



Why Do Entrepreneurs Quit? An Exploratory Analysis

Brajaballav Kar^{1*}, Dr. Surbhi Kapur² and Ashok Kumar Panda³

1. School of Management, KIIT University, Bhubaneswar, India
2. School of Management, KIIT University, Bhubaneswar, India
3. College of IT and Management Education, Bhubaneswa, Indiar

Most of the entrepreneurial venture exit business in first few years. Failures are more common than success. Entrepreneur and firm as distinct entities can quit market together or individually. The firm survives through transfer of ownership and entrepreneur survives through different avocation or a subsequent entrepreneurial attempt. Quit may not be final for entrepreneurial process. Entrepreneurial exit is a contrarian action to venture creation and thus has to be result of fundamental paradigm shift. The intervening period between venture creation and exit is a measure of entrepreneurial persistency. The objectives to understand the antecedents and contexts dictated an exploratory research design. Quit is generally labelled as failure and very few like to be identified as one. This aspect creates a methodological limitation for the research design. Through a purposive selection, a focus group discussion (FGD) was conducted among the entrepreneurs who have exited. FGD was video recorded. Transcript was prepared and verified from the participants. At the first stage entrepreneurs discussed about their own context of exit and subsequently the group discussed about common exit factors. Findings of exploratory research with purposive sampling can't be generalized, however this research finds exit factors not reported in previous researches. Entrepreneurial exit is influenced by personal factors, market forces and social factors. Under socio-cultural factors this research finds that sabotage, general lack of employee professionalism influences exit decision. For further substantiation and generalisation, a multi-method approach to this research is proposed. The findings help in creating entrepreneurial awareness and emphasize the need of having mitigation strategies for such risk of exit.

Keywords: entrepreneurial venture, Entrepreneurial exit, Personal factors

INTRODUCTION

An entrepreneur who starts an organization may not think of business closure or failure but exit is an incidental reality, rarely planned in the beginning. Business mortality is

higher (Hayward et al, 2006; Parsa et al., 2005) and most start-ups close within 2 years (Cressy, 2006); Organisation for Economic Co-operation and Development country data indicate that about

*Corresponding author: Brajaballav Kar,
School of Management, KIIT University, Bhubaneswar, India
E-Mail: brajkar@gmail.com

forty to fifty percent of the new firms survive for more than seven years (Bartelsman *et al.*, 2005). Researches elsewhere indicate that about fifty percent of new firms exit within the first five years of their existence (Dunne *et al.*, 1988; 1989; Reid, 1996; Audretsch and Mahmood, 1995; Geroski, 1995; Mata *et al.*, 1995; Johnson, 2005). Higher level of exit during initial years merits investigation. It is indicated that the understanding of entrepreneurship is incomplete without understanding exit (DeTienne, 2010).

Various researches indicate different causes of exit. Firm exit is found to be correlated with rate of entry (Bartelsman *et al.*, 2005). Geroski (1995) pointed out that the mechanism of displacement as a consequence of entry affects new firms severely (Baldwin and Gorecki, 1987, 1991). Firm survival depends on entrepreneur's personal, firm specific and environmental factors (Strotmann, 2007). Abbring and Campbell (2005) argue that the entrepreneur's option to exit discovers the value of the firm which otherwise would have been difficult to estimate.

Many researchers have classified exits into different types (Stokes and Blackburn, 2001) and many reasons like financial failure, failure to meet entrepreneur objective, trust deficit, cash and tax problems are attributed for exit. Wennberg (2011) has listed different definitions of exit and indicates it to be influenced either by the environment or the entrepreneur. Van Praag (2003) distinguished between compulsory exit and voluntary exit, which prompts an alternative definition of business success; the longer a firm survives and prevents involuntary exit, the more successful it is. DeTienne *et al.* (2015) developed the exit typologies as "financial harvest", "stewardship", and "voluntary cessation".

Though business closure has obvious negative connotations, there are positive aspects of closure as well. It is argued that business closure releases societal resources from an inefficient use. Firms in financial difficulty or good with performance exit through liquidation or sale (Wennnberg *et al.*, 2010), so researchers conceptualize exit as a utility-maximizing problem. Exit may be a planned strategy to reduce incurring loss (Headd, 2003), the firms with higher resources for disposal have better chances of survival and

demographic factors like race and gender played negligible role in determining survivability and closure. Exit may act as a positive lesson and motivation as an outcome (Stokes and Blackburn, 2002) for entrepreneurs; it may also increase the understanding of the processes, skills and improve the customer base (Stokes and Blackburn, 2001). Thus it helps in subsequent attempts. Stokes and Blackburn (2001) proposed that entrepreneurial exit should be viewed as "revolving door" rather than "one-way exit". Rocha *et al.* (2015) indicated that subsequent attempts after an exit are not necessarily less successful; such entrepreneurs are found to persist longer.

The attempt to find positive aspects of business exits has been strongly criticised by some researchers calling it a softer approach to entrepreneurial failure (Coad, 2014). Since most of the exits are unsuccessful, Coad (2014) takes the stand that exits are better called as "Business deaths" and indicates that attempt to find any positive outcome as research bias.

LITERATURE REVIEW

The following sections briefly discuss various reasons of exit.

Entry Mistakes

Some exits could be early failures due to mistakes related to entry (Cabral, 1997; Geroski and Mazzucato, 2001) and lack of willingness and seriousness on the part of entrepreneur. Such entry mistakes are attributed to entrepreneurial confidence, over optimism, and illusion (Cervellati *et al.*, 2013). Many attempt of entrepreneurship is identified as disguised unemployment and more likely to exit first (Earle and Sakova, 2000).

