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Entrepreneurial Exit: Research Perspectives and Challenges

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The objective of this paper is to characterize selected dimensions of the phenomenon of entrepreneurial exit from the perspective of strategies other than succession in a family business. An overview of world topical literature presenting research results in this area was made to this end. The analysis took into account dimensions such as a definition of the phenomenon, identification of the motives of the exiting entrepreneur, and identification of exit strategy and factors leading to its choice as well as indications of the potential effects of its implementation.
Pursuant to the conducted analysis, it may be stated that entrepreneurial exit should be understood as the "severing" of current ownership ties and the ceasing of any managerial functions in the company. Such a departure may take place by way of various exit strategies. In general, these strategies may be subdivided into those that guarantee the continued operations of the company (on the same or other market) and those whose implementation causes it to pass into business oblivion. The first group includes management buy-out, employee buy-out, mergers and acquisitions, and sale of the company or its public offering on the stock market. The basic strategy of the second group is the liquidation of the company (voluntary or involuntary). Selection of a given strategy is determined by factors related to the person of the entrepreneur and of the company itself.
It is not only the departing entrepreneur who incurs the effects of the selected exit strategy. It also has an impact on the company and its stakeholders.

Keywords: entrepreneurial exit, exit strategy.

Wyjście przedsiębiorcy – perspektywy i wyzwania badawcze

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Celem artykułu jest dokonanie charakterystyki wybranych wymiarów zjawiska wyjścia przedsiębiorcy z perspektywy innych strategii, jak sukcesja w firmie rodzinnej. Na potrzeby realizacji celu został dokonany przegląd światowej literatury przedmiotu. W analizie zostały uwzględnione takie wymiary, jak: definicja zjawiska, identyfikacja motywów wychodzącego przedsiębiorcy, identyfikacja strategii wyjścia i czynników decydujących o jej wyborze oraz wskazanie potencjalnych skutków jej realizacji.
Na podstawie przeprowadzonej analizy można stwierdzić, że przez wyjście przedsiębiorcy należy rozumieć „przecięcie" dotychczasowych więzów właścicielskich oraz zaprzestanie pełnienia funkcji zarządczych w przedsiębiorstwie. Wyjście to może nastąpić poprzez różne strategie. Strategie te można ogólnie

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podzielić na takie, które zapewniają kontynuację działania firmy (na tym samym lub innym rynku) oraz na takie, których realizacja powoduje jej przejście w gospodarczy niebyt. Do pierwszej grupy należą: wykup menedżerski, wykup przez pracowników, fuzje i przejęcia, sprzedaż firmy oraz wejście na giełdę. Podstawową strategią w drugiej grupie jest likwidacja firmy (dobrowolna lub wymuszona). O wyborze danej strategii decydują czynniki związane z osobą przedsiębiorcy oraz z samą firmą.
Skutków wybranej strategii wyjścia z firmy nie ponosi jedynie odchodzący z niej przedsiębiorca, mają one również przełożenie na samą firmę oraz jej interesariuszy.

Słowa kluczowe: wyjście przedsiębiorcy, strategia wyjścia.

JEL: L26, G33, G34, L10

1. Introduction

There always comes a time in business life when each and every entrepreneur must face the challenge of leaving his or her company – entrepreneurial exit (DeTienne and Cardon, 2006, p. 2; Aldrich, 2015, p. 3). Entrepreneurial exit should be understood as the "severing" of all current ownership ties and the ceasing of all managerial functions in the company. Such an exit may take place by various means (e.g., sale, succession in a family business, or liquidation). It primary outcome is the undoing of any current relations between the entrepreneur and the owned and managed business. The effects of these actions are not incurred exclusively by the departing entrepreneur. They also have an effect on the company itself as well as its stakeholders and, in a broader view, the region as well as the whole country (Aldrich, 2015, p. 3; DeTienne and Cardon, 2012, p. 356).

Currently examined phenomena involving entrepreneurial exit subject to Polish conditions has been dominated by a single strategy in the form of succession in a family business (e.g., Safin, Pluta, and Pabjan, 2014; Surdej and Wach, 2010; Sułkowski and Marjański, 2009; PARP, 2013). This is, of course, an important exit strategy, but it is not the only one. The need to expand the area of study also stems from the fact that even in the case of family businesses, data show the possibility of the appearance of a scenario other than the handing over of the family company to the younger generation. For example, the results of research conducted in 2013 among 11,860 Polish college students showed that only 6.3% of the representatives of the younger generation – children of family company owners who took part in the study – expressed an interest in taking over the family business (IRB Family Business Institute, 2014, p. 14). This result indicated that there can be situations where as a result of there being no successor from the family, the owner family will have to transfer management and ownership of the family business to people outside it. Thus, they are forced to consider an exit strategy other than typical family succession.

