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Retiring entrepreneurs and succession planning: does entry mode determine exit strategy?

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Abstract

Purpose – The purpose is to examine the relationship between entrepreneurs' exit strategies and modes of entry. The topic of exit strategies in the context of approaching retirement warrants further attention.

Design/methodology/approach – We apply logistic regression to analyse 1,192 responses to an online survey of firms with entrepreneurs aged over 55.

Findings – Family successors are more likely to choose family succession and buyers to choose to sell, but the association between founding and exit mode cannot be confirmed. Firm size is also significant. Our findings suggest that entry and exit via a business transfer are linked. Entrepreneurs might be influenced by their form of entry when choosing their exit strategy.

Research limitations/implications – The data were collected from a single European country, limiting generalisation. Future research should incorporate intervening variables not controlled for here, such as, entrepreneurial experience. Future studies should also seek to test the existence of imprinting directly, as it is implied rather than verified here.

Practical implications – If the entry mode has a lasting effect on the entrepreneur as our results suggest, thus influencing the exit strategy selected, entrepreneurs could benefit from greater awareness of the imprinting mechanism. Increasing awareness of imprinted biases could unlock the benefits of exit strategies previously overlooked.

Originality/value – The study is the first to consider sale, family succession and liquidation as exit strategies in relation to the original entry mode of ageing owners. It contributes to the understanding of exit strategies of ageing entrepreneurs and proposes using entrepreneurial learning and imprinting as lenses to clarify the phenomenon.

Keywords SME, Entrepreneurial learning, Imprinting, Entry mode, Exit strategy

Paper type Research paper

1. Introduction

As European societies age, so too do entrepreneurs. Entrepreneurs approaching retirement age face the difficult decision of whether to transfer the business or to cease trading. The latter choice can be painful for an entrepreneur because it involves not only the cessation of the firm as a legal entity but also its contributions to economic activity and employment. The dilemma underscores the significance of entrepreneurs' exit strategies, particularly given the evidence showing that successfully transferred businesses have better performance and survival rates than start-ups (e.g. Favre-Bonté and Thévenard-Puthod, 2013; Van Teeffelen, 2012; Xi *et al.*, 2020).

Retirement is not the only reason for an entrepreneur to exit. It might also be a consequence of entrepreneurial failure or emotional exhaustion, for example (Wennberg and DeTienne, 2014; Jenkins and McKelvie, 2016; Shahid and Kundi, 2022). Entrepreneurs might also opt to exit for more positive reasons, such as, pursuing new business ventures that

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introduce new business ideas, or to take up enticing offers of salaried employment. Some exits might have been meticulously planned from the outset (DeTienne *et al.*, 2015).

While the reasons for and choice of exit is arguably as important as entry into entrepreneurship, the former has received less research attention (Parastuty, 2018), and the research that exists on entrepreneurial exit is at an early stage although gaining importance (Wennberg and DeTienne, 2014; