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Entrepreneurs' Exit Strategies: The Role of Emotion

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Abstract

Entrepreneurial exit strategies are the mode through which the entrepreneur intends to exit the firm such as harvest, stewardship, and voluntary cessation. This article examines the impacts of emotional disengagement — entrepreneurs' feeling of being emotionally distanced from the entrepreneurial activity — on entrepreneurial exit strategies. We draw upon survey data of 402 entrepreneurs across the UK. The analysis finds that entrepreneurs' emotional disengagement mediates the effects of antecedents on entrepreneurs' intentions to choose different exit routes. However, its mediating effect varies according to the type of exit strategy, including voluntary cessation, harvest, and stewardship. The paper contributes to the understanding of the mechanism of exit intentions.

Keywords: Exit intentions, entrepreneurial exit strategies, emotional disengagement, antecedents, and mediation

Word Count: 6999

Entrepreneurs' Exit Strategies: The Role of Emotion

Introduction

The increase in the number of small and medium-sized enterprises in the UK has attracted attention from business and management scholars over the past 40 years. This has led to a substantial expansion in the knowledge base and theory building in the field (eg. Blackburn and Smallbone 2008). However, one of the areas of inquiry that remain relatively underdeveloped is that of the exit process. Entrepreneurial exit strategies refer to the route through which entrepreneurs intend to exit the business (DeTienne et al., 2015). We have established that entrepreneurs may exit a business in different ways, including financial harvest (e.g. acquisition), voluntary cessation (e.g. liquidation of a firm), and stewardship (e.g. employee buyout).¹ Recent analyses have examined a direct relationship between the antecedents of exit and the intended exit strategies (e.g. Bird & Wennberg, 2016; DeTienne et al., 2015; Hsu et al., 2016; Justo et al., 2015; Strese et al., 2018; Yamakawa & Cardon, 2017; Zhu et al., 2017). However, the mechanism of this effect remains unclear, and little is known about how the antecedents influence entrepreneurs' intentions to choose different exit routes (Cardon et al., 2012; DeTienne & Wennberg, 2016; Shepherd & Patzelt, 2017; Shepherd et al., 2015). This is an important gap in the literature because all entrepreneurs will have to face exit (DeTienne & Cardon, 2012), is a critical decision: it can affect satisfaction with the exit (Kammerlander, 2016) as well as future entrepreneurial activities (Strese et al., 2018).

The exit process can be seen as a strategic decision (Headd, 2003), a choice (DeTienne & Wennberg, 2013) and an experience that could be invaluable for future activities (Corner et al., 2017; Fang He et al., 2017; Shepherd, 2004; Shepherd & Patzelt, 2017; Yusuf, 2012) including starting another new business (Morris et al., 2018). Recent studies of entrepreneurial exit also explore the relationship between the antecedents of the entrepreneur and their exit intentions. These studies propose that, in addition to economic reasons such as the extraction of financial value, exit may be driven by variables related to individual entrepreneurs and the firm (DeTienne & Wennberg, 2016). Research also has indicated important differences between the exit strategies – financial harvest, stewardship, and voluntary cessation – (DeTienne et al., 2015). For example, whereas some entrepreneurs leave their business due to financial consideration, others exit the business for personal reasons (Hsu et al., 2016): they may decide to retire, work for another company, sell the firm, or transfer ownership to the employees. They could also decide to disengage when their motivations and intangible goals decline (Headd, 2003). For example, they may choose to exit their business if their sense of achievement and vision are not realised, even if it is financially viable (DeTienne et al., 2015; Shepherd et al., 2015). Although financial performance may inform entrepreneurs about whether their business strategies are effective or not, the decision to revisit the strategy and to grow or eliminate the business is very much a personal choice (Hsu et al., 2016; Justo et al., 2015). Hence, there has been a growing interest in entrepreneurial exit employing individual as well as firm level factors (e.g. DeTienne & Wennberg, 2016).

¹ For a more detailed list of types of exit see: Morris et al., 2018.

However, the relationship between these factors and entrepreneurial exit remains understudied. What does exist has addressed mainly the direct relationships between key variables, such as experience, and intentions to exit. This may be understandable given that studies of entrepreneurial disengagement and exit have a brief history (DeTienne & Wennberg, 2016; Shepherd & Patzelt, 2017). Yet it is highly likely that other individual factors that are specific to entrepreneurial disengagement may have been overlooked or not accounted for in empirical studies. In addition to direct relationships between variables, there may be mediating factors that helps explain entrepreneurs exit strategies thus reflect the complexity of the exit process.

This paper, therefore, seeks to analyse whether and how individual and firm level variables affect the entrepreneur's intention to leave and the exit strategy they pursue. In particular, the paper introduces the concept of 'emotional disengagement' as a mediating mechanism in the antecedents-exit strategies relationship. We seek to examine if and how emotional disengagement affects different exit strategies

Entrepreneurs' emotional disengagement refers to the feeling of being emotionally distanced from entrepreneurial activity. This involves testing a series of hypotheses with a sample of 402 entrepreneurs across the UK. This paper offers several theoretical and practical contributions.

First, to our knowledge, this is the first study that employs the concept of emotional distance in the study of entrepreneurship exit and how this can influence the exit intentions. Also, by illustrating the emotional disengagement- intended exit relationship, a link is established between research on disengagement and turnover intentions to the field of entrepreneurship. In other words, this paper addresses the recent calls in entrepreneurship research to extend theories from other fields into entrepreneurship and thereby contributes to both disciplines (Cardon et al., 2012; DeTienne & Wennberg, 2016).

The paper also contributes to the literature on entrepreneurial exit and the strategies. The relationship between the intentions to exit and the actual exit previously has been established (DeTienne & Cardon, 2012). Research shows that entrepreneur's intentions to exit a firm are significantly related to the actual exit (e.g. Brigham et al., 2007; DeTienne & Cardon, 2012; Ryan & Power, 2012b; Van Teeffelen & Leroy, 2009), as suggested by the theory of planned behaviour (Ajzen, 1991). Nevertheless, at present, there is a lacunae in our knowledge and theorising on the mechanisms by which the antecedents affect different exit strategies (Cardon et al., 2012; DeTienne & Wennberg, 2016; Shepherd & Patzelt, 2017; Shepherd et al., 2015). The current study helps to explain this by examining the effect of emotional disengagement as a mediating mechanism. Studying the mechanism allows us to extricate the relationship between individual and firm level antecedents and entrepreneurial exit (DeTienne & Wennberg, 2016; Shepherd & Patzelt, 2017).

Theory and Hypotheses Development

Conceptually, emotional disengagement in this research relies on the psychological disengagement theory. This theory suggests that people disengage from their work when their resources are limited or when the work is meaningless (Kahn, 1990).