The objective of this paper is the characterization of selected dimensions of the phenomenon of entrepreneurial exit from the point of view

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of strategies other than succession in a family business. Thus, the focus incudes an effort at defining the exiting of an entrepreneur, the entrepreneur's motives, types of exit strategy, factors determining its selection, and potential effects of its implementation.

The nature of this paper is that of an overview of topical literature. Its first part sketches the problem area and is intended to show the various dimensions and ways of looking at this phenomenon. The second point in the paper presents an overview of potential exit strategies. A successive point strives to identify the effects of the entrepreneurial exit on a micro level (i.e. individual and company) and macro level (i.e. local, regional, and national).[1] The whole is concluded with a summary.

2. The Entrepreneurial Exit: Scope of the Subject

A significant change in perceiving the entrepreneurial process can be observed in topical literature. Until now, this process has been deemed concluded at the moment of emergence of a new venture (Alberti, 2013, p. 135), where the attention of researchers has mainly been concentrated on the phase of its creation (Mason and Harrison, 2006, p. 69). Over the past decade, opinions by researchers indicating a need to take into account one more phases, bypassed to date, have been voiced with ever increasing frequency. They referred to entrepreneurial exit[2] (e.g., DeTienne, 2010; Wennberg, Wiklund, DeTienne, and Cardon, 2010). In the view of many researchers this is a complex and multidimensional phenomenon (e.g., Gimeno, Folta, Cooper, and Woo, 1997; Pichanic, Habrmanova, Srpova, and Stankova, 2012; Aldrich, 2015). This is determined by the possibility of its analysis from two perspectives that in and of themselves provide the basis for conducting multithreaded and multidimensional analyses. In the case of the first of them, the unit subject to analysis is the company, where the center of attention is found in its exit from its present market of operations. It can take on various forms, including a change of one market for another, change in formula of operations as a result of far-reaching restructuring, or a compete cessation of activities (Pichanic et al., 2012, p. 4; Aldrich, 2015, p. 3). Many factors are behind the variety of ways in which a company may leave its present market of activities (Schary, 1991; as cited in Cefis and Marsili, 2012, p 795). The basic ones are company age, size (Fackler, Schnabel, and Wagner, 2013, p. 684), model of operations (Mitchell, 1994; as cited in Cefis and Marsili, 2012, p. 795), level and type of innovative processes (Cefis and Marsili, 2012, p. 805), and its financial condition as well as achieved results (Meijaard, 2005, p. 23). A significant role is also played by the characteristics of the specific sector (e.g., its growth potential) and the macroeconomic conditions of its activities (Power and Ryan, 2008, p. 6).

As to the second perspective, the interest of researchers is concentrated on the person of the entrepreneur and the entrepreneurial exit strategy as implemented by him or her. There are many definitions that try to capture the essence of this phenomenon. For example, DeTienne 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). This may take on various forms that are defined as the exit strategy (DeTienne, McKelvie, and Chandler, 2015, p. 256). In its simplest form, this takes on the form of strategies such as the sale of the company, its transfer to family members, or its liquidation (e.g., Van Teeffelen and Uhlaner, 2013). Based on the results of studies by Wennberg and DeTienne (2014, p. 7), in addition to the above exit strategies they identified management buy-out, employee buy-out, mergers and acquisitions, and a public offering on the stock market.

