Introduction

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'Why is there so much research on new venture creation and growth and so little on the "exit" stage of entrepreneurship?' This was a question both of us struggled with when we met for the first time at the 2005 Babson College Entrepreneurship Research Conference. With many of our friends and contacts active entrepreneurs, and both of us having had the experience of starting, growing and eventually selling a family firm prior to our PhD research, it struck us that entrepreneurship researchers seemed to have, by and large, missed out on one of the most important phenomena in the entrepreneurial journey. Dawn had recently finalized a theory paper and was working with colleague Melissa Cardon on a survey of exit intentions among US entrepreneurs, and Karl had directed his dissertation proposal toward the exit of Swedish entrepreneurs in knowledge-intensive businesses; thus we realized that we had so much in common that we had to write something together on the nascent topic of exit.

Little did we realize the timeliness and interest our work would have among other scholars. With the financial crisis erupting in 2008 and hundreds of thousands of small firms throughout the world stumbling, interest in the survival chances of new firms grew rapidly among both scholars and policy makers. The stark differences between conducting a successful exit and exiting in financial distress became even more apparent as we saw capital markets and the M&A (mergers and acquisitions) market for small- and medium-sized firms collapse as well.

During the next few years, we worked together, and with other colleagues, on developing our ideas related to entrepreneurial exit. Our joint paper, 'Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers', received the 2008 Best Empirical Paper Award from the Academy of Management's Entrepreneurship Division and was published in the *Journal of Business Venturing* two years later. The same year Dawn's theory paper 'Entrepreneurial exit as a critical component of the entrepreneurial process' was published in *Journal of Business Venturing* and Karl received the National Foundation of Independent Businesses (NFIB) award for 'Best Thesis in Entrepreneurship' at the Academy of Management meeting in 2010. Many other scholars apparently agreed with our idea that the 'exit' stage of entrepreneurship was under-researched, under-theorized, and in need of more attention.

After working on other issues related to exit, such as family business transitions (DeTienne and Chirico, 2013; Wennberg et al., 2011), exit intentions (DeTienne and Cardon, 2012) and the role of region-level and industry-level economic conditions for entrepreneurs' potential to exit by sale or liquidation (Wennberg and Delmar, 2010), we noted in conferences, in journal publications and in discussions with colleagues that many other topics were emerging as part of the research on entrepreneurial exit. As can be seen in recent special issues and keywords and domains noted in the entrepreneurship field journals, exit research has established itself as a more recognized component of the entrepreneurial process and a distinctive domain of entrepreneurship research, with a host of newly emerging and debated topics. Some of these topics were to us quite novel and related to aspects we had never considered. As such, it seemed timely to take stock of the emerging exit research by scholars from various disciplines. We therefore initiated the idea of writing this handbook and issued an open call to scholars from around the globe to submit manuscripts on various issues related to entrepreneurial exit, especially literature reviews on sub-issues, theory and 'emerging themes' in the literature. Emerging themes was an issue we had ourselves written about recently (DeTienne and Wennberg, 2015; Wennberg and DeTienne, 2014). Thanks to a generous grant from the Marcus Wallenberg Foundation, we were able to organize an international conference at the Ratio Institute in Sweden in the fall of 2013, with professors Howard E. Aldrich and Susan Marlow as keynote speakers. To our delight and surprise, we received such a range of submissions that we had to hold a selective screening process.

This *Handbook of Research on Entrepreneurial Exit* is the result of papers presented at the conference, together with pieces submitted through an open call to the scholarly community. The goal of the handbook is to present a comprehensive state-of-the-art review of the current issues in entrepreneurial exit and to provide theoretical and methodological insights for future research contributions. We hope the handbook will be useful for researchers in the domain of entrepreneurship at large, and especially for graduate students seeking to 'read up' on current knowledge related to entrepreneurial exit. We envision introductory PhD seminars in entrepreneurship to include exit as an important topic within the domain, and hope the handbook will be useful for professors when planning such seminars.