In his two qualitative, theory-generating studies Kahn notes that disengagement from work is grounded in the perception of resources and meaning related to work (1990). He defines disengagement as “uncoupling of selves from work roles; in disengagement, people withdraw and defend themselves physically, cognitively, or emotionally during role performances” (Kahn, 1990, p. 694). According to disengagement theory, the lack of important resources necessary to perform tasks (e.g. self-efficacy) and a lack of meaningful work, affect how individuals inhabit their work roles and whether remain engaged or disengage from it (Kahn, 2013). For instance, self-efficacy is a vital individual resource for entrepreneurs so those who doubt their capabilities are more likely to disengage from business as lack of efficacy affects their self-motivation, aspiration, and persistence to continue (Baum & Locke, 2004; Cardon & Kirk, 2015; Newman et al., 2018; Zhao et al., 2005). Similarly, vision for the business carries a meaning (Kahn, 1990; Parkinson & McBain, 2013) and by implication without it entrepreneurs’ may take distance and disengage from their business.

Antecedents of emotional disengagement

Self-doubt, vision for the business, entrepreneurial experience, and firm size are selected as key antecedents, as independent variables, and other factors such as education, age, size of the management team, and tenure, as control variables. While there may be more antecedents than these, the main objective is to introduce and realise entrepreneurs' emotional disengagement in this process, given the lack of previous research.

Vision for business. Vision is a realistic image of the outcome and results from the entrepreneurial activity and represents a goal and a motivating factor at work (Anderson & West, 1998). Having a vision for business growth and development, and harvesting the results, are strong drivers of many entrepreneurs (Shepherd et al., 2015). Individuals with a clear vision are more likely to create a venture and be emotionally dedicated to their business and its growth (Baum, 2011). Lack of vision, however, discourages entrepreneurial team members to continue the business and to their dedication to goal attainment. Vision carries meaning for entrepreneurs with regard to their business which is important for them to remain emotionally and physically engaged. A meaningful work satisfies their psychological needs, for example the sense of achievement for venturing a business idea. Having a clear vision also justifies the choice of being an entrepreneur. It also helps defend against the social pressure that entrepreneurs may experience, for example, the pressure towards having a steady income (Shepherd & Patzelt, 2017). Accordingly, it is proposed that:

Hypothesis 1: Entrepreneurs’ vision for the business negatively affects emotional disengagement.

Entrepreneurs’ self-doubt. Self-doubt is the uncertainty about the individuals’ abilities and potential to succeed in the business and concerns about their self-efficacy (Bandura, 2011). Entrepreneurship researchers have referred to self- efficacy as a vital personal resource to create and maintain a business (Khan et al., 2014) and improve their dynamic capabilities (Kevill et al., 2017). Self-doubt has been noted to reduces entrepreneurs’ persistence (Cardon & Kirk, 2015) and attainment to achieve their entrepreneurial goals (Baron et al., 2016) because they feel they do not have enough resources. Lack of efficacy and doubting own ability also decreases

entrepreneurs' interest and enthusiasm for their business (Baum & Locke, 2004; Cardon & Kirk, 2015; Dalborg & Wincent, 2015). Disengagement theory argues that self-doubt also affects the perception of psychological safety. Feeling unsafe makes people fear that expressing themselves and admitting their mistakes in running the business will have negative consequences for their self-image and status (Kahn, 1990). To protect themselves against the unpleasant feelings of admitting mistakes and asking for support entrepreneurs are likely to create emotional distance and disengage (Cardon, 2008). Besides, entrepreneurs' doubt about their capabilities could encourage disengagement so they could defend their personal selves (Edmondson & Lei, 2014). Accordingly, we propose that:

Hypothesis 2: Self-doubt positively affects entrepreneurs' emotional disengagement.

Entrepreneurial experience. We also consider entrepreneurial experience as one of the antecedents of emotional disengagement, and predict it has a negative effect. As predicted in psychological theory, disengagement (emotional and physical) from work is grounded in the perception of resources and meaning related to work (Kahn, 1990). It can be argued that entrepreneurs' with prior experience can transfer the knowledge they have gained to their current business and be better informed to decide whether to continue the business or not (Bird & Wennberg, 2016). Also, entrepreneurs with prior experience have a greater access to network resources, such as financial capital, which can determine their engagement with the business as well as their choice of exit route (DeTienne & Cardon, 2012). However, prior experience also means that entrepreneurs have employment alternatives outside the firm which can determine their willingness to exit if the firm performance is below their expectations (Morris et al., 2018).

Previous studies have noted the effect of entrepreneurial experience on entrepreneurial exit (Van Praag, 2003; Wennberg et al., 2010; Zolin et al., 2011). For example DeTienne and Cardon (2012) and Wennberg et al. (2010) showed that entrepreneurial experience was positively related to financial harvest and negatively related to voluntary cessation exit strategies. Because of the importance of entrepreneurial experience as a major resource in current business, it can be argued also to affect emotional disengagement from the business. Hence we suggest that:

Hypothesis 3: Entrepreneurial experience negatively affects the emotional disengagement from the business.

Firm size. Finally, the size of the firm (number of employees) is considered as one of the antecedents of emotional disengagement. Firm size is one of the variables that can determine entrepreneurial exit strategies (DeTienne et al., 2015; Ryan & Power, 2012a). For instance, smaller firms are more likely to choose voluntary cessation exit strategies compared with stewardship because fewer people are involved in decision making (DeTienne & Cardon, 2012; DeTienne et al., 2015). We suggest that in addition to exit intentions, the number of employees also affects entrepreneurs' emotional disengagement from the business because of the psychological rewards they receive. From the perspective of disengagement theory, where entrepreneurs find meaning in their business, they could experience self-validation and fulfilment and become further engaged in the venture (Schindehutte et al., 2006). For example, De Clercq and Rius (2007) showed that meaningful work encouraged validation of one-self and hence commitment and presence at work. Although it may be argued that emotional engagement is high

in micro firms because of the close-knit, fraternal and paternalistic ways of organising (Scase & Goffee, 1980), it also has been argued that in the larger firms, entrepreneurs concerns include the well-being and benefit of other stakeholders – employees in particular (Rouse, 2016). Caring about employees could be meaningful and rewarding psychologically (DeTienne et al., 2015) and hence decrease the likelihood that people disengage from their business. So it can be suggested that:

Hypothesis 4: Firm size negatively affects emotional disengagement from the business.

Entrepreneurial Exit

In this study entrepreneurial exit strategies are referred to as “...the mode through which the entrepreneur intends to exit the firm” (DeTienne et al., 2015, p. 256). Past research provides a typology for the following exit strategies: 1- stewardship strategies (e.g. employee buyout), 2 - financial harvest exit strategies (e.g. acquisition), and 3 - voluntary cessation (e.g. liquidation) (DeTienne et al., 2015; Strese et al., 2018). As for the underlying mechanism by which entrepreneurs choose their exit strategies, research suggests that they may be different (DeTienne et al., 2015; DeTienne & Wennberg, 2016; Justo et al., 2015; Mason & Botelho, 2016; Strese et al., 2018; Wennberg & DeTienne, 2014). Accordingly, we develop the hypotheses for the effect that emotional disengagement could have on each type of exit strategy.

Emotional disengagement and financial harvest exit strategies

We hypothesise that emotional disengagement negatively affects financial harvest exit strategies. Examples of harvest exit strategies are acquisition and Initial Public Offering (IPO).