The variety of possibilities for an entrepreneurial exit strategy mean that the identification of factors determining selection of a given exit strategy, be it a form of company liquidation or its sale, make this an important research challenge (Van Teeffelen and Uhlaner, 2013, p. 85). At this point it is worth adding that the decision of the entrepreneur to leave a company may be seen in two ways. It is either a mark of entrepreneurial failure expressed in the bankruptcy of the company or the failure of the entrepreneur. A second option is treating the exit of the entrepreneur in terms of success (Wennberg et al., 2010, p. 361). For example, certain researchers see the potential seeds of new success in the shutting down of a company. This is conditional to the possibility of the utilization by the entrepreneur of knowledge and experience gained to date in the successive, newly established company (Bates, 2005; as cited in Aldrich, 2015, p. 13). Thanks to these, for lack of desire to “continue the adventure in entrepreneurship,” the entrepreneur can actually find a better job (Aldrich, 2015, p. 13). An exit on the part of the entrepreneur may thus be an indicator of learning entrepreneurship, the effects of which may be translated into the success or failure of successive undertaken entrepreneurial challenges (Hessels, Grilo, Thurik, and Van der Zwan, 2011, p. 448). There can also be no doubt that a well-planned exit strategy can serve as the foundation for the success of a new venture. However, the outgoing entrepreneur must be well prepared for such a step (e.g., DeTienne, 2010). This is a difficult challenge. For example, experience to date in the area of the transfer of a business (i.e. its sale) indicated that among the basic sources of difficulty in its implementation is the practical lack of experience on the part of entrepreneurs in this realm. Furthermore, there is also a lack of understanding of the complexity of this process as stemming from legal and tax regulations as well as other required formalities (European Commission, 2003, pp. 5–6).

Factors determining choice of business exit strategy may generally be subdivided into those that are dependent on the entrepreneur-owner and those that are independent. The group of dependent factors – those directly tied with

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the entrepreneur – include the entrepreneur's education, business experience, age, and experience in the sector of operations (DeTienne and Cardon, 2006, p. 7). Study results indicate that entrepreneurs with a higher education can have less of a tendency towards family succession as compared with offering the company on the stock market. Older entrepreneurs, for their part, may consider the sale of the company to their employees as well as its liquidation to a greater extent (DeTienne and Cardon, 2006, p. 7). Among the important component of human capital determining selection of an exit strategy is earlier similar experience – e.g., in the form of the sale of a previous business (e.g., Van Teeffelen, 2010). Also worth remembering is that entrepreneurial experience is carried over into an entrepreneur's ability to build value as well as his or her desire for future harvesting (Wennberg et al., 2010, p. 373) and can therefore condition choice of strategy to a significant extent.

A significant role in the process of leaving a company is played by the company itself. Among basic parameters that might determine the decision to leave and the way in which such a decision is carried out is the age of the company, its size, its financial condition, its sector of operations, and whether it is a family business (Wennberg and DeTienne, 2014, p. 5; Van Teeffelen and Uhlaner, 2013, p. 105; Wennberg et al., 2010, p. 363; Battisti and Okamuro, 2011, p. 9). An important role can also be served by the specifics of its human capital (e.g., in the form of knowledge concerning unique procedures) as well as its customer base (Pennings, Lee, and Van Witteloostuijn, 1998, p. 425).

Selection of exit strategy may also be influenced by what is happening in the company's surroundings (independent factors). A major role may be played by globalization, changes in the balance of power on the domestic operating market, and changes in the institutional and regulatory realm – e.g., changes in tax law or an increase in legal regulations (Wennberg and DeTienne, 2014, p. 11; Aldrich, 2015, p. 22).

From the point of view of factors determining the decision to leave the company, a look into the motives of the entrepreneur is important in examining the phenomenon of his or her departure. Among basic motives are the desire to find a better job, making more money, health issues, and retirement (Aldrich, 2015, p. 13). Wennberg and DeTienne (2014, pp. 13, 15) add to these the perceiving of new possibilities, waning interest in current activities (e.g., stemming from greater interest in creating something new as opposed to day-to-day management), and family issues (e.g., divorce, death in the family, and marital conflicts). In summary, it can be concluded that motives behind exiting a company can be varied. Depending on the motive, such an event may be perceived as selection on the part of the entrepreneur of a further career or as the gathering of the fruits of the current investment – i.e. invested time, money, and energy (Wennberg et al., 2010, p. 36; Wennberg and DeTienne, 2014, p. 3). However, it may be assumed that "the entrepreneur will select an ending to the game that will allow him or her to maximize profits and minimize transactional costs" (Power and Ryan, 2008, p. 2).

3. Exit strategies and Factors Determining It

In general, exit strategies may be subdivided into those that guarantee the continued functioning of the company (on the same or on a different market) and those whose implementation results in the passing of the company into economic oblivion. The first group includes mergers and acquisitions, company sale (i.e. sale to another company or sale to a third party), management buy-out, employee buy-out, and the public offering of the company on the stock market. The basic strategy of the second group is the liquidation of the company (voluntary or involuntary). Exit strategies may also be subdivided into internal strategies implemented in collaboration with the organization's internal stakeholders (i.e. the managerial staff and workers) and external strategies, where external actors play a role. Below is a presentation of factors that determine selection of a strategy. At this point it should be recalled that an important exit strategy is succession in a family business. However, due to the assumed goal of this paper, it is not examined.