Necessity Entrepreneur

Necessity entrepreneurs exhibit lower survival rates of their businesses than opportunity entrepreneurs (Furdas and Kohn, 2011) but such findings are contested as well (Block and Sandner, 2006). In case of economic growth, the employment situation is likely to grow and business value may appreciate. Thus it presents chance for both opportunity as well as necessity entrepreneurs to exit. However, the fact that a substantial proportion of new-firms close within few years would make exit equally likely irrespective of type of entrepreneurs (Kar, Mishra and Mohanty, 2014).

Maximizing the gain or minimizing the loss can be considered as successful exit.

Industry Characteristics

The industry-specific requirements including economy of scale and the innovativeness (Audretsch, 1991; Agarwal and Audretsch, 2001) significantly impact entry, exit, and survival of new firms. In industry sectors where minimum efficient scale (MES) is high, smaller entrepreneurial firms are likely to incur higher costs, and therefore, go out of business within a short period (Lotti and Santarelli, 2004). Industry associations indicate various constraints faced by entrepreneurs such as: capital constraints, lack of timely and adequate finance, low knowledge, skill and technology base, limited production capacity, inadequate marketing in existing and new markets, non availability of skilled resources at affordable cost and government liaison to resolve problems. The World Banks report on India (2014) indicates obstacles such as corruption, electricity, tax, practice of informal sector, access to finance, labour regulation, land access, political instability and lack of educated workforce as top obstacles. Each of them could be a possible factor of entrepreneurial exit but it is to be noted that such factors are collected from the entrepreneurs who have not exited.

Higher Level of Entry

The findings that 50 percent of the firms survive after 5 years (Dunne *et al.*, 1988) alternatively mean that higher level of entry would imply higher level of exit. The entry and exit in a given market is likely to show macro-level stability. In a growing economy and emerging sector, the entry and exit rates will not remain fixed. In a stagnant economy, however, a higher gross and net new-firm formation rate may indicate undesirable social condition (Hobday and Afonso de Barros Perini, 2009). It may also reflect larger number of necessity entrepreneurs and less employment opportunities (Naude', 2009, 2010).

Performance

Some exits have been attributed to superior performance and is classified as 'entrepreneurial exit' (Detienne, 2010; Wennberg et al, 2009) but exit due to poor performance has been called 'entrepreneurial failure' (Samuels et al, 2008; Wennberg et al, 2009). Failure is caused by

uncertainties and mistakes of the entrepreneur (Cardon, Stevens, and Potter, 2011). Mismanagement, unrealistic expectations, pride, financial issues and inadequate innovation are few mistakes indicated by Cardon et al (2011). Strategic planning (van Gelder et al, 2007), resources (Michael & Combs, 2008), pride (Hayward et al, 2006), uncertainty (Mc Grath, 1999), overconfidence (Muir, 2007) and lack of role model (Vaillant, 2007) have also been projected as causes of entrepreneurial failure.

Stigma

In few cultures there is stigma attached to business entry as well as failure (Simmons et al, 2014). Stigma during the entry could manifest in terms of economic and social sanctions. If the entry is stigmatized in a culture, it is very likely to prompt an exit. Stigma associated with failure could prompt the entrepreneur to actively engage in behaviour for business survival and persistency. Such failures may be less talked about or treated as taboo.

Managing Conflicts and Ethics

Business has to manage conflicts and issues related to ethical practices. The choice-sets could present multiple directions that would lead to conflicts and unethical practices. If such conflicts are not managed then it could trigger an involuntary exit of entrepreneurs from business (Collewaert and Fassin, 2013).

Personal Factors

Research indicates that exit is not due to economic considerations only. The role of the entrepreneurs as well as the environment impacts exit (Simon et al, 2000; Ottesen and Gronhaug, 2005; Hayward et al, 2006; Vaillant, 2007). Goal dissonance has also been proposed to be one of the exit conditions (Seshadri, 2007) Human capital, gender and family situation could have an impact on voluntary exit decision irrespective of the level of firm performance (Justo and DeTienne, 2008). The Big Five Personality type has been related to exit (Wilfling, 2012) in which agreeableness is negatively associated with exit, neuroticism causing dissatisfaction is positively related whereas neuroticism causing overinvestment is negatively related to exit and extraversion is positively related to exit.

Exit and Re-entry

In many cases exit is not final, there are multiple attempts before success or a final quit. Exit and re-entry could be similar to persistency but fundamentally different. Kocak et al (2010) studied the exit and re-entry process from human and social capital perspective. They indicate that experiential and educational dimensions of human capital are instrumental in the re-entry process. The study finds that structural and relational dimensions of social capital are cardinal factors that influence the re-entry process. Research also indicates that recent exit reduces the probability of subsequent entrepreneurial engagement. This probability is also influenced by gender, network and attitude towards failure (Hessels et al, 2011).

Research Gap

As indicated in the literature review, extant literature has mostly tried to characterise entrepreneurial exit from different perspectives and contexts. Wenneberg (2011) indicated that 'exit' gets much less attention compared to 'entry' and DeTienne et al (2015) contend that it is a major event of a venture. The literature stops short of the actual causes or contexts which triggered an exit decision. The factors might have been present earlier or emerged in due course of the business which became unmanageable prompting an exit. It is more exacting than entry decision. Thus exploration of the factors influencing the exit intention is warranted.