Entrepreneurs who choose financial harvest strategies often expect to extract a financial value that has been created in the business (Mason & Harrison, 2006). A successful harvest often happens when entrepreneurs convince the buyers and investors about the credibility and worthiness of the business (Benson et al., 2015). Entrepreneurs’ engagement with the business before and potentially after the harvest events could have an impact on the evaluation of the firm, for example, the initial price in an IPO (Certo et al., 2001). The presence of managers who are dedicated to their business is often an important consideration for investors and buyers and thus can improve the chance of success in the harvest event. Initially, it could indicate a healthy business and increase the credibility and evaluation of the firm (Daily et al., 2003). Also, entrepreneurs sometimes continue to remain part of the venture, for example, as the chair, in an advisory capacity, or as a shareholder when they sell part of the firm (Morck et al., 1988). Entrepreneurs’ involvement in the firm could increase the confidence of buyers and investors about their investment choice and the future of the business. Potential investors may also believe in shareholder value maximisation and aligning founder-manager incentive with those of stakeholders (Pedersen & Thomsen, 2001; Thomsen & Pedersen, 2000). Thus they may want to keep the founders involved to secure the performance of the business.

Entrepreneurs’ involvement after the harvest could also signal their belief in a favourable future for their firm, and thus increase the interest among buyers and investors (Daily et al., 2003). It could also suggest a lower probability of camouflage and masking critical information – for example, information related to the control and governance structure of the firm (Benson et

al., 2015). Additionally, in the situations where entrepreneurs maintain equity in their firm, investors' perception about the business and the founder-manager (i.e. entrepreneur) and thus their offer, can have a significant effect on their wealth. In particular, investors are in favour of entrepreneurs who remain as CEO of the firm and keep hold of their shares (Benson et al., 2015). Thus, entrepreneurs are set to gain if they receive a high offering price, or leave their wealth on the table if their firm is under-priced (Certo et al., 2001). In essence, the financial harvest is a strategic sales that require building the investment case and selling the business (Mason & Botelho, 2016). Emotional disengagement, however, may destroy a potentially successful harvest and the process of cashing entrepreneurs' investments. Hence, it is proposed that:

Hypothesis 5: Entrepreneurs' emotional disengagement negatively affects financial harvest exit strategies.

Emotional disengagement and stewardship exit strategies

We also predict that entrepreneurs' emotional disengagement positively affects stewardship exit strategies. Examples of stewardship exit strategies are employee buyout and selling the firm to co-founders or the company.

The reason for expecting a positive effect from emotional disengagement on stewardship exit strategies is the entrepreneurs' desire to create a positive impact for others. Stewardship exit strategies – for example transferring the business to employees – are driven by two mechanisms. The first mechanism is prioritising the needs and interest of others rather than personal gain. The second mechanism is having an emotional connection and bond with others and being positively influenced by collective feelings (Hernandez, 2012). These two mechanisms create a sense of responsibility to protect others' long-term benefit (Hernandez, 2012). Entrepreneurs with stewardship orientation often want to provide a long-term benefit for others (DeTienne & Chirico, 2013). In effect, stewarding is what they desire to achieve in their entrepreneurial activity, and the meaning they receive in return makes it worth doing (Rouse, 2016). So entrepreneurs who choose stewardship strategies are likely to prioritise the welfare of others rather than their personal gain (DeTienne & Chirico, 2013). In a sense stewarding entails an intrinsic motivation which reflects the value that entrepreneurs receive. The value comes from the feelings of making a positive impact for others such as their employees.

Nonetheless, research suggests that entrepreneurs who choose stewardship strategies are often willing to have some control or influence over the future of their business (Davis et al., 1997; DeTienne et al., 2015). This willingness mostly is driven by the sense of psychological ownership and the gradually growing attachment to the business. The psychological ownership and the attachment to the firm can carry a positive sense of self-identification with the business and personal meaning (Dehlen et al., 2014; Hsu, 2013). So the attachment can somehow encourage the stewardship strategies because entrepreneurs could remain involved with the business, at least to some extent (Kammerlander, 2016).

Entrepreneurs' emotional disengagement could facilitate these contrasting senses of obligation to protect others' benefit, and the attachment to business. It may give entrepreneurs the ability to distance themselves from the business and let it go. So, instead of possessing the actual ownership they can have some influence over the future of the firm. By choosing stewardship exit strategies they also can emphasize on their obligations and responsibility for others. In effect, they could satisfy their sense of duty to those who benefit from their

stewardship strategies, for example, to employees who gain ownership of the business. Accordingly, it is proposed that:

Hypothesis 6: Entrepreneurs' emotional disengagement positively affects stewardship exit strategies.

Emotional disengagement and voluntary cessation exit strategies

The last strategies to be considered are voluntary cessation – for example, discontinuance or liquidation of the firm. Here it is proposed that emotional disengagement positively affects voluntary cessation exit strategies.

Cessation strategies are often based on entrepreneurs' voluntary decisions to disband and walk away from their venture (DeTienne et al., 2015). These strategies are low risk and common among smaller firms with few employees – for example among self-employed individuals (DeTienne et al., 2015). Research suggest that entrepreneurs consider voluntary cessation strategies when they conclude that the firm would not be successful (Yusuf, 2012), or when it no longer fulfils its purpose (DeTienne et al., 2015). Entrepreneurs may decide to discontinue the firm because of the work-family conflict (Justo et al., 2015), or they may want to retire. They also may decide to liquidate the business when the firm is under financial distress. However, research suggests that voluntary cessation strategies such as the liquidation of the firm are fundamentally distinct from bankruptcies (Stokes & Blackburn, 2002). The drivers of voluntary cessation strategies are relative efficiency maximisation. In small firms, entrepreneurs tend to choose the exit route with higher relative efficiency so they could decrease the probability of loss (Balcaen et al., 2012). For example, compared with bankruptcy which is often considered a costly exit route (e.g. legal fees, etc.), liquidation is a more efficient exit strategy (Balcaen et al., 2012). So entrepreneurs' voluntary cessation can be due to the lack of willingness to continue the business (Van Praag, 2003) for which they can avoid the high cost of bankruptcy (Balcaen et al., 2012; Keasey et al., 2015).

Many entrepreneurs form an emotional connection with their firm and attach to it over time (Kammerlander, 2016; Ucbasaran et al., 2003). This is because they invest tangible and intangible resources in their firm such as their time, energy, and money. So in addition to the equity ownership they also form psychological ownership with their firm (DeTienne, 2010). Entrepreneurs often identify themselves with their business which gradually reinforces their attachment to the firm. This is particularly so with micro firms. So the attachment, identity, and feeling of psychological ownership for the business can make it difficult for entrepreneurs to leave their venture (Yamakawa & Cardon, 2017). However, sometimes delaying the exit can have negative consequences. For example, entrepreneurs may burn their chances of voluntary liquidation and an out-of-court exit strategy by delaying the exit decision in their financially distressed firm. Instead they may be forced into bankruptcy which can have negative economic implications, for example, a high transaction (Balcaen et al., 2012). Emotional disengagement could facilitate the exit decision and ease the feelings of letting go, so entrepreneurs could walk away. Especially in a barely floating business, entrepreneurs may not be willing to continue the business and voluntarily exit it so they could reduce the cost and increase their probability of successful exit. Accordingly we propose:

Hypothesis 7: Emotional disengagement positively affects voluntary cessation exit strategies.

