to exit, entrepreneurs exit due to firm-related reasons and personal-related reasons. The most cited reasons concerning the firm are having problem with low demand and tight competition. Regarding personal reasons, a better alternative of employment and/or business is a major motive to leave the previous entrepreneurial activity. On the ways to exit, most entrepreneurs indicate permanent closure of their firm, but there is also a substantial number of temporary closure of companies. Thus, some entrepreneurs wish to re-activate their preliminary closed firm in a not predefined future. Interestingly, after exit, most Austrian entrepreneurs wish to re-engage in entrepreneurial activities again. Some participants in this study, already engage in other entrepreneurial activity after exit from their founded firms business. Other participants go to labor market. Some of them indicate their willingness to re-engage in entrepreneurial activity in the future. This signals a need to give a “second chance” to entrepreneurs who experience an exit, regardless the final performance of their closed firm.

1. Problem statement and research questions

In European Union countries, 50% of businesses are closed 5 years after the date of establishment (Eurostat, 2009). Some firms are closed even though they have performed quite well, while others performance was poor. Both situations have a significant impact not only on firms but also on the economy, as many jobs get lost.

Every year, around 150.000 companies filing for insolvency eliminate 1.5 million jobs in European Union countries (Calogirou, et al., 2010). Similarly, in Austria around 23,000 jobs were affected in 2012 as a result of around 6,000 firm insolvencies (Creditreform Economic Research Unit, 2012). In Carinthia, the number of insolvencies increased by 4.5% to 411 cases in 2012 (KSV 1870, 2013).

Apart from the impact to the economy, in the case of closure following lack of success, entrepreneurs bear high costs of failure (Politis & Gabrielsson, 2007). Financially, some entrepreneurs take years to clear their debt (Cope, 2011). Psychologically, there are a number of negative emotions associated with business failure, namely shame, pain, anger, blame and fear (Shepherd, 2003). Socially, they also have to face the stigma of failure, which is attached by banks, financial institutions and society (Collewaert, 2012). Interestingly, most entrepreneurs who fail do not lose their entrepreneurial spirit. The majority of them still have plans to set up a new venture or join another entrepreneurial team (Stam, et al., 2008). Bearing in mind the costs to the entrepreneur and to the economy in cases of business failure, it is surprising that little attention has been given to the failure firms and their entrepreneurs (Ucbasaran, et al., 2013) compared to the vast number of studies on successful firms and entrepreneurs.

Among all closed firms, one-third of the entrepreneurs consider the entrepreneurial exit as success (Bates, 2005; Headd, 2003). When firms perform well, firms may exit the market following acquisition or merger, or the entrepreneurs may leave their companies by changing ownership. In the latter case, the entrepreneurs and not the firms itself exit the market. Entrepreneurs decide to leave or discontinue their well-performing firms because of the availability of other or even better alternatives. In all these cases, entrepreneurs may consider their exit as a success.

In a literature review on the entrepreneurial exit, DeTienne (2010) shows that research on the entrepreneurial exit is still limited, particularly for the early development and growth phase. Reasons may include the difficulty of locating failed entrepreneurs or getting information from them (Sarasvathy, et al., 2013). With our empirical study, we tried to fill this gap.

In general, the aim of this research project is to contribute to the literature on the entrepreneurial exit. Specifically, we have analyzed the exit of young Austrian firms to address the following research questions:

- a. Which entrepreneurs exit their firm in the early stages?
- b. How do young entrepreneurs exit?
- c. Why and when are different modes of exit used?
- d. Which activities do entrepreneurs follow, after their entrepreneurial activity?

We have structured the final research report as followed. First, we present the project process, the project team, and the project partners. Second, we present the overall research design and give a short report about the dissemination of the project results based on conference activities and paper work. Third, we summarize the main findings and conclusions of the research project. In the appendix of this research report, we have attached two research outputs in form of a book chapter (Appendix A) and a working paper (Appendix B).

2. Documentation of research project

2.1 Project duration

The project started on March, 1st 2014 and ends on June, 30th 2015. Due to additional project fund raising it was possible to extend the project duration and the range of the qualitative part of this study. We extended the initial plan to interview six entrepreneurs and included 12 entrepreneurs in the qualitative study. Due to this extension, we were able to increase the quality of the overall research project.

2.2 Project team

The core project team consisted of Assoc. Prof. Dr. Robert Breitenecker (project leader, not financed), Prof. Dr. Erich Schwarz (not financed) and Zulaicha Parastuty, MSc. (financed by the project) from the Department of Innovation Management and Entrepreneurship of the Alpen-Adria-Universität Klagenfurt. In addition, Assoc. Prof. Dr. Rainer Harms from Dutch Institute for Knowledge Intensive Entrepreneurship from University of Twente supported us in the quantitative part of the study (paper 1). In addition, three master students of the Faculty of Business and Administration (Georg Aschbacher, Peter Bogensperger and Bernhard Kraler) who wrote their master thesis in the field of entrepreneurial exit supported the project team in data collection and interview transcription.

2.3 Project partners

The project was financially supported by the Privatstiftung der Kärntner Sparkasse AG, Wirtschaftskammer Kärnten (WKK), Verein zur Förderung der Wirtschaftswissenschaften and the Dr. Manfred Gehring Privatstiftung. The WKK also supported us in providing contact data and the initial contacting of entrepreneurs.

3. Research activities

In this part, we would like to explain our research activities during project duration. First, we would like to describe the overall research design including data collection and analysis. Second, we describe the dissemination of research results.

3.1 Data collection and analysis

We applied a mixed method approach in this project. Thus, the research project consisted of two phases. First, we run a quantitative study on reasons and way of exit as well as after-exit activity. Second, we run a qualitative study to extend previous research findings on entrepreneurial exit and to get a deeper understanding on entrepreneurial exit phenomena in the Austrian and especially the Carinthian context. Next, we will describe the two phases of the project with focus on the process of data collection and analysis in general.

Quantitative study

First, using a survey data of 38 Austrian Entrepreneurs we carried out a detailed analysis of the exit of young firms. The data was collected in two points of time from the Department of Innovation Management and Entrepreneurship during a previous research project (OeNB-Nr. 13042) in December 2009 and March 2013. The data of the first cross section includes information about the founding condition and covers data about the entrepreneurs, the strategy, the structure and the business environment. We contacted the entrepreneurs three to six months after the firms' establishment. The data about the exit of firms consists of the reasons for the exit, the financial condition when the exit occurs, the way to exit, and the post-exit activity. We conducted the second cross section three years after the date of founding. This quantitative analysis lays a foundation for the qualitative part of the study. We will present the findings of this quantitative part of the project in a book chapter published by Springer (See the conditionally accepted book chapter in Appendix A).