Objectives

The research tries to investigate the specific circumstances which triggered entrepreneurial exit decision.

RESEARCH METHODOLOGY

Since exit is a contrarian action to entrepreneurial endeavour and a planned behaviour requiring revisit of prior frame works for entry, it would mean a higher level of effort. In a given context few entrepreneurs persist but others quit. This necessitates an exploratory frame work to understand the context as well as the decision framework of entrepreneurs. Exit as a phenomenon is paradoxical to entrepreneur as an archetype, this paradoxical complexity prompted phenomenology as the research design. Phenomenology is indicated to be "lived experiences" (Groenewald, 2004) and used as a form of research design, where the sharing

of lived experiences takes place. The entrepreneurs who have quit would explicate the decision frame work from their own lived experience.

Focus Group discussion (FGD) has been indicated as a qualitative tool (Morgan and Spanish, 1984; Frey and Fontana, 1991; Wong, 2008), for exploratory research (Kreuger and Casey, 2014), and also used to evaluate or develop set of activities (Race et al, 1994). FGD is used as a standalone method or in combination with other methods for triangulation and validity check (Morgan, 1997). It helps generating hypotheses (Powell and Single, 1996) and is suitable to understand the subjective experiences and attitudes (Carlsen and Gleton, 2011). The number of participants in the group is suggested to be between 4 and 12 (Krueger and Casey, 2009; Kitzinger, 1995; Bender and Ewbank, 1994; Steward et al, 2007). Generally the attempt is to get to the "theoretical saturation" (Glaser and Strauss, 2009).

Authors of this article are practicing academicians and previously two of them were entrepreneurs. All were present and facilitated the group discussion. Prior to FGD, factors of exit were identified and documented though literature review for referencing during the discussion. Participant selection for the FGD was purposive, they were identified from contacts and approached over telephone and a convenient date and time were decided for the FGD. Initially seven participants were identified based on different industry experience, however, one participant could not be present during at the FGD venue. Participants were informed about the study objective and it was ensured that they had exited at least from one of their entrepreneurial venture. Participants were introduced to each other prior to the discussion.

Reporting of the qualitative research and more specifically FGD has been indicated to be having no specific standard, however, there are a few guidelines and check lists (Tong, A. Et al, 2007). This article adheres to the check list as appropriate.

TABLE 1 HERE

The information indicates five entrepreneurs started their firm in their late twenties or early thirties. One participant started it in his early forties. All of the participants were highly qualified being at least a graduate. All except one chose employment after their exit. The participants

were in the service sector (Hotel, logistics, retail, NGO, software, education and training) and all except two exited within the first two years of operation. Only one participant continued for about ten years before exiting. All of them tried more than one business during their entrepreneurship stint. Only one participant is still actively pursuing entrepreneurship and the rest have actually quit entrepreneurship as a career. By the time of FGD two of the participants still have their registered organizations but without any operations.

The complete discussion was recorded. After the objective was clarified, the participants discussed about their venture and circumstances which prompted them to exit. The researchers took their own field notes during the discussion and intervened to get more clarity as required. The pre-prepared document on exit factors was referenced by the researchers during discussion. There was no time limit set for the FGD, the discussion ended after all the participants agreed that there were no further points to discuss, the process thereby indicated saturation. The transcript of the FGD was shared with the participants later to verify the accuracy and intended meaning of their expressions.

Analysis and Reporting

The sentences reflecting the factors of exit were noted and identified with the short form of the names of each participant as indicated earlier. The context is described subsequent to the factors to elaborate.

FGD indicates the presence or absence of a view rather than its strength. A consensus does not indicate that the individual opinion is overridden (Sim, 1998) and it may be objectionable to generalize the findings. The FGD was emergent in nature each participant discussed about their own contexts of exit. The sections below discuss various factors that emerged:

1. Market Factors, Volatility and Business Cycle

Business Cycle: Influence of market conditions on firms is common knowledge; however, the impact of market forces on new ventures is more serious.

"Started in a franchisee mode in the year 2000 and there was 2009 recession. Student intake got reduced. When I started there was no competitor." (BRP)

"The MBA market got dried up in 2010 we realized that it is not going to happen. Let's wind up." (JB)

The above statements indicate a recessionary trend as well as lack of competition during the starting time. The impact of recession was accentuated by more competitors. General recession could prompt existing market players to foray into hitherto unattractive locations or markets, thereby increasing the impact on localized entrepreneurs. Entrepreneurs would try and operate at a threshold survival mode before closure.

Investment and cash flow:

The new entrant should be able manage its resources and most importantly the cash flow. If the risks are faced sooner than anticipated, resources of the new-firm may be inadequate to tide over the difficult situation. Resource base of the incumbent firm and the new entrant changes the competitive scope. The resource base and the entry time of competitor are difficult to be predicted. Similarly with low resource base there are very few strategies that could be followed to fend off competition.

"Marwaris invest huge amount. It was not my cup of tea." (SKP)

"I did not get good investors. Investor money was black money, mafias, the massive advertisements. Competing with that kind of money is simply not possible." (BRP)

The statement indicates the role of investors at various stages of business life cycle, the entrepreneur needed money for growth and the preferred mode indicated is investor. It is not about any investor, the indicated preference is for a "good" investor. It could become a choice between the devil and the deep sea. Entrepreneur may decide to quit in case the mode is not preferable.