Grounded in the above discussions on the relationships between entrepreneurs' emotional disengagement and (1) vision, self-doubt, entrepreneurial experience, and firm size and (2) emotional disengagement and financial harvest, stewardship and voluntary cessation exit strategies, the following hypotheses are proposed:

Hypothesis 8: Entrepreneurs' emotional disengagement mediates the effects of vision, self-doubt, entrepreneurial experience, and firm size on financial harvest exit strategies.

Hypothesis 9: Entrepreneurs' emotional disengagement mediates the effects of vision, self-doubt, entrepreneurial experience, and firm size on stewardship exit strategies.

Hypothesis 10: Entrepreneurs' emotional disengagement mediates the effects of vision, self-doubt, entrepreneurial experience, and firm size on voluntary cessation exit strategies.

Table 1 summarises the hypotheses and the expected direction of the relationships.

Table 1: Summary of hypotheses

Predication of mediator variable (emotional disengagement)	
Predictor	Hypotheses
Vision (H1)	Negative
Self-doubt (H2)	Positive
Entrepreneurial experience (H3)	Negative
Firm size (H4)	Negative
Dependent Variable Model	
Outcome (exit strategies)	Hypotheses
Financial harvest (H5)	Negative
Stewardship (H6)	Positive
Voluntary cessation (H7)	Positive
Mediation model	
Predictor	Hypotheses
Disengagement mediates the effects of antecedents on harvest	(H8)
Disengagement mediates the effects of antecedents on stewardship	(H9)
Disengagement mediates the effects of antecedents on voluntary cessation	(H10)

Data and Methods

Data

The data for this paper is drawn from a sample of entrepreneurs across the UK whose contact information came from the UK FAME Directory (database of UK-based business). 1,320 individuals documented as founders, co-founders, owners, or co-owners were chosen randomly and contacted by email to participate in a survey. The email invitations included an overview of the project and mentioned the length of time needed to complete the survey. All respondents were guaranteed anonymity and confidentiality of responses and that they could leave the survey at any point they desired. In order to improve the response rate, following the initial invitation in spring 2017, three follow-up reminders were sent out.

Overall, 402 usable responses were received, providing a 30% effective response rate. Non-response bias was examined (Rogelberg & Stanton, 2007) by comparing the demographics between the sample and the population of entrepreneurs from which the sample was drawn from. A t-test was employed in this process where the means of all variables in the study for early and late respondents were compared. The tests showed no significant difference between the groups which could indicate that the response bias is unlikely to be a problem in the current study.

Measures

Vision for the business. Vision was evaluated with a four-item scale from Anderson and West (1998). Example statements that entrepreneurs were asked to evaluate were: ‘I think my/our business objectives can actually be achieved’. The construct reliability of vision in the sample is 0.89.

Self-doubt. A three-item scale developed by Oleson et al. (2000) was adopted to measure the self-doubt. Example statements offered for evaluation were: ‘I feel unsure of my abilities as an entrepreneur’. The construct reliability of the self-doubt in our sample is 0.84.

Entrepreneurial experience. We asked entrepreneurs whether they had previous entrepreneurial experience apart from their current business. The measure took a value of 1 if their answer was positive and indicated that had entrepreneurial experience prior to the current business, or 0 if they answered no.

Firm size (log). We measured firm size by asking the respondents how many paid employees or paid co-founders/owners, including themselves, worked in their company. The size of the firm ranged from zero to 700 paid workers, with a median of 5. This variation in the sizes of firms offers an opportunity to analyse the effect it has on the intended exit strategies (Albert & DeTienne, 2016).

Emotional disengagement. A three-item scale developed and tested by May et al. (2004) was used for the emotional disengagement in the psychological theory of disengagement. Example items are: ‘I get excited when I think about my business’. The construct reliability of emotional disengagement in this model is 0.77.

Entrepreneurs’ intentions to exit the business. This used the exit routes and their relevant measures as employed in the entrepreneurship literature (e.g. DeTienne & Cardon, 2012; DeTienne et al., 2015; Mason & Botelho, 2016; Mathias et al., 2017; Strese et al., 2018).

Entrepreneurs were asked to indicate their most probable exit routes if they were considering any (most respondents specified one exit route only). The strategies included: 'sell to an individual outside company (independent sale)', 'acquisition', 'employee buyout', 'IPO', 'discontinuance of the venture', 'liquidation of assets', and 'sell to co-founders or to the company'. The results were then clustered according to DeTienne et al. (2015), including financial harvest exit (i.e. acquisition, IPO); stewardship exit (i.e. employee buyout, sell to co-founders or to the company, and independent sale); and voluntary cessation (i.e. discontinuance of the venture and liquidation of assets). These exit strategies took the value of 1 if entrepreneurs chose the relevant exit routes and 0 otherwise. Appendix 1 shows distribution of exit strategies.

The full survey was tested within a small sample before collecting data. An exploratory factor analysis of this survey indicated that the items correctly represent their underlying constructs.

Control variables

Seven control variables were considered in the analysis. The industry was controlled as previous research suggests it could represent a risk and forces the economic performance of the firm which then may affect the exit strategies (Dehlen et al., 2014). Industry was measured by three categorical variables: high technology (i.e. IT, software, biotech, or other high-tech industries), trade and service, and other industries (including manufacturing) (Arregle et al., 2015).

The financial performance of the company was included as prior studies have indicated that it may affect entrepreneurial exit strategies (Harada, 2007; Sullivan et al., 1997).

Size of the management team can also have an effect on entrepreneurial exit strategies. Team size can have an effect on the decision-making process or the dynamics and tie between the team members (Ucbasaran et al., 2003).

Owner-manager tenure may also determine entrepreneurs' exit strategies for which the length of their involvement can affect their attachment to the business (Dehlen et al., 2014; Kammerlander, 2016; Ucbasaran et al., 2003).

Gender may affect the exit strategies of entrepreneurs as well as the persistence to continue the firm and grow the business (Davidsson & Honig, 2003; Jennings & McDougald, 2007). Female entrepreneurs are more likely to voluntarily exit the business because they feel more pressured to keep a balance between work and the family (Justo et al., 2015).

Age of entrepreneur has also been linked to entrepreneurial exit strategies (DeTienne & Cardon, 2012; Gimeno et al., 1997; Wennberg et al., 2010). An entrepreneur's age may affect their attachment to the firm (Ucbasaran et al., 2003) and their willingness to take a risk (Levesque & Minniti, 2006).

Education level may influence entrepreneurial exit strategies. Higher education experience has a positive relationship with an entrepreneur's access to resources, including the information necessary to consider different exit strategies (Arenius & De Clercq, 2005).

Table 2 presents the descriptive statistics and correlations for the variables. Factor analysis (*CFA*) is used to establish the construct validity, i.e. convergent and discriminant validity (Brown, 2014; Hoyle, 2012). For the analyses the Mplus 7.4 programme (Muthén & Muthén, 2015). The results of the *CFA* show a good fit according to the recommendations (Byrne, 2013; Hu & Bentler, 1999; West et al., 2012): a chi-square (χ^2) = 77.193, and degree of freedom (*df*) = 32, a root

mean square error of approximation ($RMSEA$) = 0.059, and comparative fit index (CFI) = 0.987, a Tucker-Lewis Index (TLI) = 0.982. All latent constructs had CR above 0.7 as recommended (Hair et al., 2014) indicating the internal consistency. Also, the standardised factor loadings of items were all above 0.5 and significantly regressed on their underlying construct ($p < 0.001$).