3.1. Exit Strategies in which the Company Continues Its Existence

Internal Management Buy-Out (MBO)

The management buy-out as an entrepreneurial exit strategy may occur in situations in which the company shows poor results and the management, intent on maintaining their jobs, is forced to buy shares (Weir, 1996, p. 24). However, it may also be applied in cases when the company generated profits. Singh (1990, p. 125) noted that companies whose owners decide upon such an exit strategy are characterized by high financial liquidity and receivables turnover ratio well as earlier attempts at taking over the company. The owners of such companies also have a decidedly easier time of convincing managers to buy their shares.

Moreover, entrepreneurs taking advantage of a management buy-out for the purpose of stopping their investment – the satisfaction of their own needs – can decrease the asymmetry of information and build positive relations with their managers (Howorth, Westhead, and Wright, 2004, p. 530). This may have a positive impact on the desire to buy the company by the managerial staff. What is interesting, however, is that the presence of a qualified staff with the skills needed to run the company is not a factor that influences selection of the buy-out strategy by the managing owner (Ryan and Power, 2012, p. 117). Entrepreneurs planning such an exit from the business want to reach as big a group of buyers as possible, which is possible if the company is large and the network of suppliers and customers is developed (Power and Ryan, 2008, p. 43).

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Employee Buy-Out

Employee buy-out through which employees may become the owners of the whole company is often identified with negative phenomena taking place in the external surroundings and its weak sides. These include poor performance company financial results, pressure linked to the takeover of the company, high risk of employee firm-specific capital appropriation (Chaplinsky, Niehaus, and Van de Gucht, 1998, p. 318), threat of liquidation, economic crisis (CECOP, 2013, p. 6), small company size, and small-town location (Ben-Ner and Jun, 1996, p. 502). Thus, sale to employees may stem from difficulties in finding other buyers by the entrepreneur wishing to leave the company. Nevertheless, employee buy-out can also take place in prospering companies such as family businesses in which the successor is not interested or incapable of taking over the company (Power and Ryan, 2008, p. 13). In addition to the above-mentioned factors behind choosing employee buy-out, the experience of the entrepreneur in the given industry may also influence such an exit strategy. As justified by DeTienne and Cardon (2012, p. 369), this may stem from a desire to maintain specific knowledge and the core of the company – making possible the survival of the company in a form similar to the original, even after the departure of the entrepreneur. It should also be stressed that there is specific knowledge in companies active in specific industries. These include the manufacturing sector, where the greatest number of employee buy-outs takes place (Allinson, Braidford, Houston, Robson, and Stone, 2007, p. 35). Among other factors influencing selection of exit strategy by the entrepreneur is his or her age. Young entrepreneurs tend to consider employee buy-out as a strategy more often. However, companies managed by their founders are an exception. With age, they tend to sell their company to workers more often (DeTienne and Cardon, 2012, p. 366).

Mergers and Acquisitions

Mergers and acquisitions are an exit strategy that may not only bring the exiting entrepreneur several additional benefits, but are also characterized by a significant level of risk. This disadvantage is why not every entrepreneur planning to leave his or her company is interested in them. According to DeTienne and Cardon (2012, p. 361), the group of entrepreneurs that might take advantage of this with greater frequency is entrepreneurs who are both highly educated and experienced in managing a company. A factor fostering this solution is prior experience in company takeovers, a thing characteristic of serial and portfolio entrepreneurs (Van Teeffelen and Leroy, 2009, p. 101). It is also the "quality" of the company itself that is a determining factor in selecting the merger and acquisitions strategy. First and foremost it must be an attractive offer for potential buyers (Harkins and Foster-Holt, 2014, p. 326). In the case of mergers and acquisitions that are also considered a way to facilitate the transfer of technology (Lehto and

Lehtoranta, 2004, p. 637), a major role is played by the level of company innovativeness. Cefis and Marsili (2011, p. 489) maintain that young and innovative companies are the subjects of acquisitions much more frequently than other companies. Buyers, in defining the attractiveness of a business, may also be directed by exit barriers as described by M. Porter (Porter, 1976; as cited in Harkins and Forster-Holt, 2014, p. 328). For example, if the company is dependent on certain resources then it may become more or less attractive to the buyer (Harkins and Forster-Holt, 2014, p. 328). This is defined by such factors as lower risk related to entering a competitive market. Selection of takeover as an exit strategy may also be influenced by market conditions that are unfavorable with respect to other exit strategies, primarily for a public offering (Bartkus, Hassan, and Ngene, 2013, p. 203). Lack of potential for an offering on the stock market – a choice that is most desired by entrepreneurs and venture capital investors – means that they choose the next possible, favorable strategy, which is company takeover (Wright, Robbie, Romanet, Thompson, Joachimsson, Bruining, and Herst, 1993, p. 101; Nelson, 2003, p. 712).