Market brings the inefficiencies in operation to the fore. Low level of cash generation does not accumulate adequate reserve to tide over a slump. Usually for a new venture, the business is not diverse in nature, so the cash flow is not spread across. Arrival of new competitors pushes the margin down, thus the venture gets pushed to the wall.

Role of Competitors

Existing competitors would thwart any attempt of an entry to the market. Intermediaries would create complexities to extract value from the new venture. They would realign the exiting business network to derive their benefits. Seemingly non-actors in the value chain would influence by making their services constrained, which the entrepreneur assumed to be existing and as a default. Depending on the bargaining power they can choke the entrepreneurial organization out of the market. It may become socio economically unviable for the organization and entrepreneur to continue. The value chain would break creating exit condition for the entrepreneur.

Sabotage

At times new firms are sabotaged against. New firms would not have structure, processes, procedures or resources for secured operation. It would be an easy target when it runs majorly on trust.

"It is not practically possible to inspect the transshipment point physically. So at the transshipment point the material was stamped as received, but it was not physically received."... "Started 2004 closed in 2004. The loss was 2.2 million INR. It ran for 6 months, initial investment was 0.8 million. We could not arrange more funds after the loss. It was a case of cheating and fraud (SKC)"

Work Culture

Culture is the bedrock of entrepreneurship. It also has to be supported by workmanship of the highest order. Disconnect between the entrepreneurial

spirit and work culture would tilt the balance towards exit.

"In Odisha there is a mindset to cheat. Even if you tell your people about the importance of quality work, people will still not adhere to the standards as a result, the product gets rejected. Workmanship becomes an issue."(GR)

"We used to export granite slabs. The specification was very stringent and we used to train the employees to cut it to specification, but most of the time the cuts were not in size and there was rejection. (SKC)"

A start up organization has several resource constraints. Small scale entrepreneur attempts to surmount such constraints through dedication, workmanship, service quality and perseverance. This attempt should be supported by the team including the workers.

Independence

Independence is the hallmark of entrepreneurship. Independence in decision making and execution becomes crucial for the sense of ownership. If management consists of partners or family members without demarcated role and responsibilities then conflicts do occur. Such conflicts are often tacit in nature and are aggravated by inadequate conflict resolution mechanism.

"At one time I could not think it was mine. I felt stuck up and not able to expand my boundary" (GR)

"There were many conflicts, open conflicts"

These could indicate that gradually the entrepreneur would lose that sense of ownership and dedication towards the business. Few of the obvious choices are to split, dissolve or exit in the best interest of the organization. If the sense of independence is compromised, then it influences exit decision positively.

Impact of The Value Chain

It is myopic to ignore the links involved in a product or service delivery process. From the producer to the final consumer, the role of value chain becomes significant. Offering of the entrepreneur is moderated by the value chain involved. It may be beyond the locus of control of an entrepreneur. Also in different market contexts, the importance of different actors in the value chain changes. It may not be a situation every entrepreneur would like to get in or address.

"Students became fewer and fewer. There were brokers there. I always had strong moral and ethical mind. I became silent to pay money to brokers for getting students (JM)."

If the market demand decreases, the relevance of each changes and there is a price to pay. Low resource base, adverse market condition lowers the bargaining power of the start up organization. But since a different actor in the value chain gets control over resources, s/he would like to extract the usurious price in adverse conditions thereby create a constraining situation for the new-firm and the entrepreneur to quit.

Role of intermediaries

The larger question is "Does the new venture get a fair deal"? New venture indicates a socio economic value creation process. Other existing actors would sense the signal and align themselves to appropriate part of the value. Depending on the situation, the value extraction process may or may not be beneficial to the new venture.

"I realized that there are also middlemen, who would like to have commission. I called it quits," (JM)

"Intermediaries and service providers make the system more complex. It prevented me from indulging in these activities. I was not convinced that this is the way to promote and run a business... Everything dirty around it. (JM)"

"Temple priests of Puri dictated the terms (GR)"

"Police came, electrical people came, local guys came. It was not giving me peace of mind." (SKP)

Expected Growth

Entrepreneurs have growth expectations moderated by internal or external context of the organization. The resultant growth foreseen should be acceptable to the entrepreneur. If the difference between the expected growth and realizable growth is high, then it could introduce dissonance and trigger exit process.

"I wanted to see the growth which I had visualized. My parents did not want to grow, their view was not to take stress.... There has been lot of conflict." (GR)

The expected growth could be for the organization or entrepreneur. There needs to be harmony between these two growths. Secondly, in case of multiple founding members or stake holders, there could be multiple growth expectations. Managing growth with multiplicity of constraints is a major challenge and multiple stake holders have to agree to the growth expectations in an entrepreneurial venture. Conflicting expectations can induce entrepreneurial exit. In entrepreneurial ventures mostly such conflicts remain implicit without a conflict resolution process. Such conflicts sap the energy and passion of the entrepreneur.

Value Mismatch

Business situations offer challenges to ethics and values of an entrepreneur. But more often than not the values of the entrepreneur are put to test. Personal values of the entrepreneur must accommodate the compromises necessary for the organizational survival. At times the earlier priorities of entrepreneurial values have to go for a drastic reorientation for the new venture.

"I have been a banker, and had credibility etc. It did not appeal to me. I understood that you can't get project without doing all these." (JM).