For the convergent validity we calculated the average variance extracted (AVE). All the AVE were less than the CR but above the recommended threshold of 0.5 (Fornell & Larcker, 1981). For the discriminant validity we calculated maximum shared squared variance (MSV), and average shared square variance (ASV). As recommended (Fornell & Larcker, 1981) MSV and ASV were less than AVE and \sqrt{AVE} for any two constructs were greater than the correlation between those two constructs (Fornell & Larcker, 1981). Based on the above calculations it can be concluded that the latent constructs of this study demonstrate an adequate level of validity and reliability (Table 3).

Assessment of common method bias

Podsakoff and Organ (1986) explain that the common method bias is a risk in self-reported and cross-sectional survey studies. To examine this, we used several techniques to address the risk of common method bias. Before the data collection we used a different response format such as the Likert-type scale and open-ended questions. Also, predictors and dependent variables were separated in the questionnaire (Krishnan et al., 2006).

We also used Harman's one-factor test and loaded all items into the factor analysis and examined the result of the unrotated factor solution. This analysis revealed three distinct latent constructs (eigenvalues exceeding one) and they accounted for 53.61 percent of the variance. The first factor accounted for 36.1 percent which is below the recommended limit of 50 percent. This result suggests that a single factor cannot explain most of the variance and so common method bias should not have a substantial effect on the results. We also utilised *CFA* as an additional statistical test to check for the occurrence of common method bias (Podsakoff et al., 2003). In this test items were loaded on one single factor. The result of this analysis showed a poor fit for data ($\chi^2 = 639.524$, $df = 35$, $RMSEA = 0.207$, $CFI = 0.833$, $TLI = 0.785$) verifying that the common method bias is not a problem in the current data.

Table 2: Correlation matrix

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.Emotional Disengagement	1.87	0.74	-													
2.Financial harvest	0.18	0.39	-0.27**	-												
3.Stewardship	0.32	0.47	-0.05	-0.53***	-											
4.Voluntary cessation	0.14	0.35	0.45***	-0.57***	-0.05	-										
5.Vision	4.34	0.61	-0.75***	0.31***	0.25***	-0.32***	-									
6.Self-doubt	2.85	1.03	0.44***	-0.25**	-0.1	0.17†	-0.42***	-								
7.Entrepreneurial experience	0.40	0.49	-0.27***	0.45***	0.18*	-0.36***	0.29***	-0.3***	-							
8.Firm size (log)	2.28	1.78	-0.43***	0.41***	0.28***	-0.56***	0.4***	-0.28***	0.27***	-						
9.Industry	2.33	0.63	-0.11†	-0.01	0.13*	-0.07	0.1†	-0.11†	-0.32***	0.19***	-					
10.Performance	1.70	0.62	-0.19*	-0.04	0.06	-0.24*	0.17*	-0.31***	-0.02	0.22**	-0.05	-				
11.Management team size	1.71	1.61	-0.04	0.16**	0.14*	-0.37*	0.09*	0.01	0.07	0.26***	0.03	0.01	-			
12.Tenure (log)	2.40	0.88	-0.19**	0.04	0.28***	-0.17*	0.22***	-0.26***	0.03	0.45***	0.16**	0.22***	0.08†	-		
13.Gender	1.68	0.47	-0.21**	0.53***	0.25**	-0.35***	0.32***	-0.21**	0.28***	0.63***	0.1	0.18*	0.15*	0.44***	-	
14.Age	3.20	1.19	-0.12*	0.12	0.12†	-0.1	0.26***	-0.27***	0.15*	0.36***	0.22***	0.1	0.07	0.6***	0.43***	-
15.Education	4.18	1.69	0.03	0.18*	0.12†	0.01	0.04	-0.07	0.2**	0.1*	0.02	-0.08	0.2***	-0.01	0.16*	0.03

$n = 402$, † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 3: Assessment of Constructs Reliability and Validity

Constructs	CR	MSV	AVE	ASV	Correlation between constructs		
					1	2	3
1.Emotional disengagement	0.77	0.56	0.53	0.38	(0.73)		
2.Vision for business	0.89	0.56	0.68	0.37	-0.75	(0.83)	
3.Self-doubt	0.84	0.20	0.64	0.19	0.44	-0.42	(0.80)

$n = 402$, Criteria: CR being 0.7 or higher. Convergent Validity criteria: $CR > AVE$.

Discriminant Validity criteria: MSV and ASV less than AVE and \sqrt{AVE} greater than the correlation between constructs. Numbers on diagonal axis in the parentheses is \sqrt{AVE} , and numbers on off-diagonal are construct correlation.

Results

We used bootstrapping to test mediation because of its advantages compared with prior techniques such as the Sobel (1986) test and Baron and Kenny (1986) method (Hayes, 2009; Hoyle, 2012). We ran three analyses for each cluster of exit strategies. In each model, we accounted for the effect of control variables.

Fit indices. For the financial harvest model, the result shows a good fit according to the recommendations (Byrne, 2013; Hu & Bentler, 1999; West et al., 2012) ($\chi^2 = 265.274$, $df = 127$, $\chi^2/df = 2.08$, $RMSEA = 0.052$, Probability $RMSEA \leq .05$ being 0.340, $CFI = 0.955$, $TLI = 0.945$).

For the stewardship model, also the result shows a good fit ($\chi^2 = 264.0$, $df = 127$, $\chi^2/df = 2.07$, $RMSEA = 0.052$, Probability $RMSEA \leq .05$ being 0.357, $CFI = 0.955$, $TLI = 0.946$).

The volunteer cessation model also shows a good fit ($\chi^2 = 262.870$, $df = 127$, $\chi^2/df = 2.06$, $RMSEA = 0.052$, Probability $RMSEA \leq .05$ being 0.0372, $CFI = 0.956$, $TLI = 0.946$).

The results also show that 61.4 percent of the emotional variation is explained by the model ($R\text{-Square} = 0.614$). The model also explains 36.9 percent of variation for financial harvest ($R\text{-Square} = 0.369$), 25 percent for stewardship ($R\text{-Square} = 0.250$), and 47 percent for voluntary cessation exit strategies ($R\text{-Square} = 0.470$).

Estimates. The results of the analyses in Table 4 show the estimation of structural model and the relationships among latent variables. The upper part of the table presents the regression of the mediator (i.e. emotional disengagement) on the independent variables (e.g. self-doubt). The lower part of Table 4 shows the regression of the distal outcomes (e.g. harvest strategy) on the mediator. It can be noted that the results support the effect of vision (hypothesis 1), self-doubt (hypothesis 2), entrepreneurial experience (hypothesis 3), and firm

size (hypothesis 4) on emotional disengagement. For hypothesis 5, the results indicate there was not a significant effect from emotional disengagement on the financial harvest exit strategies. Consistent with hypothesis 6 and 7 the results showed that emotional disengagement positively affects stewardship and volunteer cessation exit strategies.