Sale to a Third Party

The sale of the company to a third party – i.e. an individual or other company – is favored by conditions similar to those indicated in the case of the above-discussed exit strategies. The key factors include company size and age of the entrepreneur. For example, younger entrepreneurs with large companies decide to sell their companies with greater frequency (Battisti and Okamuro, 2011, p. 8). Moreover, as in the case of a public offering on the stock market or company takeover, the experience of the entrepreneur is also important (DeTienne and Cardon, 2012, p. 364).

A successive factor that may influence choice of sale by way of the third party strategy is the presence of the company founder in the chief management position (Amaral, Baptista, and Lima, 2007, p. 9). The founder knows exactly how much effort he or she had to put into creating the company and wants to receive appropriate compensation. The study results of other researchers do not confirm the research observations of Amaral and others, however. For example, Battisti and Okamuro (2011, p. 8) maintain that founders rarely endeavor to sell their company. However, their research was conducted on a group of older entrepreneurs who more often chose the liquidation strategy (DeTienne and Cardon, 2012, p. 364). In addition to company ownership, other factors that can decide as to its sale are the industry in which it operates. For example, if the entrepreneur belongs to the group of technology company initiators earmarked for quick sale (born to flip), he or she shall try to sell quickly for a very high price, not even planning to implement their invention (Cieślik, 2014, p. 152). Such a phenomenon is possible due to the choice of the appropriate sector by the entrepreneur. When a low technology sector have been chosen the

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probability of company sale would be lower (Harkins and Forster-Holt, 2014, p. 342). Moreover, sale might prove impossible if the entrepreneur lacks certainty that he or she will be able to identify successive market opportunities in the future (Battisti and Okamuro, 2011, p. 8).

Topical literature sees no clear differences that might exist among entrepreneurs selling to another company or to individuals. However, it is a known fact that most entrepreneurs look for potential buyers in their business network (Stone, Robson and Braidford, 2008, p. 32). Thus, it may be assumed that the greater its size the greater the chances of finding a potential buyer for the company.

Public Offering on the Stock Market

As already mentioned above, a public offering on the stock market is seen as one of the most attractive exit strategies (DeTienne and Cardon 2012, p. 355) in whose implementation the entrepreneur-owner hopes for several benefits. However, it must not be forgotten that it is characterized by a high level of difficulty and expense (DeTienne and Cardon, 2012, pp. 355 and 357). It is also for this reason that entrepreneurs who decide to pursue such an exit strategy should be characterized by significant experience in managing a business as well as a high level of education (DeTienne and Cardon, 2012, p. 364). It would seem that the older the owner the greater his or her tendency to offer the company on the stock market. However, according to DeTienne and Cardon, it is the younger entrepreneurs who consider such an exit strategy more often. Moreover, in spite of the conviction that small companies treat a public offering as an impractical solution (Wright et al. 1993, p. 101), it may be observed that both entrepreneurs managing large and small companies do make offerings on the stock market. However, in the case of only the latter is the decision influenced by young age and high level of education (DeTienne and Cardon, 2012, p. 364).

Regardless of company size, an important factor in favor of its public offering on the stock market is its rate of growth. Poulsen and Stegemoller (2008, p. 99) maintain that companies that are offered on the stock market demonstrate high growth, are rarely in their development phase, and also have fewer intangible assets. The last of these factors is especially important due to the fact that intangible assets are difficult to assess and ultimately are bypassed, at least in the balance sheet (Chin, Lee, and Kleinman, 2006, p. 68), and subsequently in the pricing of shares. This in turn leads to the presentation of understated prices to investors and their achieving of unnaturally high profits at the start of the investment (Murugesu and Santhapparaj, 2009, p. 1). Entrepreneurs, in order to eliminate such underestimation can evade an offering on the stock market, especially if this would lead to an excessively low capitalization of the company (according to the GPW Warsaw Stock Exchange, it should amount to at least PLN 60 million, GPW, 2016, p. 5). However, company capitalization is only one condition allowing entry onto the stock market floor and, as stressed by Cumming (2008, p. 1952), the entrepreneur must meet all minimal conditions and in taking the final decision must take into account the sector of operations.