"I was not ready to compromise my values to serve the society." (JM)

"Met middle man and offered commissions. My father and mother did not agree, not comfortable to give commissions." (GR)

If the entrepreneur is not able to reorient the priorities, it becomes a perennial internal conflict. In such a scenario, possibly the entrepreneur would call it quit.

Unknown Operating Practices: The Tricks of the Trade

Very many practices are not known to the entrepreneurs before they actually take the plunge. Much of the learning is experiential; delivery value chain are discovered or created, rule of thumbs are developed, and gut feels are evaluated during the new venture creation.

"I was powerful mentally, I thought myself to be supreme, could do anything, but realized that world is much bigger and complex. (JM)"

These practices are commonly known as industry practices which help in survival of the business. Such practices could be related to finer aspects of business functions. The new venture in its market entry stage is more likely to digress from the existing practices and try to experiment with value creation in the process. At times such experimentation to digress from the standard practices puts the organization in jeopardy. Such practices are specific to industry, locations etc.

Lack of Focus

It is acknowledged that the entrepreneurs have high efficacy and skill levels. Sometimes it proves their undoing as well. Entrepreneurs may find many markets as equally lucrative, attempt to offer different services or products requiring different focus. As a result the resource concentration diffuses and over a period organization becomes unsustainable.

"We did not factor in our personal expenditure, all of us thought we are capable enough to earn our livelihood and not charge our business."(JB)

"We got different assignments which were equally lucrative and demanding. Thus our business took a back seat. Our energy got diverted." (JB).

"Two of them left in between, the spirit got sapped." JB

High efficacy at times sways the entrepreneur into multiple directions thus losing the focus on the core offering. Various constraints (related to team, cash flow, family etc) shift the attention of the entrepreneur and re-aligning the effort back becomes difficult. Literature indicates that closure of business impacts the efficacy positively. Motivation and ability to do better the next time indicates serial entrepreneurship process (Stokes and Blackburn, 2002).

Life Stage

Entrepreneurs come from all ages. Research suggests that there is no dominant age group for entry into entrepreneurship.

"Life stage was also important, had we been in our early twenties, we could have turned it around. Family did not explicitly comment, it was done implicitly, but it was difficult to respond to those."JB

"I did exit the third business because of my personal reasons. My baby was growing and I could not give enough time." (BRP)

The statements expressed in the group discussion allude to life stage or age being one of the determinants of exit. Entrepreneurship requires more time, commitment, passion and perseverance. Such extreme degree of commitment may be difficult at various life stages.

Altruism

At times, entrepreneur may decide to exit even if the business is running fine. Entrepreneur

may like to see the growth of the organization and people managing the entity rather than identify him/her with it. Such cases would be more pronounced in family businesses, where the entrepreneur acted as a proxy or made other partners proxy to start the business. Once the business is established, the entrepreneur would like to exit, to maintain familial or social harmony.

"At times, to make a business successful, Entrepreneurs must exit."(GR)

In such kind of cases entrepreneur may put higher priorities to other factors than the financial factors. This could be construed as altruistic intention.

FINDINGS AND DISCUSSION

The FGD indicated most of the exit factors as documented in the literature; however, it did not indicate usual factors reported in industry reports such as "location", "sale for profit", "old age or health", "tax or legal issues", "suppliers", "credit availability or bank loan" and "public hostility". The participants did not indicate larger concern about policies and also did not indicate wrong entry as a cause of exit. Entrepreneurs take the existing policy conditions as given and operate within it. However, corruption and excessive rent was indicated as inconveniences.

If the enterprise is not giving adequate economic returns, the immediate hold responsibilities become burdensome for the entrepreneur. The entrepreneurs exhibit a propensity to continue at a subsistence level by trading off of current income with expected earning in future. In a sense it is a degree of sacrifice of the current living standard, but can be pursued till a threshold. Low income during the initial period is psychologically compensated by the sense of independence. If this very sense of independence is compromised, the entrepreneur contemplates quitting.

Employees of an entrepreneurial venture have a crucial role to play. They may not possess adequate skills but are expected to deliver their best and be

committed, so that the new venture can establish itself. Entrepreneurial venture usually can't fulfil the employee expectations in terms of pay, perks, amenities and social security. The market expectation and the ability of new firm have to match for sustainability. Employees may jeopardise or sabotage prompting an entrepreneurial exit.

In few cases, the firm as a legal entity is made to hibernate without any operation but not dissolved legally or ownership is not transferred. Practically it is an exit because entrepreneur has a different avocation, but it is contested that such an entrepreneur holds on for an anticipated opportunity in future indicating a re-entry. This stage could be indicative of entrepreneurial persistency or a wait till the right combination of resources are available. So a firm exit and an entrepreneurial exit needs a distinction. None of the participants in the discussion indicated to have sold their business. Firm exit in form of sale or dissolution as a value creation mechanism seems inadequate. It is apparent from the fact that the entrepreneurs hold on to the legal entity rather dissolving it. The perception that a older registered firm without any operation has higher value is worth investigation. Existence of such firms in limbo also points to larger question of lack of market and transaction charges entrepreneurs are ready to pay for new registrations rather than buying existing ones. Such market will direct the effort of entrepreneur away from initial administrative procedures as well.