Table 4: Results of the structural equation

Predication of mediator variable (emotional disengagement)				
Predictor	γ'' (standardised regression)	<i>SE</i> (standard error)	γ (unstandardised regression)	<i>P-Value</i>
Vision (H1)	-0.563	0.054	-0.409	0.000
Self-doubt (H2)	0.135	0.067	0.096	0.044
Entrepreneurial experience (H3)	-0.309	0.111	-0.201	0.006
Firm size (H4)	-0.239	0.034	-0.155	0.000
Dependent Variable Model				
Outcome (exit strategies)	β'' (standardised regression)	<i>SE</i> (standard error)	β (unstandardised regression)	<i>P-Value</i>
Financial harvest (H5)	0.029	0.250	0.044	0.908
Stewardship (H6)	0.472	0.194	0.718	0.015
Voluntary cessation (H7)	0.504	0.194	0.775	0.010

γ is the regression of an endogenous construct on an independent variable and β is the regression of one endogenous construct on another endogenous construct.

Financial harvest exit strategies. Figure 1 depicts the financial harvest model and Table 5 presents details of estimations.

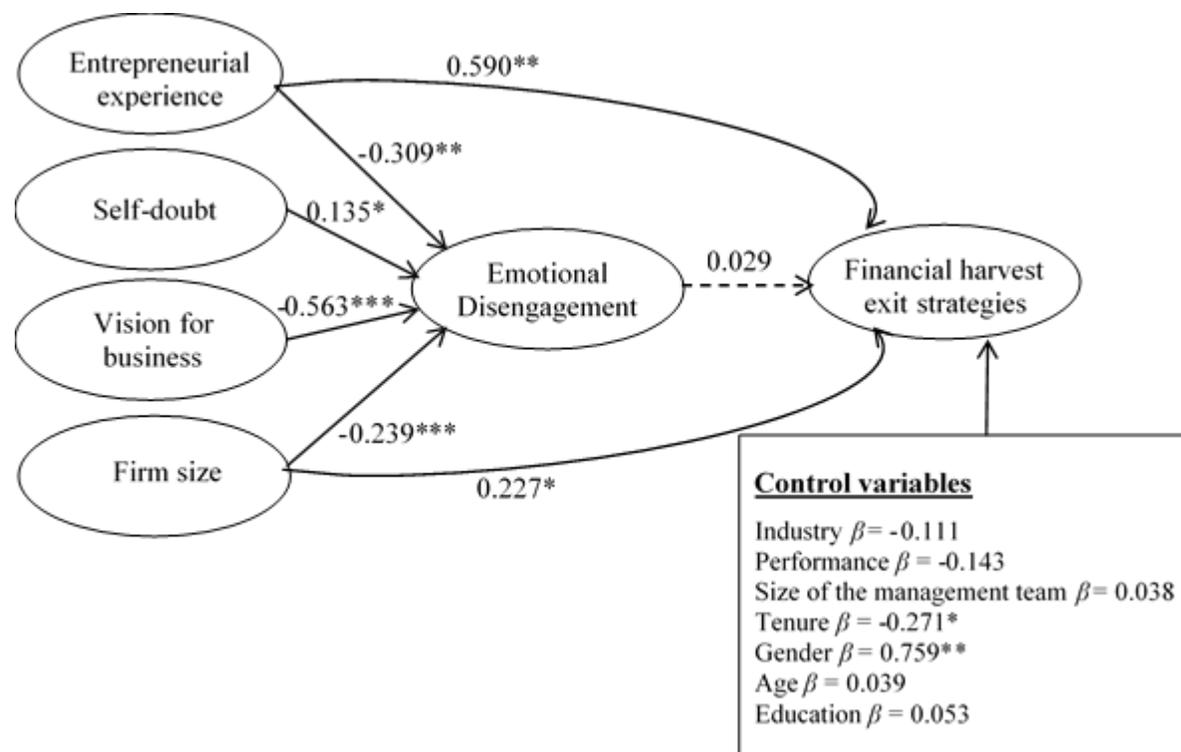


Figure 1: Financial harvest model

$n = 402$, $*p < 0.05$, $**p < 0.01$, $***p < 0.001$

From Table 5 one can see that confidence intervals of standardised total indirect, and direct effects for vision, doubt, entrepreneurial experience, and firm size, include zero which suggests that mediation model (hypothesis 8) for financial harvest exit strategies is not supported.

Table 5: Financial harvest exit strategies: results of 5,000 bootstrap samples

Indirect effect	Bootstrap-indirect effect	SE	Lower limit 95% CI	Upper limit 95% CI
Vision \rightarrow disengagement \rightarrow harvest	-0.016	0.146	-0.320	0.262
Self-doubt \rightarrow disengagement \rightarrow harvest	0.004	0.037	-0.064	0.095
Entrepreneurial experience \rightarrow disengagement \rightarrow harvest	-0.009	0.079	-0.171	0.149

Indirect effect	Bootstrap-indirect effect	SE	Lower limit 95% CI	Upper limit 95% CI
Firm size → disengagement → harvest	-0.007	0.062	-0.125	0.115
Direct effect	Bootstrap-direct effect	SE	Lower limit 95% CI	Upper limit 95% CI
Vision → harvest	0.071	0.207	-0.342	0.479
Self-doubt → harvest	-0.135	0.108	-0.344	0.073
Entrepreneurial experience → harvest	0.590	0.185	0.213	0.935
Firm size → harvest	0.227	0.088	0.044	0.399

Stewardship exit strategies. Figure 2 depicts the stewardship model and Table 6 presents details of estimations.