3.2. Exit Strategies Interrupting the Continuity of Company Existence

Company Liquidation

A liquidation strategy, apart from the exit itself of the entrepreneur, also leads to the exit of the company from the market. Selection of this strategy is determined by a broad and varied gamut of factors occurring on both the side of the entrepreneur and of the company (e.g., DeTienne and Cardon, 2012; DeTienne and Chirico 2013; Balcaen, Manigart, Buyze, and Ooghe, 2012). What should be considered the basic factor is the age of the entrepreneur, a factor often making its appearance in this paper. In their research, DeTienne and Cardon (2012, p. 364) have demonstrated that older entrepreneurs may have a greater tendency to liquidate the company. This phenomenon may be linked to the fact that many of them plan to retire (Harhoff, Stahl, and Woywode, 1998, p. 485). Moreover, if they have no successor they may have a problem with the quick finding of a buyer and, in effect, are forced to liquidate the company, regardless of its financial condition. A successive factor tied to the person of the entrepreneur may be his or her level of satisfaction with current company results. This level is coupled to what is known as the threshold of performance (the level of requirements of the entrepreneur with respect to the company), which is defined as "the level of performance below which the dominant organizational constituents will act to dissolve the organization" (Gimeno at al., 1997, p. 750). As the performance threshold increases, company liquidation becomes more probable because the entrepreneur cannot achieve results that are satisfactory at the given moment (DeTienne and Chirico, 2013, p. 1301).

On a company level, it is also company size that may decide as to the selection of the liquidation strategy. For example, Balcaen and others (2012, p. 966) maintain that smaller companies as well as those that belong to a single owner are subject to voluntary liquidation with greater frequency. At this point it should also be added that an organizational-legal form such as a one-man business is one of the most common one among entrepreneurs exiting the market through liquidation (Harhoff et al., 1998, p. 485).

4. Entrepreneurial Exit: Potential Micro- and Macro-Economic Effects

The effects of the selected exit strategy can make their appearance on many planes, starting with the entrepreneur him or herself, the deserted company, and also on the local (competitors and industries), regional, and national

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levels (DeTienne, 2010, p. 205; DeTienne and Cardon, 2012, p. 356; Wennberg and DeTienne, 2014, p. 4; Mason and Harrison, 2006, p. 57). When assuming the simplest subdivision of exit strategy – company liquidation or strategies guaranteeing its continuity of existence (e.g., business transfer by way of sale or transfer to family members) – the primary end effect of the first of these is the loss of current jobs as well as an impact on the state budget (Van Teeffelen and Uhlaner, 2013, p. 104; European Commission, 2006, p. 8). For example, in the Netherlands, for lack of a potential successor to the entrepreneur-senior, a total of 20,000 small and medium enterprises are subject to liquidation each year and there are 10,000 unsuccessful successions. In economic practice this means the loss of 80,000 jobs and turnover amounting to almost four billion euro (Van Teeffelen, Weesie, and Uhlaner 2014, p. 4).

The expected growth in the process of entrepreneurial exit means that the question of selection of type of exit strategy (liquidation or continued operations) is of importance to the respective national economies (DeTienne and Cardon, 2012, p. 356, European Commission, 2006, p. 9). For example, estimates calculated for the needs of the European Commission in 2006 show that over the next ten years one-third of entrepreneurs from the EU will withdraw from their businesses, where a part may launch new commercial activities. On the basis of these data it is possible to conclude that approximately 690,000 companies, most of which are active in the SME sector, will change owner (European Commission, 2006, p. 8). Due to the fact that these entities provide 2.8 million jobs, selection of exit strategy (continuation vs. liquidation) is without any doubt critical not only for the EU economy, but also for national markets (European Commission, 2006, p. 8).