Qualitative study

In the qualitative part of the study, we applied a purposive sampling. We have selected the participants based on their particular characteristics or experience. This approach enabled us to understand the

central theme on entrepreneurial exit as Marshall and Rossman (1999) argue that purposive sampling is aimed to learn a rich information on the essential issue of the research.

We drew participants from the exit firms in the province of Carinthia. Selected firms were founded during 2010 and were de-registered from Chamber of Commerce (WKO) during 2013 and 2014. We got a list from Chamber of Commerce of Carinthia (WKK) consisting of 160 entrepreneurs. We then made phone calls to ask for their participation for an interview. In addition, we checked potential participants according to our study criteria. We selected participants who had employee(s) in order to differentiate entrepreneurs from self-employed individuals. Further, we divided participants into two groups: (1) participants who have intention to re-enter entrepreneurship (serial entrepreneurs) and (2) who have not the intention to re-enter into any entrepreneurial activity. Out of this 160, we reached 26 entrepreneurs who agreed to participate. Finally, we managed to reach our target to interview 12 entrepreneurs who experienced an exit.

We interviewed all twelve participants following a mixed approach. First, we started the interview with a narrative approach to get the story of entrepreneurial experience and exit. We choose this approach over others because we would like to know not only about the exit but also about their motivation to start their business, and about how the firm evolve. Second, the interviewers checked the interview guideline with predefined questions and topics, to be sure that all aspects of the entrepreneurial journey were covered. We conducted the interviews face-to-face in one-on-one setting. The interviewers transcribed all interviews for the further analysis. To analyze the interviews we applied qualitative content analysis using the software QCAmap (Mayring & Fenzl, 2013). We plan to publish the findings of the qualitative part of the project in an international peer-reviewed (SSCI ranked) journal. (See the working paper in Appendix B)

3.2 Dissemination of research results

We have presented and discussed our research findings at two international conferences and on local research workshop with scholars in the entrepreneurship domain. Further, we want to disseminate the results of the quantitative and the qualitative part of the project in two research outlets.

We have presented and discussed our work at the following conferences and workshop:

- a. The *4th International Workshop on Entrepreneurship, Culture, Finance and Economic Development (ECFED)* on 3-4 July 2014 in Klagenfurt

Title of presentation: *Explaining the exit of young firms: A quantitative and qualitative analysis.*

- b. The „2. *Forschungstag des Forschungsclusters Unternehmertum*“ at Alpen-Adria-Universität Klagenfurt, on 12. Mai 2014

Title of presentation: *Early Firm Exit: Reasons and Modes*.

- c. The 60th Annual International Council of Small Business (ICSB) World Conference 2015 in Dubai, United Arab Emirates, on 6-9 June 2015

Title of presentation: *Narrating the entrepreneurial exit: Evidence from Austria*.

The revised and extended conference papers will be published in two different scientific outlets.

1. The results of the quantitative part of our study is conditional accepted for a book chapter (See *Appendix A*):
Parastuty, Z., Breitenecker R. J., Schwarz E. J. and Harms R. (forthcoming 2015/16): Exploring the reasons and ways to exit: the entrepreneur perspective” in Dieter Bögenhold, Jean Bonnet, Marcus Dejardin, Domingo Garcia Perez de Lema (eds.): *Contemporary Entrepreneurship: Multidisciplinary Perspectives on Innovation and Growth*, SPRINGER Publishers.
2. The findings of the qualitative part of the study is planned to be sent to an international peer-reviewed (SSCI ranked) Journal. We presented a part of the results of the qualitative part of the study at the ICSB 2015 in Dubai. In the moment, we extend the presented working paper (see *Appendix B*) and include comments and suggestions from the ICSB conference for the final paper submission.
Parastuty, Z., Breitenecker R. J., Schwarz E. J. (2015): Narrating the exit of young firms: Evidence from Austria, Working Paper, Department of Innovation Management and Entrepreneurship, Alpen-Adria-Universität Klagenfurt.

4. Main results, conclusion and implications

This research project has identified several findings on the phenomena of exit at early stage in Austria. The first but not surprising finding is that Austrian entrepreneurs exit from their companies because of personal-related reasons (alternative and normative reasons) as well as firm-related reasons (calculative reasons). In descending order, reasons which are indicated in varying degree by the majority of the respondents (more than half) are “problems with low demand and sales”, “very strong competition”, “pursuing more attractive jobs/activity” and “didn’t meet expectations”. The first two reasons are related to typical situations, which entrepreneurs often face in the early stage of the firm. The reasons “pursuing more attractive jobs/activity” and “didn’t meet expectations” indicate that there is a critical reference point at which entrepreneurs decide to exit.

In the interviews, entrepreneurs illustrate that the process of exit is a complex situation in varying degrees. Our study shows that the entrepreneurs exit from their founded firms due to a

combination of personal and firm-related factors comprising alternative, calculative and normative reasons. Concerning the reasons of exit in the infancy stage of a firm, our results support the findings of DeTienne (2010). Personally, all those entrepreneurs discovered other activity opportunities to pursue, which encouraged them to exit. Interestingly, all entrepreneurs narrated normative reasons of exit with emphasis ranging from having no more passion about the firm and pressure of not taking high risk. Thus, our findings extend the normative reasons proposed by DeTienne (2010).

Concurrently, entrepreneurs encountered firm-related problems concerning product, market, organization, financial and strategy. Interestingly, for some entrepreneurs, the red thread of all those problems is rooted in the realization. They did not have sufficient experience to deal with the encountered problems of their firms. For example, entrepreneurs in our sample were surprised by the complexities of the market, although they argue before that they were already familiar with before founding the firm. Of all team-founded firms, entrepreneurs narrated the problems and conflicts within the team. Disagreement about a common firm strategy among team members and the competency of team members seem to be a source of conflicts within the team.

We can highlight the following results concerning the ways of exit. Firstly, an exit in the form of a temporary closure is specific to the context of Austria, where such a temporary exit is possible. Even though all entrepreneurs who temporarily closed their firm report that they wish to re-activate their business again; we are not sure about how many of them will fulfill their wish in future. Secondly, in the early stage, the voluntarily exit is dominant, rather than the forced exit (bankruptcy). Thirdly, through narrative interviews, entrepreneurs explained their way to exit by selling their shares to their partners, liquidating, being acquired by another company, and being merged with another company of their own. Some exits resulted in the discontinuation or closure of the firms but some firms still exist in the market. Sale and acquisition lead to the continuation, whilst liquidation and merger lead to the closure of the firm's legal entity. Thus, we were able to confirm the findings of Wennberg, et al. (2010) on the association between firm performance and ways to exit.