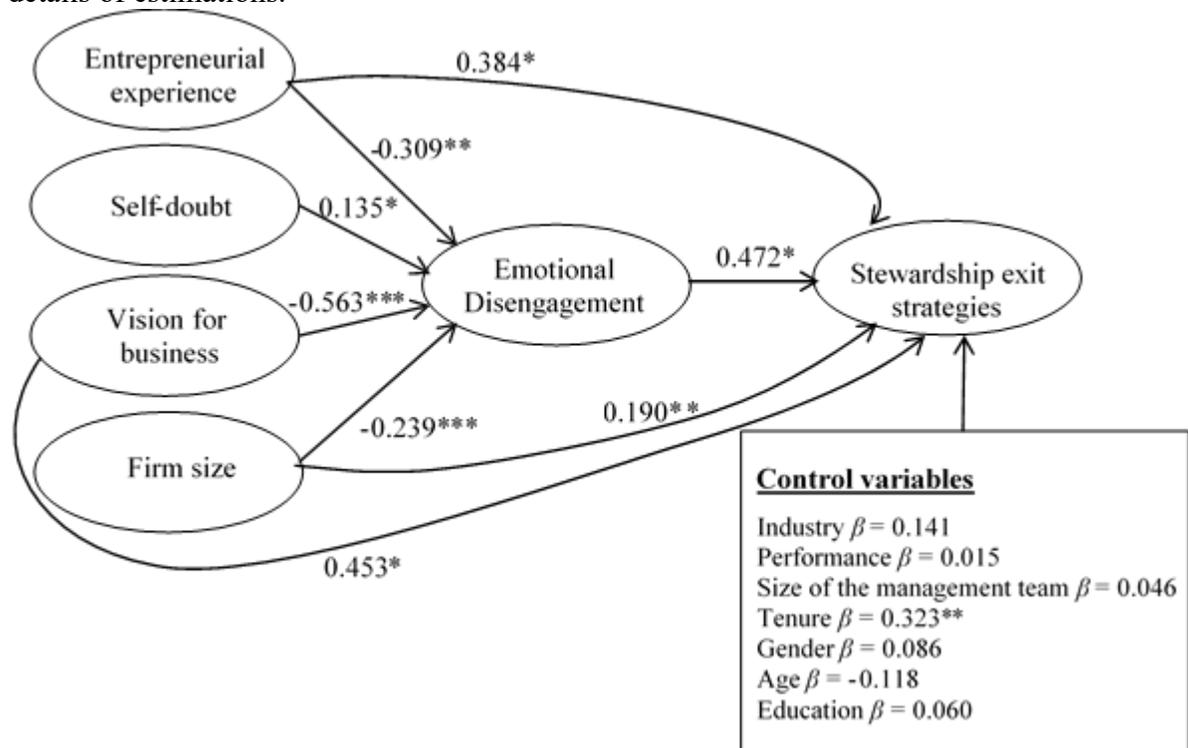


Figure 2: Stewardship model

$n = 402$, $*p < 0.05$, $**p < 0.01$, $***p < 0.001$

In the stewardship exit strategies model, the results indicate a support for hypothesis 9 where emotional disengagement mediates the effects of vision, self-doubt, entrepreneurial experience and firm size on the stewardship. The bias corrected bootstrap confidence also reveals that emotional disengagement fully mediates the effect of self-doubt.

Table 6: Stewardship exit strategies: results of 5000 bootstrap samples

Indirect effect	Bootstrap-indirect effect	SE	Lower limit 95% CI	Upper limit 95%CI
Vision → disengagement → stewardship	-0.266	0.117	-0.506	-0.034
Self-doubt → disengagement → stewardship	0.064	0.046	0.003	0.191
Entrepreneurial experience → disengagement → stewardship	-0.146	0.083	-0.372	-0.026
Firm size → disengagement → stewardship	-0.113	0.053	-0.219	-0.016
Direct effect	Bootstrap-direct effect	SE	Lower limit 95% CI	Upper limit 95%CI
Vision → stewardship	0.453	0.157	0.163	0.770
Self-doubt → stewardship	0.026	0.094	-0.156	0.217
Entrepreneurial experience → stewardship	0.384	0.171	0.041	0.704
Firm size → stewardship	0.190	0.073	0.055	0.331

Voluntary cessation exit strategies. Figure 3 depicts the model for voluntary cessation exit strategies and Table 7 presents the estimations. The results of the analysis indicate support for hypothesis 10: emotional disengagement fully mediates the effect of vision, self-doubt, and entrepreneurial experience on the voluntary cessation exit strategies. Also, emotional disengagement partially mediates the effects that firm size has on the voluntary cessation exit strategies.

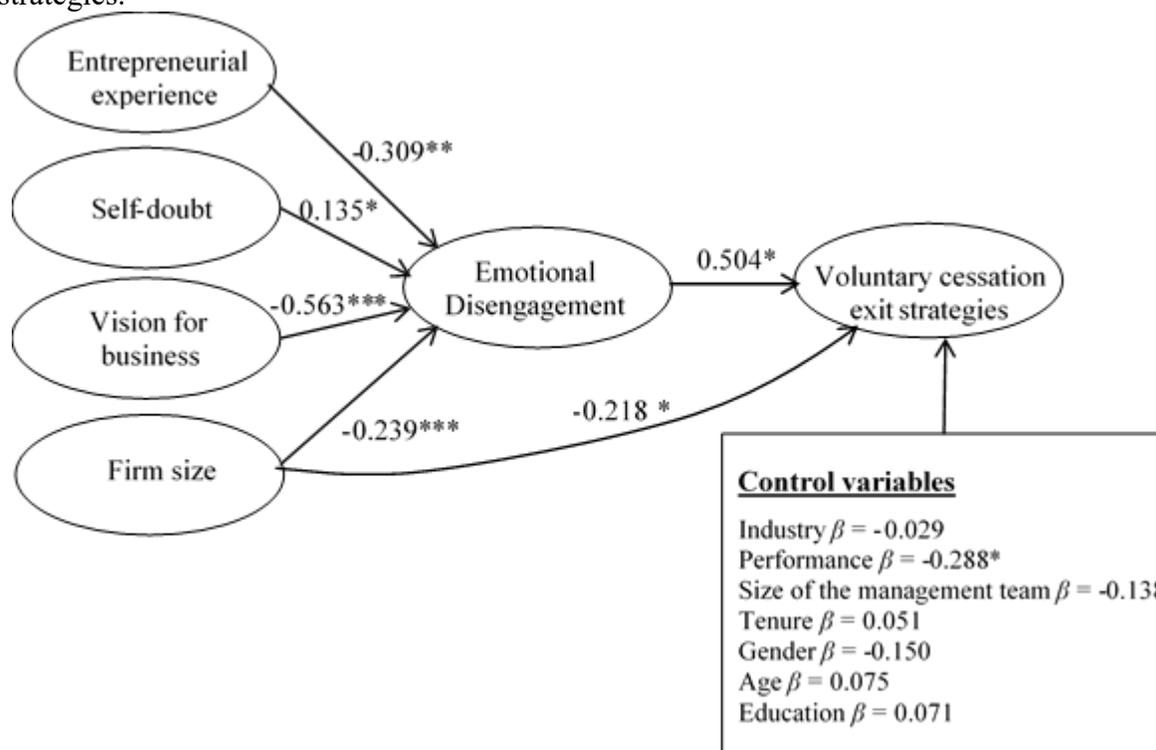


Figure 3: Voluntary cessation model

$n = 402$, $*p < 0.05$, $**p < 0.01$, $***p < 0.001$

It can be noted in Table 7 that emotional disengagement fully mediates the effect of vision, self-doubt, and entrepreneurial experience since the confidence interval of direct effect include zero. It can also be seen that the effect of firm size on voluntary cessation exit strategies is partially mediated.

Table 7: Voluntary cessation exit strategies: results of 5,000 bootstrap samples

Indirect effect	Bootstrap-indirect effect	SE	Lower limit 95% CI	Upper limit 95% CI
Vision → disengagement → cessation	-0.284	0.118	-0.529	-0.066
Self-doubt → disengagement → cessation	0.068	0.047	0.004	0.200

Indirect effect	Bootstrap-indirect effect	SE	Lower limit 95% CI	Upper limit 95%CI
Entrepreneurial experience → disengagement → cessation	-0.156	0.086	-0.412	-0.037
Firm size → disengagement → cessation	-0.120	0.053	-0.233	-0.028
Direct effect	Bootstrap-direct effect	SE	Lower limit 95% CI	Upper limit 95%CI
Vision → cessation	0.136	0.159	-0.179	0.439
Self-doubt → cessation	-0.107	0.115	-0.340	0.170
Entrepreneurial experience → cessation	-0.400	0.226	-0.815	0.056
Firm size → cessation	-0.218	0.093	-0.404	-0.036

We were also interested in the effects of control variables such as industry. The findings reveal that tenure has a significant negative effect on the harvest exit strategies, but positively (significant) affects stewardship exit strategies. Also, gender (1 = female, 2 = male) seem to have a significant positive effect on the financial harvest exit strategies. In addition, we found that performance has a significant negative effect on voluntary cessation exit strategies. These results make sense as research has shown that the performance affects entrepreneurs' exit decision (e.g. Strese et al., 2018).