This research identified factors like 'threat from competitors' and 'rent seekers or law enforcement agencies' as factors influencing exit decision. Prior to actual exit entrepreneurs encounter unanticipated risks, lose control over the value chain and face ethical dilemmas. Incumbent competitors find it easier to thwart a new entrant and may take drastic illegal, social and economic measures to create hurdles. These factors influence exit decision. However, if these factors are to be taken as de facto entrepreneurial context, then it indicates a threshold level beyond which it makes no sense for the entrepreneur to continue. It was opined that at exit, the low probable risk becomes more pronounced. The risk re-assessment could

trigger an exit. One participant summed it up precisely as below:

“Exit is a mental stage. The mindset could indicate fear or greed. Greed could be of achieving the gains quickly or panic situation could trigger fear. It happens when the risks or rewards of very low probability is faced” (GR).

Limitations

The identification of entrepreneurs who exited their business was purposive and participants were few in this study. The limited number and single FGD does not allow the findings to be generalised. More number of FGDs with different samples may generate more factors of entrepreneurial exit and indicate higher degree of saturation. The biases like ‘recency’ and ‘social expectations’ could not also be ruled out.

CONCLUSION

In addition to the existing factors influencing exit, this research finds that sabotage by employees, lack of professional work culture, challenge to independence, unethical practices of intermediaries and competitors, ethical dilemmas, lack of focus and altruism as few more factors influencing exit decision. The exit is not a conventional business decision, most of the participants indicated that the exit pangs remain. Most of the exits are not pleasant experience for the entrepreneur.

ACKNOWLEDGEMENT

Brajaballav Kar Biography

He is a B.Tech (Electrical), PGDM from Xaviers Institute of Management (Bhubaneswar) and completed his Ph. D in Entrepreneurship from KIIT University. He is an Associate Prof in Technology and Operations Management area. He is associated with journals like International Journal of Entrepreneurship, Small Enterprises Development, Management & Extension Journal and Parikalpana.

Dr. Surbhi Kapur Biography

Prof. Kapur is an Associate Prof in Business Communication area and has extensive experience in teaching, training and curricular development.

Ashok Kumar Panda Biography

He is a Professor in MBA department. He completed engineering from University college of Engineering and Post Graduation from Xavier Institute of Management, and currently pursuing Ph. D. from KIIT University. He has extensive teaching and corporate experience. He

The research acknowledges participation and contribution of the following members: J. Behera, Dr. J. Mohanty, Srikrishnapada Pattnaik, B. Pattnaik, S.K Choudhury, Genus Raj, Dr. P.C. Panda and Dr. R.N Subudhi.

REFERENCES

- Abbring, J. H., & Campbell, J. R. (2005). *A firm's first year* (No. 05-046/3). Tinbergen Institute.
- Agarwal, R., & Audretsch, D. B. (2001). Does entry size matter? The impact of the life cycle and technology on firm survival. *The Journal of Industrial Economics*, 49(1), 21-43.
- Audretsch DB, Mahmood T. (1995). New firm survival: new results using a hazard function. *Review of Economics and Statistics*, 77, 97-103.
- Audretsch, D. (1991). New-firm survival and the technological regime. *Review of Economics and Statistics*, 73, 441-450.
- Baldwin, J.R., Gorecki, P.K., (1987). Plant creation versus plant acquisition: the entry process in Canadian manufacturing. *International Journal of Industrial Organization*, 5, 27-41.
- Baldwin, J.R., Gorecki, P.K., (1991). Firm entry and exit in the Canadian manufacturing

- sector. *Canadian Journal of Economics*, 24, 300-323.
- Bartelsman, E., Scarpetta, S. and Schivardi, F. 2005. Comparative analysis of firm demographics and survival: evidence from micro-level sources in OECD countries. *Industrial and Corporate Change*, 14(3), 365-391.
- Bender, D.E and Ewbank, D. (1994). The focus group as a tool for health research: issues in design and analysis. *Health Transition Review* 1994, 4: 63-79
- Block, J., Sandner, P. (2006). Necessity and Opportunity Entrepreneurs and their Duration in Self–employment: Evidence from German Micro Data. (Working paper version of October 2006. http://www.diw.de/documents/publikationen/73/diw_01.c.98689.de/diw_sp0191.pdf accessed on 2 Feb 2016
- Cabral, L. (1997). Entry mistakes, centre for economic policy research. Discussion Paper No.1729. CEPR: London.
- Cardon, M. S., Stevens, C. E., & Potter, D. R. (2011). Misfortunes or mistakes?: Cultural sense making of entrepreneurial failure. *Journal of Business Venturing*, 26(1), 79-92.
- Cardon, M.S., Zietsma, C., Saporito, P., Matherne, B.P., Davis, C., 2005. A tale of passion: new insights into entrepreneurship from a parenthood metaphor. *Journal of Business Venturing*, 20 (1), 23-45.
- Carlsen, B., & Glenton, C. (2011). What about N? A methodological study of sample-size reporting in focus group studies. *BMC medical research methodology*, 11(1), 1.
- Cervellati, E. M., Pattitoni, P., Savioli, M., & Yazdipour, R. (2013). *Entrepreneurial Under-Diversification: Over Optimism and Overconfidence*. (Working paper)(No. 09_13). The Rimini Centre for Economic Analysis.
- Coad, A. (2014). Death is not a success: Reflections on business exit. *International Small Business Journal*, vol. 32, no. 7, 721-732
- Collewaert, V., Fassin, Y. (2013). Conflicts between entrepreneurs and investors: the impact of perceived unethical behaviour. *Small Business Economy*, 40, 635-649, DOI 10.1007/s11187-011-9379-7
- Cressy, R. , (2006). Why do Most Firms Die Young? *Small Business Economics*, 26(2), 103-116.
- DeTienne, D. R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing*, 25(2), 203-215.
- DeTienne, D. R., McKelvie, A., & Chandler, G. N. (2015). Making sense of entrepreneurial exit strategies: A typology and test. *Journal of Business Venturing*, 30(2), 255-272.
- Dunne, T., Roberts, M. J., & Samuelson, L. (1988). Patterns of firm entry and exit in US manufacturing industries. *The RAND journal of Economics*, 495-515.
- Dunne, T., Roberts, M. J., & Samuelson, L. (1989). The growth and failure of US manufacturing plants. *The Quarterly Journal of Economics*, 671-698.
- Earle, J. S., & Sakova, Z. (2000). Business start-ups or disguised unemployment? Evidence on the character of self-employment from transition economies. *Labour economics*, 7(5), 575-601.
- Frey, J. H., & Fontana, A. (1991). The group interview in social research. *The Social Science Journal*, 28(2), 175-187.