CONTENTS OF THE HANDBOOK

In Chapter 1, Howard E. Aldrich provides a detailed and thought-provoking historical perspective of the exit of firms, populations and industries during the time frame after the Industrial Revolution. His chapter highlights that exit can be examined not only at the firm and individual levels, but also in entire industries and populations of firms. These could include the demise and exit of entire economic systems such as the British Empire in the eighteenth and nineteenth centuries, or the Soviet Union in the twentieth century. Aldrich exemplifies how the industrial development of the late eighteenth and early nineteenth centuries led to mechanized production, which revolutionized industries such as cotton and cloth production, leading to the exit of formerly stable and profitable industries. Similar processes occurred during the introduction of railways in the nineteenth century, of automobiles and mass production in the twentieth century, and of telecommunications and microelectronics during the late twentieth century. Contemporary entrepreneurship and innovation scholars may find these accounts useful in studies of modern innovations and their effects of firm and industry exit. For example, scholars who examine digitalization and 3D printing will find Aldrich's historical perspective informative and helpful. Aldrich's historical perspective draws attention to the important periods of institutional turmoil characterizing transitions between capitalistic eras (such as the First and Second World Wars, or the collapse of the Soviet Union), as well as considering the differences between institutional and technological innovations that are transformative rather than incremental in their effects (Anderson and Tushman, 1990). While historically transformative innovations (such as the steam engine, which led to railroads and sawmills, and the internal combustion engine, which led to automobiles) took decades to diffuse throughout the world, the diffusion of innovations such as the World Wide Web or the mobile telephone has been markedly more rapid. On the firm level of analysis, Aldrich notes that since most firm founders attempt to start businesses in industries where they have had no previous managerial or ownership experience, it is not very surprising that so many of them make a rapid exit. From his macro perspective, the constant entry and exit of firms in industries should be of no surprise. This chapter challenges entrepreneurship and innovation scholars to bring historical analysis into their investigations and raises important methodological questions such as the framing of analyses and use of analytic tools to study temporality and past events. Aldrich notes, 'When we step back to reflect on the larger context for entrepreneurship, however, we recognize how much we still do not understand about the causes and consequences of exits'.

In Chapter 2, Susan Marlow and Janine Swail argue that contemporary analyses of the exit stage of the entrepreneurial process are undertheorized, specifically when it comes the effect of gender on an actor's decision to close a business and/or exit a firm. They critique current knowledge of the relationship between gender and entrepreneurial exit on several grounds. First, because the dominant discourse in entrepreneurship research is masculine in nature (Ahl, 2006), it may be assumed that the higher number of women exiting is due to a lack of skills. Marlow and Swail argue for a broader perspective that 'recognizes the interface between agency and institutional gendered structures'. Second, they note that the way in which men's and women's life courses are 'gendered' intertwines with broader socio-economic structures in society; thereby influencing their experiences in entrepreneurship, including the processes of exit. This chapter provides seeds for explanation of the empirical puzzle that while female entrepreneurs are more likely to exit than male entrepreneurs, the predominant theoretical explanations (for example, human capital theory) predicting the likelihood of exit provide lower explanatory power for the analysis of female entrepreneurs (Taylor, 1999). The authors conclude their review of the literature on entrepreneurial exit from a gender perspective by noting that gender is a social construct performed by both men and women, but where men hold 'the default' position. This suggests that in studies of 'female entrepreneurship', women are positioned as 'the gendered subject' and investigated as something different and an exception from the norm; masculinity is positioned as natural and normal. Given that more than one-third of all businesses started in the developed countries are run by women (and in several developing countries more than one-third), this is a notable insight that deserves further attention by researchers interested in both entrepreneurial exit and gender studies.

In Chapter 3 Kelley A. Packalen provides an intriguing longitudinal study of the post-exit diffusion of research ideas from a large biotechnology venture. Drawing on network and life-cycle perspectives, the chapter uses archival data to map the evolution of patents, product development and individual careers during and subsequent to the firm's exit. In analyzing three distinct types of partnerships that the firm initiated in its attempt to commercialize research, Packalen finds that the type of partnership initiated, as well as the stage of product development (for example, how much knowledge has been codified) when the partnership is terminated, and/or the firm is discontinued, can influence both the likelihood of finalized product development as well as the resale value of the innovation. When innovative assets such as patents and product trials are sold, they are ripped from their network of tacit information and new owners struggle to understand the private knowledge within which the public knowledge is embedded (Hayek, 1945). As such, the codified knowledge assets remaining after firms have been dispersed may not be fruitfully developed in future products (Hoetker and Agarwal, 2007) without access to the network of individuals who held important tacit information. Further, Packalen finds that, among individuals involved in the venture before its exit, the type of network connection with others (tie strength) rather than centrality in the network may predict the likelihood of reconnecting with portions of the network following exit. This serves as a reminder that, while the survival of new ventures remains low and even innovative ventures often do not survive for more than a few years, the networks established during the early venture creation stage may outlast the venture and bring significant social and economic spillovers, including the creation of new enterprises. Packalen documents 18 biotechnology firms founded by individuals attached to the venture during the years following its exit. This chapter highlights the importance of social networks in studies of entrepreneurial exit. While there is a dearth of research highlighting the importance of networks during the venture's inception and growth stages (Aldrich and Zimmer, 1986; Larson, 1992), this is the first piece of work that we are aware of that has examined networks during exit.