Discussion and Conclusion

The primary question in this paper is whether and how emotional disengagement affects different exit strategies: financial harvest, stewardship, and voluntary cessation. For the financial harvest exit strategies we found no mediating effect from emotional disengagement on the harvest. However, we found that entrepreneurial experience and firm size directly affect harvest exit strategies. As for the stewardship and cessation exit strategies, the mediating effects of disengagement were supported, and the results of the analysis showed that disengagement positively affects stewardship and voluntary cessation exit strategies as we anticipated.

The findings help better understand the relationship between the individual and firm level antecedents with entrepreneurial exit strategies. The results suggest that emotional disengagement has a positive effect on the stewardship (e.g. employee buyout) and voluntary cessation (e.g. liquidation) exit strategies. Yet we also need to understand how emotional disengagement encourages stewardship and cessation exit strategies? We suggest two mechanisms for this.

First, stimulated by the antecedents such as self-doubt, emotional disengagement may reduce the intensity of the emotional bond between an entrepreneur and the business and facilitate the exit. Entrepreneurs seem to build up an emotional bond with their business over time (Kammerlander, 2016; Zellweger & Astrachan, 2008). This bond encourages goal persistence and continuation of their entrepreneurial activity (Dehlen et al., 2014). However, it also could have negative implications for evaluating the information and taking an exit decision. For example, (Dehlen et al., 2014) found that entrepreneurs preferred to keep the business to which they were too attached. Although by selling the business to an independent buyer entrepreneurs could have captured the financial value of the firm, brought greater resources to it, and created a better impact for the future of the firm and its founders, they decided to transfer the business to a family member despite the favourable alternatives. Entrepreneurs are willing to sell their firm at a lower price than the firms' market value as long as they believe it goes into 'good' hands (Kammerlander, 2016). They may also delay the exit decision in their firm because they felt they have been investing their time and emotions and felt attached to the business (Yamakawa & Cardon, 2017).

Emotional disengagement, however, may ease the emotional bond and the attachment to the business. In this paper we show that favourable performance of the firm is related significantly and negatively to the voluntary cessation exit strategies (Figure 3). So, in cases where the firm performance is below entrepreneurs' expectations, emotional disengagement could potentially help entrepreneurs to exit. By choosing voluntary cessation exit strategies, entrepreneurs could increase the relative efficiency – for example – compared with exit by bankruptcy (Balcaen et al., 2012). From this perspective, emotional disengagement makes easy the exit decision and aids the feeling of let go. The same reasoning applies to the positive effect that emotional disengagement has on the stewardship exit strategies – for example, the employee buyout. Emotional distance from the business helps the feeling of letting go, when entrepreneurs choose stewardship exit to create a positive impact for others.

Second, emotional disengagement could encourage stewardship and voluntary cessation by reducing the emotional costs and thereby facilitate the exit decision. Entrepreneurship entails going through different work settings – for example, taking management responsibility, working long hours, undergoing pressure, experiencing a lack of social interaction and investing family resources. These settings can have emotional costs (Astrachan & Jaskiewicz, 2008; Zellweger & Astrachan, 2008). For example, spending long working hours on the business can be emotionally costly when it restricts entrepreneurs' family time. Entrepreneurs can experience conflicts of interest between wanting to spend time with family and business and be left with feelings of guilt and despair (Lazarus & Folkman, 1984). Similar to this, feelings of guilt for not achieving the anticipated entrepreneurial goals can be emotionally costly (Shepherd et al., 2009). The emotional costs of entrepreneurship and feeling of not wanting to waste the expended resources can make it difficult for entrepreneurs to exit the business (Shepherd et al., 2009; Zellweger & Astrachan, 2008). However, research shows that these emotional costs can be reduced. In their empirical study Shepherd et al. (2009) showed that anticipatory grief (mourning, recognition of the losses, and the rearrangement of resources to deal with the exit) reduces the emotional cost of entrepreneurial exit and encourages the feeling of let go.

Consistent with this view, entrepreneurs' emotional disengagement from their businesses can reduce the emotional costs and thus facilitate the exit. Emotional

disengagement could help entrepreneurs to withdraw from the business and make sense of the event. The distance could reduce the emotional costs and allows entrepreneurs to prepare for the exit and even try to learn from such an experience (Shepherd et al., 2009). For example, our results showed that self-doubt and lack of vision exert an effect on emotional disengagement which in turn predicts the likelihood of voluntary cessation exit strategies. Entrepreneurs' self-doubt is the uncertainty about their abilities and potentials as an entrepreneur (Bandura, 1994, 2012). A vision for the business is the entrepreneurs' image of the outcomes and carries a sense of meaning (Anderson & West, 1998; Kahn, 1990; Shepherd et al., 2015). These factors can be emotionally costly for entrepreneurs: they could doubt their ideas and plans as well as their abilities to perform effectively (Singh et al., 2015). They could also feel that entrepreneurial activity exceeds their resources (Khelil, 2016). Emotional disengagement may allow entrepreneurs to distance and protect themselves against unpleasant feelings and their emotional costs.

This study makes several important contributions. First, we showed in this study that emotional disengagement consistently affects entrepreneurial exit intentions. By doing so this paper extends the research on disengagement and turnover within the organisational field to the research in the field of entrepreneurship, and hence, contributes to both disciplines (Cardon et al., 2012; DeTienne & Wennberg, 2016). Second, this research adds to the literature on entrepreneurial exit strategies and recent calls to explain the relationship between the antecedents and entrepreneurial exit (DeTienne & Wennberg, 2016; Shepherd & Patzelt, 2017). Finally, the paper has implications for practitioners advising entrepreneurs navigating the exit process, through its segmentation of the different exit routes and recognition of different motivations.

Limitations and Future Directions

This study is not without limitations. First, we conducted this study only in the UK. Second, we examined the effect of several known variables. Future research may explore the role of other factors – for example team dynamics, investors, etc. – on disengagement and exit intentions. Lastly, we used self-report measures which may introduce a biased estimate of self-assessed behaviours. Further research could use various sources of data to support the causal inferences that we proposed in the model.

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Appendix 1

Table 8: Distribution of exit strategies

Distribution of exit strategies in the sample (<i>n</i>=402)		
	Frequency	Percentage
Acquisition	68	17%
IPO	6	1%
Sale to co-founder or to company	32	8%
Independent sale	81	20%
Employee buyout	29	7%
Liquidation	22	5%
Discontinuance of the venture	46	11%
No intention for exit	136	34%

Table 9: Description of exit strategies

Clustering of exit routes	
Acquisition	Financial harvest
IPO	
Sale to co-founder or to company	Stewardship
Independent sale	
Employee buyout	
Liquidation	Voluntary cessation
Discontinuance of the venture	