- Furdas, M., & Kohn, K. (2011). Why is start-up survival lower among necessity entrepreneurs?, A decomposition approach. In *2nd IZA Workshop on Entrepreneurship Research, Bonn, Germany*.
- Geroski, P. A. (1995). What do we know about entry?. *International Journal of Industrial Organization*, 13(4), 421-440.
- Geroski, P. A., & Mazzucato, M. (2001). Modelling the dynamics of industry populations. *International Journal of Industrial Organization*, 19(7), 1003-1022.
- Gibbs, A., (1997). Focus Groups <http://sru.soc.surrey.ac.uk/SRU19.html>, accessed on 12-12-2015
- Glaser, B. G., & Strauss, A. L. (2009). *The discovery of grounded theory: Strategies for qualitative research*. Transaction Publishers.
- Groenewald, T. (2004). A phenomenological research design illustrated. *International journal of qualitative methods*, 3(1), 42-55.
- Hayward, M. L., Shepherd, D. A., & Griffin, D. (2006). A hubris theory of entrepreneurship. *Management Science*, 52(2), 160-172.
- Headd, B. (2003). Redefining business success: Distinguishing between closure and failure. *Small Business Economics*, 21(1), 51-61.
- Hessels, J., Grilo, I., Thurik, R., & van der Zwan, P. (2011). Entrepreneurial exit and entrepreneurial engagement. *Journal of Evolutionary Economics*, 21(3), 447-471.
- Hobday M., Afonso de Barros Perini F. (2009). Latecomer entrepreneurship: a policy perspective. In M. Cimoli, G. Dosi and J. E. Stiglitz (eds), *Industrial Policy and Development: The Political Economy of Capabilities Accumulation*. Oxford University Press: Oxford, Chapter 18.
- Johnson, P. (2005). Targeting firm births and economic regeneration in a lagging region. *Small Business Economics*, 24(5), 451-464.
- Justo, R., & DeTienne, D. R. (2008). Family situation and the exit event: an extension of threshold theory.
- Justo, R., & DeTienne, D. R. (2008). Family situation and the exit event: an extension of threshold theory. Available at SSRN: <http://ssrn.com/abstract=1346078>
- Kar, B., Mishra, R., Mohanty, J. (2014). Revisiting the Factors Influencing Entry and Success of Entrepreneurship. *The International Journal of Management*, 3(3), 34-47
- Kitzinger, J. (1995). Qualitative research. Introducing focus groups. *BMJ: British medical journal*, 311(7000), 299.
- Koçak, A., Morris, M. H., Buttar, H. M., & Cifci, S. (2010). Entrepreneurial Exit and Reentry: An Exploratory Study of Turkish Entrepreneurs. *Journal of Developmental Entrepreneurship*, 15(04), 439-459. DOI: 10.1142/S1084946710001658
- Krueger, R. A., & Casey, M. A. (2014). *Focus groups: A practical guide for applied research*. Sage publications.
- Lotti, F., & Santarelli, E. (2004). Industry dynamics and the distribution of firm sizes: a nonparametric approach. *Southern Economic Journal*, 443-466.
- Mata, J., Portugal, P., & Guimaraes, P. (1995). The survival of new plants: Start-up conditions and post-entry evolution. *International Journal of Industrial Organization*, 13(4), 459-481.
- McGrath, R. G. (1999). Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management Review*, 24(1), 13-30.