The findings about post-exit activity of the entrepreneurs from both studies indicate that some entrepreneurs continue their entrepreneurial activity by engaging in new business. These are the serial entrepreneurs who set up business one after another. Interestingly, some other participants indicate their intention to either re-activate their old firms or found new companies in the future regardless the performance of their firms when exit. In our study, there are only small number of entrepreneurs who indicate their unwillingness to re-enter entrepreneurship in the future due to their personal circumstances such as family matter and age.

The findings of this study have a number of important implications for future research and practitioners. For the scientific community, the study contributes to the limited literature on entrepreneurial exit. We faced the same challenge of researchers in the field of entrepreneurial exit, which is difficulty to talk to the (ex) entrepreneurs. Like others, we had difficulties to contact potential participants. We could manage this hurdle in the project through a cooperation with the Carinthian Chamber of Commerce (WKK). However, there were substantial contacts, which we could not reach due to missing contact data or wrong phone numbers. Concerning the research findings, we can highlight differences on the way to exit to other countries. Specifically, the temporarily closure of firm was not discussed until now in the exit literature and seems to be specific for the Austrian context. Further, the new findings on normative reasons as drivers to exit require further examination in order to validate the results.

For practice, the study lays foundation for policy making in the development of regulations or incentives specifically in the case of failed exit such as reducing stigmatization of failure. Regarding entrepreneurs who do not lose their entrepreneurial spirit after exit, policy makers can develop “second chance” policy by assisting them to re-enter entrepreneurship, given the fact that entrepreneurs create jobs for themselves and others.

For entrepreneurs, exit is not merely a failure but can be a strategy to gain wealth. Entrepreneurs should realize about successful exit strategy in their mind when doing business. Especially in team-founded firms, members may exit at any point of time. Therefore, team members should consider and communicate exit possibilities and strategies within the team since beginning.

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Appendix A

Parastuty, Z., Breiteneker R. J., Schwarz E. J. and Harms R. (forthcoming 2015/16): Exploring the reasons and ways to exit: the entrepreneur perspective” in Dieter Bögenhold, Jean Bonnet, Marcus Dejardin, Domingo Garcia Perez de Lema (eds.): *Contemporary Entrepreneurship: Multidisciplinary Perspectives on Innovation and Growth*, SPRINGER Publishers.

Exploring the reasons and ways to exit: the entrepreneur perspective

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Introduction

Entrepreneurial exit is an important event in the entrepreneurial journey (DeTienne, 2010). It is paramount for the entrepreneurs themselves, independently of whether the exit is planned or unplanned. The importance of the entrepreneurial exit can also be seen in a broad scope, referring that exit can be a source of evolution of industries and economies (Audretsch, Houweling, & Thurik, 2004).

The phenomenon of entrepreneurial exit is complex. One of the sources of complexity is the difficulty to measure and define exit (Wennberg, 2011). According to Wennberg (2011), studies on exit rate show varying results, depending on the definition and unit of analysis. Exit is viewed generally based on two units of analysis, namely at firm level (i.e. firms exit from the market) and at individual level (i.e. entrepreneurs leave their firms). Most research on exit deals with firm exit utilizing firm-level data (e.g. Carree, et al., 2011; Doi, 1999; Fortune & Mitchell, 2012). In this stream, researchers focus on organizational aspects and examine the destiny of the organizations. In recent years, there has been a growing trend to investigate the exit of the entrepreneur (e.g. Colombo & Grilli, 2005; Loane, et al., 2014; Unger, et al., 2011). At this individual level, substantial attention has been given to the investigation of the human capital aspects (e.g. Criaco, et al., 2014), the intention to exit (e.g. DeTienne & Cardon, 2012) and the disengagement from start-up activities (Yusuf, 2012).

Research on exit has delivered mixed results concerning reasons and ways to exit. The mixed results are attributed to the elusive definition of exit (Headd, 2003) and the different levels of analysis (Wennberg & DeTienne, 2014). Therefore, making a clear distinction regarding the perspective of exit between entrepreneur and firm is crucial to comprehensively reveal the phenomena of exit.

This article aims firstly to discuss the definition of entrepreneurial exit and the level of exit analysis. Secondly, we aim to explain the reasons and ways to exit, focusing on the individual level. We further provide empirical findings based on a sample of young firms in Austria, using entrepreneurs who exit from their firms as the unit of analysis.

Definition and level of analysis

Most researchers investigating exit have taken firms as the objects of their studies. They define firm exits as the exit of the firm from the market (Anderson & Tushman, 2001; Carree, et al., 2011), as the discontinuance of the firm's operation (Carter, et al., 1997), as the firm's closure (Bates, 2005) and as

the firm's bankruptcy (Gimeno, et al., 1997). Firm exit is also often defined as "business closure" or "business discontinuance" (Bates, 2005). This refers to the closure of one of the branches or businesses, yet the (principal) firm continues to exist. Lastly, firm exit can also be observed based on the exit of the business or firm from a location regardless of the status of the firm recorded at the registration office (Pe'er & Vertinsky, 2008).

Applying the individual perspective, the entrepreneur is the observational object who exits, such as an individual leaving self-employment or entrepreneurial activity to commence another activity (Dyer, 1994; van Praag, 2003). The object of the analysis can be the entrepreneur in a broad definition (Amaral, et al., 2007), the founder (Grilli, 2011), the business owner (Aaltonen, et al., 2010), a member of an entrepreneurial team (Ucbasaran, et al., 2003) or the nascent entrepreneur (Yusuf, 2012). Most studies use a broad definition of "entrepreneurs" comprehending those individuals who own the firms regardless of their participation and do not limit the term to those who have founded, acquired or inherited. A specific definition is taken up in the study of DeTienne (2010), who defines entrepreneurial exit as "the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm" (DeTienne, 2010, p. 203). Taking into consideration the entrepreneurial process, which begins from the start-up phase, Delmar and Shane (2003) study the exit of entrepreneurs (nascent entrepreneurs) during this phase and define an entrepreneurial exit as "the cessation of efforts to develop the new venture" (p.1172). The different views at the individual level may help to understand the phenomena of exit, for example the diverse ways of exit chosen by founders, inheritors and nascent entrepreneurs.