In Chapter 4 Saloua el Bouzaidi reviews the research on the exit of venture capital (VC) investments, an important topic in entrepreneurship. She discusses current knowledge about the end of the financial and contractual relationship between VC investors and the entrepreneur, including determinants and timing. In doing so she distinguishes between formal and informal VC firms, with professional VC firms representing the former and business angels the latter. VC firms serve as intermediaries between investors (fund providers) and entrepreneurial firms in need of capital and competencies. Business angels, on the other hand, are private individuals investing their own funds and competencies in early-stage (seed) investments. In this way, both types of investment occupy a central role theorized by Schumpeter (1943) as 'the capitalist', a necessary ingredient for innovations to reach the market. El Bouzaidi notes that, while there is a large literature on VC investments in entrepreneurship, management and financial economics, most studies to date have not attended to the potential impact of the differences between VC firms, such as the size of the investment firm. She also notes that important industry differences have rarely been attended to in the literature, but that it is likely that components in the exit process such as the bidding and bargaining power of prospective acquirers in a trade sale exit may differ largely across industries.

In Chapter 5, Joseph Farhat and Alicia M. Robb discuss the opportunities for entrepreneurial exit researchers to conduct analyses on the publicly available data set, 'the Kauffman Firm Survey' (KFS). They review central components of the data set, such as its target population and sample design, and provide indispensable background data for scholars interested in using the KFS. The second part of the chapter discusses the well-known models of event history analysis, widely used in macro-sociology, strategic management and economics, but hitherto quite rarely used in studies on entrepreneurial exit. Farhat and Robb discuss both bivariate types of analyses such as Kaplan–Meier graphs and life tables, as well as multivariate types of analyses. Among the multivariate types of event history analysis, they explain the differences between semi-parametric models – necessitating few assumptions in regard to the distribution of the underlying data – and parametric models, which are based on differing types of underlying distributions. An additional and important point raised by the authors is the need to consider the frequency of collection of data (in other words, annually, quarterly or monthly). For example, because event history models tend to assume 'continuous' time, which research design often cannot accommodate, studies based on yearly data need to consider discrete time models, which the authors explain and exemplify in their chapter.

A unique and central aspect of entrepreneurship research is its close connection with business practice. In Chapter 6, serial entrepreneur Gary Salomon provides a retrospective case study of the exit process in his previous venture, FASTSIGNS International. Solomon outlines 'critical junctions' during the inception, growth and exit stage of his venture. In doing so, he provides his own reflections as well as outlines potential research questions for scholarly investigation at each of the three stages. Among other topics, he discusses the important aspects of intellectual property protection and how to manage important relationships, specifically dealing with the legal ramifications of running a partnership with another co-founder. At the exit stage, Solomon discusses the important tradeoff between 'money and control'. A common fear of entrepreneurs is losing control of their venture and issuing outside equity. Solomon discusses the importance of considering the goals and criteria that debt and equity holders may put on the company and what may happen if the original owner–CEO fails to meet those goals.

In Chapter 7, Sohrab Soleimanof, Michael H. Morris and Imran Syed discuss and theorize on the dual roles of individual retirement and entrepreneurial exit. They discuss how often these decisions are jointly considered among entrepreneurs who have spent a long part of their life building their business. Drawing on research in career theory and the theory of planned behavior, they discuss the role of retirement decisions as a factor in the formulation of exit strategies. Soleimanof and colleagues highlight unique aspects of the entrepreneurial role, such as ties between the entrepreneur's identity and the venture, and the entrepreneur's relative level of control over the retirement decision, both of which may impact retirement planning. The chapter presents a conceptual model linking retirement intentions, exit effort and exit strategy. From the model a number of research propositions are derived. Given the aging workforce in many developed economies, research on age, retirement and entrepreneurial exit is timely and a subject that may yield several new insights for entrepreneurship research.

In Chapter 8, Edwin Weesie and Lex van Teeffelen discuss psychological barriers toward business transfers (exits), and the coping strategies that entrepreneurs utilize to deal with such barriers. Their chapter provides a literature review of relevant research in entrepreneurship, psychology and family business, and presents a conceptual model highlighting central aspects related to both the exiting entrepreneur, his/her firm, as well as the potential successor. Based on their review and theorizing on the psychological barriers that exiting entrepreneurs may face, they outline several suggestions for researchers interested in the psychological components of business transfers. Specifically, Weesie and van Teeffelen discuss the need for explorative, as well as theory-testing/theory-developing research, and discuss how qualitative research, surveys and experimental designs may be gainfully employed. They also discuss the potential practical and policy ramifications of such work, highlighting that with an aging demography of small business owners, a deeper understanding of the psychological barriers that entrepreneurs experience during a business transfer may assist business owners in their efforts to sell their company.