- Michael, S. C., & Combs, J. G. (2008). Entrepreneurial Failure: The Case of Franchisees. *Journal of Small Business Management*, 46(1), 73-90.
- Morgan David, L. (1997). Focus groups as qualitative research. *Qualitative Research Methods Series*, 16(2).
- Morgan, D. L., & Spanish, M. T. (1984). Focus groups: A new tool for qualitative research. *Qualitative sociology*, 7(3), 253-270.
- Muir, C. (2007). Knowing When to Quit: Do Optimism and Overconfidence Cloud Inventor Judgment?. *The Academy of Management Perspectives*, 21(4), 78-80.
- Naudé, W. (2009). *Out with the sleaze, in with the ease: Insufficient for entrepreneurial development?* (No. 2009.01). Research paper/UNU-WIDER.
- Naudé, W. (2010). Entrepreneurship, developing countries, and development economics: new approaches and insights. *Small business economics*, 34(1), 1-12.
- Ottesen, G. G., & Grønhaug, K. (2005). Positive illusions and new venture creation: Conceptual issues and an empirical illustration. *Creativity and Innovation Management*, 14(4), 405-412.
- Parsa, H. G., Self, J. T., Njite, D., & King, T. (2005). Why restaurants fail. *Cornell Hotel and Restaurant Administration Quarterly*, 46, 304-322.
- Powell, R. A., & Single, H. M. (1996). Focus groups. *International journal for quality in health care*, 8(5), 499-504.
- Race, K. E., Hotch, D. F., & Packer, T. (1994). Rehabilitation Program Evaluation Use of Focus Groups to Empower Clients. *Evaluation Review*, 18(6), 730-740.
- Reid, G. C. (1996). 'Staying in Business', *International Journal of Industrial Organization*, 9, 545-56. *International Library of Critical Writings In Economics*, 61, 492-503.
- Rocha, V., Carneiro, A., & Varum, C. A. (2015). Entry and exit dynamics of nascent business owners. *Small Business Economics*, 45(1), 63-84.
- Samuels, L. B., Maheshkumar, J. P., & Demory, Y. (2008). Entrepreneurial failure and discrimination: lessons for small service firms. *The Service Industries Journal*, 28 (7), 883-897.
- Seshadri, D. V. R. (2007). Understanding New Venture Failure due to Entrepreneur-Organization Goal Dissonance. *Vikalpa: The Journal for Decision Makers*, 32(1), 55-74
- Sim, J. (1998). Collecting and analysing qualitative data: issues raised by the focus group. *Journal of advanced nursing*, 28(2), 345-352.
- Simmons, S. A., Wiklund, J., & Levie, J. (2014). Stigma and business failure: implications for entrepreneurs' career choices. *Small Business Economics*, 42(3), 485-505.
- Simon, M., Houghton, S. M., & Aquino, K. (2000). Cognitive biases, risk perception, and venture information: How individuals decide to start companies. *Journal of Business Venturing*, 15(2), 113-134.
- Stewart, D. W., & Shamdasani, P. N. (2014). *Focus groups: Theory and practice* (Vol. 20). Sage Publications.
- Stokes, D., & Blackburn, R. (2001). *Opening up business closures: a study of businesses that close and owners' exit routes: a research report for HSBC*. Kingston Business School, Kingston University.
- Stokes, D., & Blackburn, R. (2002). Learning the hard way: the lessons of owner-managers who have closed their

- businesses. *Journal of small business and enterprise development*, 9(1), 17-27.
- Strotmann, H. (2007). Entrepreneurial survival. *Small business economics*, 28(1), 87-104.
- Tong, A., Sainsbury, P., & Craig, J. (2007). Consolidated criteria for reporting qualitative research (COREQ): a 32-item checklist for interviews and focus groups. *International Journal for Quality in Health Care*, 19(6), 349-357.
- Vaillant, Y., & Lafuente, E. (2007). Do different institutional frameworks condition the influence of local fear of failure and entrepreneurial examples over entrepreneurial activity? *Entrepreneurship and Regional Development*, 19(4), 313-337.
- van Gelder, M., Thurik, R., & Bosma, N. (2006). Success and Risk Factors in the Pre-Startup Phase. *Small Business Economics* (26), 319-335.
- Van Praag, C. M. (2003). Business survival and success of young small business owners. *Small Business Economics*, 21(1), 1-17.
- Wennberg, K. (2011). *Entrepreneurial Exit*, accessed on 23 Dec 2015 from <http://www.kauffman.org/blogs/growthology/2015/07/why-do-we-care-about-entrepreneurial-exit>
- Wennberg, K., Wiklund, J., DeTienne, D. R., & Cardon, M. (2007). *Human capital predictors of entrepreneurs' exit paths*. Working Paper.
- Wennberg, K., Wiklund, J., DeTienne, D. R., & Cardon, M. S. (2010). Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers. *Journal of Business Venturing*, 25(4), 361-375.
- Wilfling, S. (2012). For Whom the Bell Tolls - Personality and various motives of entrepreneurial exit. http://druid8.sit.aau.dk/acc_papers/uqjy9s5nrxjrqr2uvo7fh20hg8jx.pdf. accessed on 8-01-2016
- Wong, L. P. (2008). Focus group discussion: a tool for health and medical research. *Singapore Med J*, 49(3), 256-60.
- World Bank report (2014). <https://www.enterprisesurveys.org/data/exploreeconomies/2014/india#corruption--sector>. Accessed on 5-02-2016

APPENDIX

Table 1: Participant Profile of participants

| Participant (Identified as) | Demographic profile | Venture and exit summary |
|-----------------------------|---------------------------------|--|
| SKP | Age 41, MBA | Started travel business from 2002 to 2003 in partnership, then started own travel business from 2004 to 2005; currently employed. |
| BRP | Age 41, Law & Commerce Graduate | Started a pharmaceutical retail business, then an Airlines staff training institute, from 2000 to 2009, became a partners in a software firm and quit. Currently employed |
| SKC | Age 42, Commerce graduate | Started logistics business from 2004 to 2006, quit it and currently has mining and real estate business. |
| GR | Age 41, Engineer | Started hotel business from 2000 to 2007, later started appliqué-work export, quit both; currently employed. |
| JB | Age 40, Engineer and MBA | Worked in Multi National consulting company, started software product company in 2008 closed in 2010, subsequent attempt was into coaching of students. Currently employed |
| JM | Age 59, MA, MBA, Ph.D. | Was a vice president of a finance company, started a non government organization in 2003 and closed in 2005, subsequently attempted to build a MBA college, currently employed |