Reasons to exit

Reasons to exit from the founded firms can be manifold. DeTienne (2010) summarises the reasons for entrepreneurial exit in different categories, namely alternative reasons, normative reasons, and calculative reasons. The alternative reasons are related to the pursuit of better opportunities, such as setting up a more prosperous venture, gaining employment, returning to education, migrating, and other prospective opportunities (Bates, 2005). These reasons can be explained by the concept of opportunity costs, which describes the foregone gains of other alternatives as a consequence of a choice. Entrepreneurs with higher opportunity costs may be more likely to exit from their firms (Watson & Everett, 1996).

With respect to normative reasons, those refer to the pressures derived from the expectations of the entrepreneur or others regarding the firm. However, the motivation to comply with these expectations may vary. In a firm founded and managed by a team, goal differences, team conflicts and lack of trust primarily drive members to exit (Khan, et al., 2014) and have an impact on the longevity of the firm (Hellerstedt, et al., 2007).

The most cited reason for an entrepreneurial exit is the condition (performance) of the firm (Wennberg & DeTienne, 2014). DeTienne (2010) labels it as calculative reason. Owing to Maertz and Campion (2004), DeTienne (2010) refers to the actions which are carried out by the entrepreneurs to achieve their future goals in the current situation. These include the realization that the demand for their products is low or competition is very tight. Adding to these, Watson and Everett (1996) show that entrepreneurs also exit due to a change of ownership, business expansion and resources acquisition.

Exit can be regarded as either a successful or an unsuccessful (failed) event for the entrepreneurs (Bates, 2005). The unsuccessful exit is often characterised by firm failure, such as firm liquidation due to bankruptcy. In an early stage, entrepreneurs face hurdles due to an underdeveloped organization, low trust from the stakeholders, difficulties in resource allocation (Aldrich & Auster, 1986) and technological uncertainty (Delapierre, et al., 1998). These hurdles are a result of initial conditions and difficulties in change mechanism within the firm (Parastuty, et al., 2015). Successful exit is often marked by the continuation or survival of the firm. Firms may continue to operate once entrepreneurs leave the firm through selling, merger and acquisition.

The entrepreneurial exit is not merely a function of the economic performance of the firm, but also depends on the threshold performance of the firm itself (Gimeno, et al., 1997). The threshold performance is the performance level below which the entrepreneurs will act to dissolve the firm. It highlights the central role of entrepreneurs, who determine the continuation of the firm (van Praag, 2003).

Firm characteristics and individual characteristics as determinant factors of exit have already been researched by some scholars. The founding conditions have been shown to be the significant factor for a firm's exit (Geroski, et al., 2010; Le Mens, et al., 2011). Delmar and Shane (2003) assert that even though the environmental conditions may subsequently change, the effect of the founding condition on the survival of the firm nevertheless persists. This corresponds to the imprinting theory hypothesis that states that the history of a firm and of its individuals matters in understanding the present condition (Marquis & Tilcsik, 2013). However, Schwarz, et al. (2006) argue that the effect of founding conditions upon firm performance and survival decreases over time.

Past research shows that a low probability of firm exit is positively associated with a higher level of human capital (Bates, 1990; Brüderl & Schüssler, 1990; Rauch & Rijsdijk, 2013), with more financial capital (Korunka, et al., 2010), a higher number of employees, a greater range of product portfolio (Kalleberg & Leicht, 1991) and bigger firm size (Geroski, et al., 2010). With regard to human capital, research has shown contrasting results concerning the contribution of founder's human capital to firm performance (Toft-Kehler, et al., 2014) and firm survival (Criaco, et al., 2014).

Ways to perform an entrepreneurial exit

Entrepreneurial exit operates in several ways. The simple classification of the ways to exit consists of two routes of activities. Firstly, an entrepreneur may exit through selling his ownership to other parties such as employees, suppliers, family members or strategic partners, and leaving the firm, while the firm still exists in the market or merges with another company. In the case of substantial changes in the firm (name, operation, location), de-registration of the firm as a legal entity may occur (Breitenecker, 2009). Secondly, an entrepreneur may exit by closing or liquidating the firm. Liquidation refers to the termination of the firm. In the case of a forced exit (involuntary exit), entrepreneurs declare bankruptcy. Since bankruptcy involves high costs financially, psychologically and socially (Pretorius, 2009), many entrepreneurs avoid bankruptcy by adding equity, selling assets and paying off loans (Bottazzi, et al., 2011). In this case, it is considered a voluntary exit. Both, selling and liquidation could occur in the condition of gain and loss.

On the basis of the outcome of exit for the entrepreneurs, DeTienne, et al. (2015) classify the ways of exit into three types, namely financial harvest, stewardship and cessation. Financial harvest refers to Initial Public Offering (IPO) or acquisition, which results in the wealth leverage of the entrepreneurs. Stewardship covers family succession, employee buyout or sale to an individual, which results in the possibility for the founders to continue to exert influence over the firm in the future due to social ties with the successor. Lastly, cessation refers to the liquidation and bankruptcy of the firm, which results in the discontinuation of the firm.

Firm performance has long been argued to represent a determining factor for the firm's existence in the market, where well-performing firms survive whereas low-performing firms exit (Gimeno, et al., 1997). Although that existing research often suggests that poor performance drives an entrepreneur to exit, associating exit with failure is erroneous (DeTienne & Chirico, 2013). A study by Wennberg, et al. (2010) shows that entrepreneurs of high performing firms tend to exit through selling and the firms

continue to operate. Conversely, entrepreneurs of low performing firms tend to exit through distress sales to prevent more losses and avoid bankruptcy (van Witteloostuijn, 1998), or distress liquidation, which includes bankruptcy.

Founders or entrepreneurs may not link their exit with the performance of their firms (DeTienne & Chirico, 2013). In the context of family firms, DeTienne and Chirico (2013) propose that founders choose ways to exit in terms of financial reward, stewardship and cessation (DeTienne & Cardon, 2012) due to the level of their socio-emotional wealth, which is measured by the non-financial aspects of the firm that meet the family's affective needs, due to the level of governance structure and due to the presence of a non-family CEO. The higher the socio-emotional wealth, the less likely the founders of family firms are to exit through the route of cessation.