A key factor responsible for the expected wave of entrepreneurial exits is the process of society aging. This is visible not only in the natural process of the looming retirement of entrepreneurs, who spent most of their lives developing their companies. It is also mirrored in the development of "Third Age" entrepreneurship, where mature people are starting their adventure with their own companies (Cieślik, 2014, p. 54, Wasilczuk, 2014, p. 5), In Portugal, for example, the number of entrepreneurs aged 50+ doubled over the years 1991–2011. Presently they account for 36% of the total number of entrepreneurs. In Finland, for its part, entrepreneurs in the 55–74 year range form a group whose share in 21st century entrepreneurship has grown the most, from 10% to 14% (Järnefelt, 2011; as cited in Wasilczuk, 2014, p. 52). A similar process has been observed in the United States. In the year 1996, entrepreneurs aged 55–64 starting business activities accounted for 14.5% of all people starting businesses in the United States. The figure for 2012 was 23.4% (Kauffman Foundation, 2013; as cited in Wasilczuk, 2014, p. 52). In the context of these processes it should be remembered that older entrepreneurs have a tendency to liquidate their companies (DeTienne and Cardon, 2006, p. 8). In practice this ushers in the threat of the loss of jobs, so valuable in this day and age.

Processes taking place in the families of the owners of family businesses also indicate potential changes in the area of family succession. A basic difference that can be observed in this sphere starting with the 1950s and 1960s is the significant change in the size of the owner's family. As little as half a century ago, the number of children in the family was four or five and possibly even six. The norm for today is one or two. The undeniable effect of these changes is growth in difficulties in finding a potential successor in the family (ACSMI, 2014, pp. 18 and 19). This has already found confirmation in studies on both a declarative level and in actual implementation of succession. For example, in Switzerland, 50% of investigated family businesses owners declared that they plan external succession. Among the potential external succession scenarios are sale to an employee or employees (52% of indication), sale to a strategic investor in the form of another company (35% of indications), and sale to an outsider (21% of indications) (Credit Suisse, 2009, p. 13). In Sweden, for its part, it is already possible to observe the realization of this scenario. Two-thirds of recent transfers of family company ownership were of the external succession type (Wennberg, Wiklund, Hellerstedt, and Nordqvist, 2011, p. 34).

The above-described phenomena demonstrate that the matter of selection of exit strategy from the company by the entrepreneur is of key importance in a modern economy. Choice of exit strategy guaranteeing the continued functioning of the business is of particular importance to them. As already mentioned, this is because of the jobs provided by these entities (European Commission, 2006, p. 8). The importance of an exit strategy guaranteeing continuity of company operations is also determined by the fact that more jobs are created by already existing companies than by newly founded ones (Pasanen and Laukkanen, 2006, p. 684). Yet another factor resulting in an increase in its importance is the higher company survival index for companies that successfully went through the process of business transfer as compared with newly created business ventures. In Austria for example, the five-year survival index for companies who found their way into the hands of new owners without ceasing operations amounted to 96%. In the case of newly established companies (start-ups) the figure is 75% (European Commission, 2003, p. 9). It should not be forgotten that selection of an exit strategy guaranteeing the continuation of the functioning of the company instead of its liquidation, aside from the preserved jobs, means the survival of its accumulated tangible and intangible capital as well as continued participation in creating the state budget (Van Teffelen and Uhlaner, 2013, p. 104).

A successive important economic aspect of the entrepreneurial exit is the entrepreneur's reengagement in creating new jobs. Activity in this respect can be expressed in two dimensions – the taking up of independent economic activity anew and support for other entrepreneurs. These activities fit into the phenomenon of entrepreneurial recycling (Mason and Harrison,

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2006, p. 58). Studies by Hessels and others show that the recentness of withdrawal of the entrepreneur from a company increases the probability of his or her undertaking of new business activities (Hessels et al., 2011, p. 459). The primary factor determining this is enrichment in knowledge held by the entrepreneur as well as competence and experience (Hessels et al., 2011, p. 451). It is on their basis that the entrepreneur can again become involved in new business activity, where it is possible to start at a higher employment level (Cieślik, 2014, p. 115). Chances of success of the new venture can also stem from seeing new business opportunities as well as being better prepared to take advantage of them (Mason and Harrison, 2006, p. 67). Significant input on the part of the entrepreneur, in addition to entrepreneurial experience, can be his or her talent in undertaking innovative activities (Cefis and Marsili, 2011, p. 367).

An important manifestation of entrepreneurial recycling from the point of view of the economy is also the involvement of the entrepreneur who withdrew from his or her current business in activities supporting other entrepreneurs. At the basis of such activities is the gaining of financial resources from the sale of the company as well as time, knowledge, and experience. In the economic dimension this may signify not only the launching of new activity, but also filling the role of a business angel or the establishing of a venture capital fund supporting other entrepreneurs (Mason and Harrison, 2006, p. 58).