In Chapter 9, Christina Wicker and Per Davidsson discuss the emotional aspects of exiting during the early stage of development of a firm. Their chapter takes its starting point in the stylized empirical fact that most new businesses are disbanded, and the central aspects are how long it takes for them to go out of business and why. Wicker and Davidsson use the metaphor of love to theorize what may cause prospective business founders to give up a promising start-up effort while others cling to their firms for lengthy periods without making progress. Drawing on Sternberg's (1986) triangular theory of love as a conceptual framework, the chapter highlights three emotional components – intimacy, passion and commitment – as predictors of prolonged relationship (with a nascent firm). In developing their model, they also discuss potential measurement of the emotional components. Wicker and Davidsson argue that development and testing of their model would allow for a rich type of analysis of the interplay of emotion and action – specifically, how forms of 'love' evolve in the context of start-up efforts, why 'higher' forms of 'love' fail to evolve, and the effects with which the different types of 'love' are associated. They also discuss potential contingencies in terms of team engagement in entrepreneurship, as well as differing effects of love at various stages in the entrepreneurial process.

In Chapters 10 and 11, scholars Yolanda Sarason and Grace Hanley (Chapter 10) and Jason Lortie (Chapter 11) examine entrepreneurial exit from the social venture. In both chapters the authors argue that exiting from a social venture is uniquely different than from exiting a for-profit venture. Drawing on different theoretical perspectives, Sarason and Hanley develop propositions surrounding whether entrepreneurs will have an exit strategy and the likelihood of exiting, while Lortie develops propositions to examine the relationships among cash flow, resources, control and both the intention to exit and the intention to exit/exit behavior relationship.

In their chapter, Sarason and Henley draw on structuration theory to explore the discovery, evaluation and exploitation of opportunities for social ventures. Their work is illustrated with rich examples from well-known exits, including Tom's of Maine, The Body Shop, Ben & Jerry's, and New Belgium Brewing Company. They argue that the 'exit options for social ventures often conflict with company purpose, since measures of success for social entrepreneurs often extend beyond financial measures to a focus on achieving a social mission'. Sarason and Hanley's propositions suggest that the 'meaning' surrounding the social and sustainable venture impacts whether the entrepreneur will have an exit strategy and the likelihood that they will exit. Subsequently, they examine both values and resources on the exit. Their work is unique to the exit literature not only in its focus on social entrepreneurship, but also because they utilize a theoretical perspective combined with rich cases, which allows for additional theory development, as well as providing real-world examples from which to compare and examine theory.

In Chapter 11 Jason Lortie draws on the resource-based view (RBV) and agency theory to explain and develop propositions surrounding the entrepreneur's exit intentions and the intention to exit/exit behavior relationship. He develops a model that utilizes RBV to develop antecedents to explain why entrepreneurs might have an exit intention and utilizes agency perspectives to explain how social entrepreneurs might exit. Specifically he argues that the ability to keep a controlling interest, the ability to contractually obligate new owners, and the ability to keep managerial control moderate the relationship between the intention to exit a social venture and actual exit behavior. Both Chapters 10 and 11 offer considerable insight into the social venture and the complex decision-making that exists for the social entrepreneur.

In the final chapter (Chapter 12), Anna Jenkins, John Steen and Martie-Louise Verreynne examine a topic new to the exit research – that of firm relocation. They propose that firm relocation is a distinct form of exit at the regional level of analysis. Their work is quite convincing in arguing that an understanding of which firms are likely to relocate may help inform policies surrounding the attraction and retention of firms in a particular region. From a policy perspective this is a critical topic because regions often try to lure firms to their region through incentive packages such as tax rebates and subsidies. For disadvantaged regions, firm relocation is often seen as a way to stimulate employment and economic growth. In this research Jenkins et al. develop a summary literature review on firm relocation, and in doing so propose that initial location choice, types of relocation (inter- and intra-regional) and triggers for relocation (push factors, pull factors, stay factors) impact decision-making. They conclude with the impact for both individual-level and firm-level research. Their work is another example of the wide range of topics that belong under the heading of entrepreneurial exit.

In summary, the chapters in this handbook examine unique topics, including a historical perspective, gender and exit, retirement, psychological barriers, emotional aspects, VC funding and firm relocation. In addition, the chapters examine what happens to people and ideas at exit, the unique aspects of exiting a social venture, and an examination (from a serial entrepreneur's perspective) of what is important for researchers. Uniquely the handbook provides information about the Kauffman Firm Survey, which is a powerful and under-utilized tool to examine entrepreneurial exit. The chapters are the contributions from scholars from all over the world, including Australia, France, the Netherlands, the UK, Sweden and the USA; this provides not only an international perspective, but also a world-view of the importance that entrepreneurial exit holds for the domain of entrepreneurship. As editors of the handbook we are thrilled with the interest and the progress into an area of research that just ten years ago was in its very infancy and is now becoming more mainstream. The chapters in the handbook also point to the importance of finding like-minded scholars in specific areas of research interest at conferences worldwide, even if you believe that the extant research is limited and the number of researchers is small. Best of luck in all your research and your exits!

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