Another attempt to explain the way to exit is by taking into account the previous working experience of the founder. Founders with generic work experience primarily gained in sectors different from their firms may be forced to close their firms because they cannot find acquirers or firms to merge with (Grilli, 2011). However, their generic knowledge and work experience make it easier for them to switch to alternative employment and to give up their business (close/liquidate firm). Similarly, founders with a higher level of specific knowledge also find it easier to achieve a shift in their career. However, their deeper understanding of the specific industry they operate in makes it easier for them to find partners for acquisition or merger. Founders with both a low level of generic and of specific knowledge are most likely to defend their business, because they have limited options for career switching (van Teeffelen & Uhlaner, 2013).

Empirical study from Austria

Studying entrepreneurial exit is challenging, as entrepreneurs may be reluctant to talk about the event, especially in the case of an unsuccessful exit or failure. Therefore, we gathered data starting from the founding of the firms. We then tracked the development after 3-4 years from the time of founding. This section presents our empirical study on entrepreneurial exit of young firms in Austria.

Sample description

We collected data in two cross-sections in 2009 and 2013, using mail and online questionnaires. The first cross-section was drawn from a population of firms founded by single entrepreneurs in eight of nine Austrian provinces during summer 2009. We received 381 responses, which represents a

response rate of 7.6%. Then, from December 2012 until March 2013, we sent questionnaire to those 381 respondents. This second cross-section gathered data 3 - 3.5 years after founding. We received 212 responses. In 171 firms, the entrepreneurs are still active and in 41 firms the entrepreneurs have exited from their founded firms. However, the usable data for analysis relating to entrepreneurial exit are reduced to 38 responses, due to missing data from three respondents. Out of 38 cases of entrepreneurial exit, there are two entrepreneurs who have left their firm, while the firm continues to operate. The rest of the firms (36) indicated the status of "inactive" or "closed".

The entrepreneurs who experienced an entrepreneurial exit are described as follows. When these entrepreneurs founded their company, their ages ranged from 19 years to 58 years. The average age was 39.2 years with 9.7 years of standard deviation. There are 22 (57.9%) male and 16 female (42.1%) respondents. Concerning the level of education, entrepreneurs who hold university degrees account for 36.8% (14 entrepreneurs). The remaining graduated from high school (28.95%), completed an apprenticeship (28.95%) and vocational school (5.3%). With the exception of two individuals, all had working experience. Concerning previous experience with founding a company, 21 entrepreneurs (55.3%) did not have any experience, 10 entrepreneurs had the experience for less than a year (26.3%) and 7 entrepreneurs (18.4%) had more than one year of experience. Regarding the founding motives, all respondents were motivated by self-realization to a certain degree. This is followed by opportunity-driven and lastly by need-driven motives.

Firms from which the entrepreneurs exited were operating in different industries, ranging from personal services, trade, and real estate to manufacturing in local (31.6%), regional (38.8%), national (26.3%) and international markets (5.3%). When they founded their companies, most of the entrepreneurs (55.3%) invested less than €4,000, nine invested between €4,000 and €10,000 and for eight the investment was above €10,000.

Results and discussion

First, we report the results regarding the differences between entrepreneurs who stay in entrepreneurial activity and those who exit. Subsequently, results and a discussion on the reasons and ways to exit are presented.

Comparison between survival entrepreneurs and exit entrepreneurs

As founding conditions are relevant factors for the further development of a firm, we analysed, in a first step, the differences between the firms of exit entrepreneurs and those of surviving entrepreneurs. Beside the personal data of the entrepreneur, we compared strategic, structural and

resource-based variables of the firm and environmental conditions by applying T-tests. We tested nominal scaled variables by applying Chi-squared tests. The results indicate several significant differences.

Concerning the entrepreneurs we could determine that, on average, entrepreneurs who exit from their firms have fewer general managerial skills ($t=2.026$, $df=206$; $p=0.044$), are less experienced (general job experience, industry and leadership experience; $t=1.754$, $df=206$; $p=0.081$) and have less entrepreneurial skills ($t=1.851$, $df=206$; $p=0.066$). Concerning initial strategic decisions, the entrepreneurs who exit exhibit less leadership quality ($t=1.758$, $df=206$; $p=0.080$). These results indicate the importance of human capital, which plays a role in the continuation of the professional career of an entrepreneur.

However, in terms of other human capital attributes, namely age, education level and founding experience, no significant difference between the entrepreneurs who exit and the surviving entrepreneurs was revealed. We have not found any studies on the relationship between founding experience and entrepreneurial exit. There are studies on failure and surviving firms. However, noting that exit is not equated with failure, any reference to those studies should be extrapolated cautiously. The nature of the founding experience and its bearing on firm survival is inconsistent. A recent study reveals a non-linear relationship between founding experience and firm performance. Negative performance is shown by novice entrepreneurs, while expert entrepreneurs benefit from their founding experience, as is shown by positive performance (Toft-Kehler, et al., 2014). Concerning founding motives, we could not detect any difference. Mean values of personal traits like need for achievement, locus of control and risk taking are also not significant.

We also tested for the difference in relation to the environment and firm variables. We found that firms where the entrepreneurs performed an exit tend to face a less complex environment ($t=2.008$, $df=206$; $p=0.046$). We did not find a significant difference in relation to the hostility and dynamism of the environment. Concerning firm structure, the exit entrepreneurs spend less time on tasks regarding production ($t=2.529$, $df=206$; $p=0.012$), information seeking ($t=1.804$, $df=206$; $p=0.073$) and sales ($t=1.922$, $df=206$; $p=0.056$). The entrepreneurs who exit spend less time on operating their business ($t=2.878$, $df=206$; $p=0.006$), have a lower number of employees ($t=3.360$, $df=178.6$; $p<0.001$) and invested lower starting capital ($t=3.287$, $df=206$; $p=0.001$). Overall, we may conclude that entrepreneurs who exit spend less time with their business. Concerning resources, exit entrepreneurs deploy lower resources in terms of employees and capital. The limited resources indicate the smallness of the firms (Aldrich & Auster, 1986), which can inhibit entrepreneurs to be persistent with their business.

We can also report that there are minor differences concerning the industry between firms of the exit entrepreneurs and the existing (survival) entrepreneurs (Chi-Square=6.341, df=3, p=0.96). Among entrepreneurs from the service sector, 22.5% quit their entrepreneurial career, while only 15.6% from the trade sector and 5.3% from the production and construction sector exited the market.

Reasons and ways to exit

In order to understand the reasons for entrepreneurial exit, we asked those surveyed to respond to thirteen statements, shown in Figure 1. The scale was developed based on Yusuf (2012), DeTienne (2010), Harada (2007), Politis and Gabrielsson (2007), Maertz and Campion (2004), and Watson and Everett (1993).