Entrepreneurial exit is also perceived as an important means of reallocating resources and innovation on both an individual and organizational level (Fackler et al., 2013, p. 697). For example, becoming a business angel allows the entrepreneur who withdrew from his or her own business to share not only accumulated wealth with entrepreneurial newbies, but also personal knowledge in the area of managing a company, the technologies it used, personal contacts, and personal credibility (Mason and Harrison, 2006, p. 67).

In concluding this analysis of the opportunities and threats resulting from the departure of an entrepreneur from a company, also worth looking at is the challenge facing the “abandoned” company. Concentrating on positive scenarios, opportunities brought in with a change in ownership and leadership should be stressed. The introduction into the company of a new owner’s different outlook, new ideas for development as well as resources, creates the opportunity for its “revitalization.” A new managing owner will not be tied to old traditions and structure and so has greater chances of introducing change that might direct the company down a new path of development (e.g., Van Teeffelen and Uhlaner, 2013). At this point it should be reiterated that in the economic dimension this means not only the company’s participation in generating GDP, but also an increase in the probability of creating new jobs. These processes are undoubtedly primary forces driving the dynamic development of modern economies.

5. Summary

Entrepreneurial exit is a complex and multidimensional phenomenon, which is reflected in the multitude of research directions attempting to investigate it. The need for their conducting is determined by the fact that entrepreneurial exit is an event that cannot be evaded. Also of significant importance are the effects assigned to this process, including entrepreneurial recycling. It plays a key role in the distribution of the wealth generated in the abandoned company and the reallocation of the intangible resources accumulated by the entrepreneur – i.e. knowledge, experience, and skills. The effects of this process in the economic dimension should also be remembered – i.e. the loss or maintenance of jobs and income into the budget or its dearth.

Among the basic research questions put by researchers exploring the phenomenon of entrepreneurial exit are why, when, and how the entrepreneur undertakes the decision to leave his or her company. The quest for these answers encompasses:

- Identification of the motives of the exiting entrepreneur, and
- Identification of the exit strategy or intention as well as determining factors.

Knowledge regarding this area accumulated to date points to two basic sources of factors determining the taking of the decision to leave his or her business by the entrepreneur as well as decisions regarding exit strategy. They include the person of the entrepreneur as well as the company. Key factors linked to the person of the exiting entrepreneur include age, education, and experience in both management and in that acquired in implementing earlier exit strategies. Reasons at the root of an entrepreneur leaving a company can be subdivided into personal (e.g., family problems) and business (e.g., "harvesting" or the maximizing of profits). As to the company, basic factors determining the decisions as to its leaving on the part of the entrepreneur are perceived to be size and age, economic situation, its resources, and its sector of operations.

In light of the relatively recent interest of researchers in this phase of the entrepreneurial process, many of its areas continue to wait for examination. Key among them are matters linked to the consequences of the entrepreneurial exit. This is an aspect that is of particular importance. As signaled above, this is determined by importance to the entrepreneur, the company, and the implications that the process has with respect to the region and the economy of the country as a whole. In this regard, what seems to be of particular importance is the recognition of the success factors involved in implementing a strategy of continued operations of the abandoned business. An important challenge is also the finding of an answer to the following questions: How should the entrepreneur prepare for this process? What support is needed and from whom in the process

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of implementation of the chosen exit strategy? What role in this success can be played by institutions active in the environment of the abandoned company, especially those that should provide assistance to the entrepreneur planning to leave his or her business? The quest for answers to the above questions is, without a doubt, an interesting research challenge.

In concluding, it should be added that the dominance of quantitative research in this area indicates a need for undertaking qualitative studies. It is their results that might serve as a basis for an answer to the question of why and how the entrepreneur takes the decision to leave his or her company.

Endnotes

1 The use of such a subdivision is intended to improve the transparency of considerations by identifying key events and phenomena for each of them, events and phenomena that make up the repercussions of the departure of the entrepreneur from his or her business.

2 The Polish term *wyjście przedsiębiorcy* is considered the equivalent of *entrepreneurial exit* in English. In line with the *Słownik Języka Polskiego PWN* [PWN dictionary of the Polish language] it means "the way in which something is successfully concluded, the settlement of a matter" (http://sjp.pwn.pl/szukaj/wyj%C5%9Bcie.html). This understanding fits in with the expected effects of an entrepreneur leaving his or her company in the form of a break in continuity and inability to make decisions as to its fate.

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