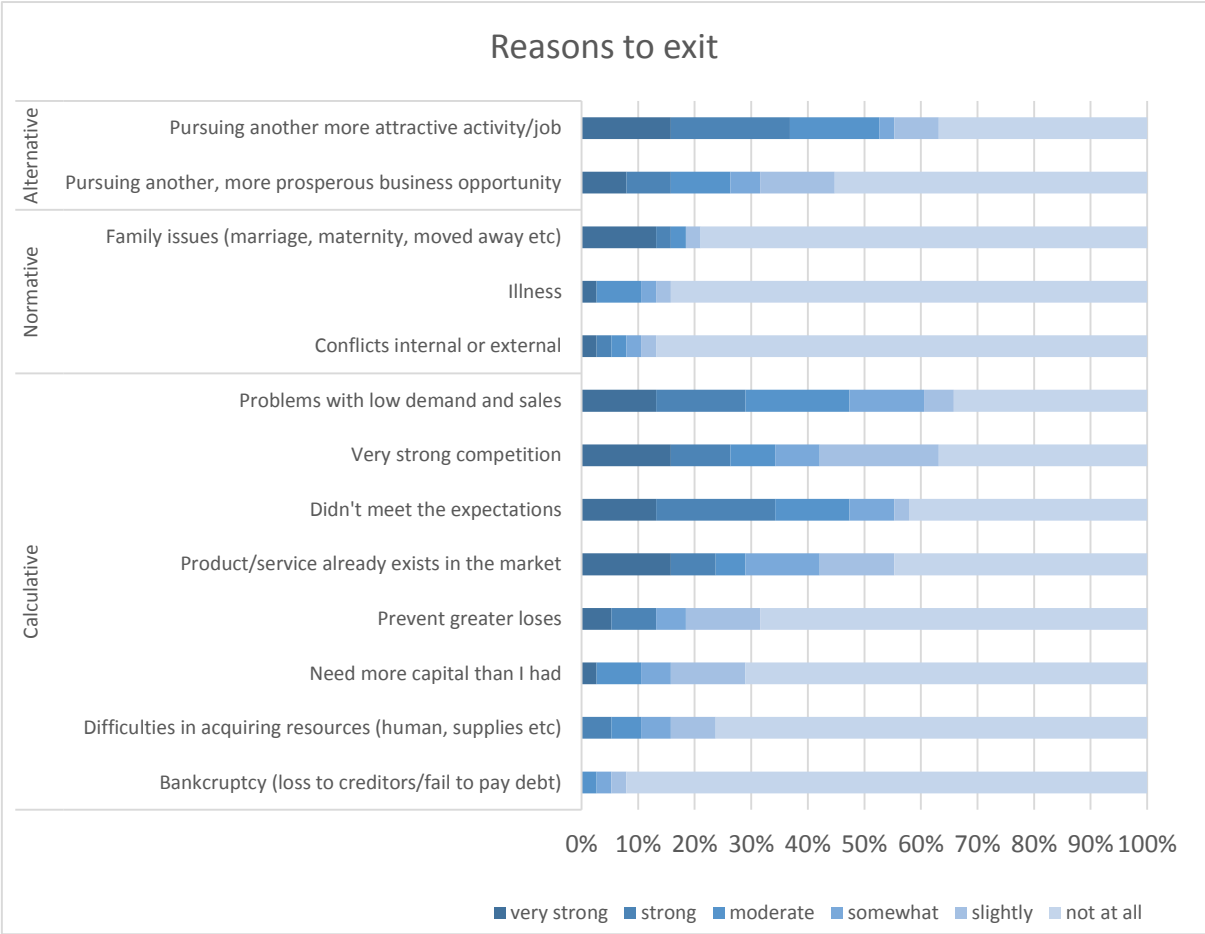


Figure 1 Reasons to exit

The alternative reasons are represented by “pursuing more attractive activity/job” and “pursuing another, more prosperous business opportunity”. Within this category of exit reasons, a more attractive job leads to exit more often than another business opportunity. Overall, alternative reasons

are often quite strong in the early stage of a new venture, since the entrepreneurs may recognize that being an entrepreneur is demanding and discover more attractive opportunities (DeTienne, 2010).

Normative reasons, represented by “family issues”, “illness” and “conflicts (internal/external)” influenced only a minority of the respondents in their decision to exit. In the case of business discontinuance, the 2014 Global Entrepreneurship Monitor reports that personal reasons, which resemble normative reasons, are the second-most cited reasons (Singer, et al., 2015).

Turning to calculative reasons, we first report on reasons, which are related with product/service. Problems with low demand or sales are stated as a reason for exit to a certain degree by 65.8% of respondents. The “product/service already exists in the market” and “very strong competition” are indicated by 55.3% and 63.2%, respectively. The three reasons are related to the newness and smallness of the firm. In addition to that, most entrepreneurs (55.3%) in this study do not have experience in founding a company, which signals newness to the profession of entrepreneurship.

Secondly, we find that the results regarding expectation are interesting. The “didn’t meet expectations” is mentioned by more than half of the respondents (57.9%). In the early stage, entrepreneurs seem to realize that the life of entrepreneurs is not as pleasant as they originally imagined. Their frustration in handling the situation leads them to abandon their entrepreneurial endeavours.

Thirdly, there is a moderate number being shown for the reason “to prevent greater losses” (31.6%). Entrepreneurs may face the situation that their firms start to generate losses and they are unable to turn the situation around (van Witteloostuijn, 1998). An exit becomes a way for the entrepreneurs to further bear the financial loss.

Fourthly, calculative reasons regarding (financial) resources (“need more capital” and “difficulties in acquiring resources”) are mentioned only by 28.9% and 23.7% respectively. It is surprising that the entrepreneurs of these early-stage firms do not encounter problems with resource acquisition more often, because these kinds of problems are typical for the early stage of a firm.

Involuntary or forced exit as the last of the calculative reasons, indicated by “bankruptcy”, is only stated by three entrepreneurs (7.90%). Instead of declaring bankruptcy, entrepreneurs seem to sell the assets and pay off the debts in order to avoid the stigma attached to bankruptcy (Pretorius, 2009).

Regarding the ways to exit, there are only two entrepreneurs (5.3%) whose firms continued to operate after their exit. Although this number is small, it indicates that entrepreneurial exit does not always mean a firm’s discontinuation or closure (Bates, 2005).

Fourteen entrepreneurs (36.8%) only closed their firms temporarily and are planning to continue. These findings reflect a specific context in Austria, which allows firms to be temporarily out of operation. Most entrepreneurs (57.9%) stated that their firms exited from the market permanently through the closure of the companies.

Only a small number of respondents reported a financial loss (six cases). There were eleven entrepreneurs (28.9%) who had a financial gain overall from their entrepreneurial activity. The rest (more than half) had neither financial loss nor gain. These findings highlight that an entrepreneurial exit is certainly not equated with failure in terms of financial loss for the entrepreneurs.

After the entrepreneurs exited from (deactivated) their founded firms, most entrepreneurs became employees (44.7%). Interestingly, 9 entrepreneurs (23.7%) remained as an entrepreneur in a different company or became self-employed. Some entrepreneurs became jobless or retired (21.1%). There were a small number who took up a course of study (10.5%). Regarding future entrepreneurial activity, thirteen respondents are either already engaged in setting up new firms or planning to have a new company in the future. Meanwhile, thirteen entrepreneurs are undecided about re-entering an entrepreneurial activity. There were 12 persons who stated that they have no intention to become an entrepreneur again.

Conclusions, limitations and implications

In this article, we provide findings on personal-related reasons (alternative and normative) and firm-related reasons (calculative) to perform an entrepreneurial exit. In descending order, reasons which are indicated in varying degree by the majority of the respondents (more than half) are “problems with low demand and sales”, “very strong competition”, “pursuing more attractive jobs/activity” and “didn’t meet expectations”. The first two reasons are related to typical situations, which entrepreneurs often face in the early stage of the firm. The reasons “pursuing more attractive jobs/activity” and “didn’t meet expectations” indicate that there is a critical reference point at which entrepreneurs decide to exit. Further investigation using the lens of the threshold theory (Gimeno, et al., 1997) and the prospect theory (Kahneman, 2003) may be valuable to understand the basis of the exit decision. A more detailed study on the decision-making process and the reference points can be an opportunity for further research by applying qualitative approach.

With regards to the ways of exit, the results can be highlighted as follows. Firstly, an exit in the form of a temporary closure is specific to the context of Austria, where such a temporary exit is possible. Secondly, in the early stage, the voluntarily exit is dominant, rather than the forced exit (bankruptcy).

This study is not without limitations. The sample of entrepreneurs who exit is small, although we had the advantage of longitudinal data being gathered in two cross-sections. In addition, our sample represents single entrepreneurs, which future research can investigate other group of entrepreneurs. Owing to the small sample size, we only conducted a descriptive analysis, explaining the phenomena of entrepreneurial exit.

The implications of this study are of interest not only for entrepreneurs and the scientific audience, but also for policy makers and financiers. For entrepreneurs, the study of the exit will lead to a better understanding about the entrepreneurial exit concerning the reasons and ways to exit. For the scientific community, this study contributes to the limited literature on the entrepreneurial exit, adding to further investigations on reasons and ways to exit. For policy makers, this study will contribute to the development of regulations or incentives for entrepreneurs to take a “second chance”, as well as to the promotion of entrepreneurship. Lastly, for financiers, the findings may guide them to assist entrepreneurs in choosing ways to exit.

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Appendix B

Parastuty, Z., Breiteneker R. J., Schwarz E. J. (2015): Narrating the exit of young firms: Evidence from Austria, Working Paper, Department of Innovation Management and Entrepreneurship, Alpen-Adria-Universität Klagenfurt.

Narrating the entrepreneurial exit: Evidence from Austria

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Problem statement

A substantial number of start-ups and entrepreneurs have to deal with “exit”. However, compared to the vast number of studies on entrepreneurial entry, little attention is given to entrepreneurial exit (DeTienne, 2010). Exit is defined as the process in which a firm goes out of the market (firm exit) or an entrepreneur leaves the firm he or she has founded (entrepreneurial exit). Most research on exit deals with firm exit utilizing firm-level data (e.g. Doi, 1999; Fortune & Mitchell, 2012) and only to a small extent with entrepreneurial exit (e.g. Colombo & Grilli, 2005; Unger, et al., 2011). In this paper, we take a stance on the perspective of the entrepreneur.

At the individual level, entrepreneurs may decide to exit from their firms for various reasons. Entrepreneurs may do so voluntarily in order to reap the rewards of their entrepreneurial activity, for example by selling their firms. They may also face situations in which they involuntarily exit by closing down activity or declaring bankruptcy (Wennberg, et al., 2010).

One third of the entrepreneurs perceive their exit as success, especially if the exit was planned as part of their strategy (Headd, 2003). In the case of unsuccessful exit, entrepreneurs often bear high costs of failure (Politis & Gabrielsson, 2009), financially (Cope, 2011), psychologically (Shepherd, 2003) and socially (Collewaert, 2012). Interestingly, many entrepreneurs who exit from their founded firms do not lose their entrepreneurial spirit, regardless of the conditions of exit. They still have plans to set up a new venture or join another entrepreneurial team (Stam, et al., 2008).

In this paper, we investigate entrepreneurs who have experienced an entrepreneurial exit and their intention to re-engage in entrepreneurial activity after exit. This experience is not only beneficial for the entrepreneurs themselves, but also for the economy, as they may utilize the experience in subsequent entrepreneurial activities.

Theoretical basis

Entrepreneurs exit from their founded firms for various reasons, namely alternative reasons, normative reasons, calculative reasons and strategic reasons (DeTienne, 2010; Maertz Jr & Campion, 2004; Watson & Everett, 1996). The alternative reasons are related to better opportunities, such as setting up a more prosperous venture, gaining alternative employment, returning to education, migrating and other prospective opportunities (Bates, 2005). The normative reasons refer to the pressures derived from the expectations regarding the firm. These pressures may come from the entrepreneur him- or herself, family members, friends or other parties. However, the motivation to comply with these expectations may vary. In a firm founded and managed by a team, goal differences, team conflicts and lack of trust primarily drive members to exit (Khan, et al., 2014) and have an impact on the longevity of the firm (Hellerstedt, et al., 2007). The most cited reason for an entrepreneur to

exit is the condition (performance) of his/her firm (Wennberg & DeTienne, 2014). This refers to calculative reasons (e.g. preventing greater losses, raising capital) and strategic reasons (e.g. expanding the business) (Watson & Everett, 1996).

There are different routes to exit. Firstly, an entrepreneur may exit through selling his ownership to other parties such as employees, suppliers, family members or strategic partners and leaving the firm, while the firm still exists in the market or merges with another company. In the case of substantial changes in the firm (name, operation, location), de-registration of the legal entity of the firm may occur. Secondly, an entrepreneur may exit by closing or liquidating the firm. In some cases, entrepreneurs have to declare bankruptcy. However, many entrepreneurs avoid bankruptcy by adding equity, selling assets and paying off loans (Bottazzi, et al., 2011) due to the social, psychology and financial consequences they have to bear.

Previous research indicates that the way how an entrepreneur exits his/her firm is often associated with the firm performance and his/her time-risk preferences (Wennberg, et al., 2010). Entrepreneurs of high performing firms tend to exit through harvest selling, where the firm continues to operate. Conversely, in low performing firms entrepreneurs tend to exit through the mechanism of a distress sale to prevent greater losses and avoid bankruptcy (van Witteloostuijn, 1998), or distress liquidation, which includes bankruptcy.

Summing up, performance is arguably critical not only as a reason to exit but also as a determinant of the way to exit (DeTienne, 2010). Parker (2013) also shows that performance of the past entrepreneurial firm is associated with the performance of subsequent entrepreneurial activity. However, the positive impact diminishes over time.

Research design and setting

A qualitative study approach is applied to examine the phenomena of the entrepreneurial exit for several reasons. Firstly, the qualitative method is useful to build theory and to focus on under-researched ideas (Eisenhardt & Graebner, 2007). Secondly, qualitative research offers the contextual embedment when studying a specific phenomenon within a population (Marshall & Rossman, 1999). Thirdly, qualitative data offer description of rich detail in the ability to answer “how” and “why” questions (Yin, 2009).

We drew participants from Austrian firms, which were founded during 2010 and experienced entrepreneurial exit during 2013 and the first half-year of 2014. We then selected participants who have the intention to re-engage in or are in the process of re-engaging in entrepreneurial activity. We were challenged by difficulties to get respondents to participate in this study. This difficulty has been

encountered by scholar in the field of entrepreneurial exit. However we managed to have twelve cases of entrepreneurial exit.

All participants are male, between 26 and 46 years old. They have diverse educational backgrounds. All participants had working experience and were familiar with the industry of their business before they founded their firms. The interviewed participants consist of team entrepreneurs and solo entrepreneurs. Their firms were operated in diverse industries. Entrepreneurs exited from their founded firms with varying financial conditions, namely gain, loss and even. There are six participants who continue their entrepreneurial activity by re-engaging in new /other firms. The other six participants went to employment. Of these six participants, there are two participants indicating their intention to be active as an entrepreneur in the future.

We interviewed the entrepreneurs in the second half-year of 2014, deploying a narrative approach by asking them to narrate their entrepreneurial experience from the start and leading up to their current activities. We chose this narrative approach, because we tried to avoid resistance from participants in case they perceived the exit as a failure event. Interviews were conducted in a face-to-face interview in a one-on-one setting, which lasted between 60-90 minutes. Interviews were transcribed in smooth verbatim by the interviewers. Transcriptions were then analyzed, employing qualitative content analysis supported by QCAmap software (Mayring & Fenzl, 2013). Three researchers coded the transcriptions independently to achieve better interpretive validity. We applied two steps of coding and revised the coding to achieve reliability. Further, we built main categories in order to analyze the results.

Results

The exit experiences of participants illustrate that the process of exit is a complex situation in varying degrees. Our study shows that the entrepreneurs exit from their founded firms due to a combination of personal and firm-related factors comprising alternative, calculative and normative reasons. Concerning the reasons of exit in the infancy stage of a firm, our results support DeTienne (2010). Personally, all those entrepreneurs discovered other activity opportunities to pursue, which encouraged them to exit. Interestingly, all entrepreneurs narrated the normative reasons with emphasis ranging from having no more passion about the firm and pressure of not taking high risk. Our findings extend the normative reasons proposed by DeTienne (2010).

Concurrently, entrepreneurs encountered firm-related problems concerning product, market, organization, financial and strategy. Interestingly, for some entrepreneurs, the red thread of all those problems is rooted in the realization that they do not have sufficient experience to deal with the encountered problems of their firms. For example, they were surprised by the complexities of the

market, which they were already familiar with before founding the firm. Of all team-founded firms, entrepreneurs narrated the problems and conflicts within team members from disagreement on firm strategy to competency of team members as the sources of conflicts.

All participants narrated their circumstances, which lead to choosing a way to exit from their founded firms. They exited by selling their shares to their partners, liquidating, being acquired by another company, being merged with another company of their own and filing for bankruptcy. Some exits resulted in the discontinuation or closure of the firms but some firms still exist in the market. Sale and acquisition lead to the continuation, whilst liquidation and merger lead to the closure of the firm's legal entity. This confirms the findings of Wennberg, et al. (2010) on the association between firm performance and ways to exit.

Regarding post-exit behavior, most participants have the intention to re-enter entrepreneurship regardless the performance of their firms when exit. They regard entrepreneurship positively although they experience loss when they exit. Most importantly, they perceive being entrepreneur fits to their personality and objective towards life. Some participants re-engage in other business immediately after exit, while others indicate longer time horizon on their intention to re-enter in entrepreneurship. There are only small number of participants who state that they have no willingness to become entrepreneurship due to personal reasons such as family and age. In our study, we do not find clear path regarding the relationship between reasons and ways to exit to re-engagement in entrepreneurial activity. We found that the red-thread that motivate participants to re-engage in entrepreneurship is the learning they have gained from previous entrepreneurial activity which benefit them to be more successful in the subsequent business. They articulate their past mistakes and good practice and cast these in the future, for example in handling team conflicts.

Conclusions and implications

The implications of this study are three-fold. Scientifically, this study contributes to the limited literature on the entrepreneurial exit concerning reasons and ways to exit in young firms and the re-engagement in entrepreneurial activity. The current study found that entrepreneurs exit due to the pressure of not taking higher risks. This extends past research on normative reasons to exit. This needs further investigation to validate the result. Regarding the ways to exit, most entrepreneurs did not have exit strategy in mind when conducting business. The ways of exit were taken due to the circumstances that emerged. Specifically in Austria, entrepreneurs have the possibility to close their business temporarily and re-activate in the future. This way of exit is not presented in other studies taken place in other countries such as Sweden, UK and USA.

Practically, for entrepreneurs, the study of the exit will lead to a better understanding of entrepreneurial exit. For policy makers, this study will contribute to the development of regulations or incentives to give entrepreneurs a “second chance”, as well as to promote entrepreneurship.

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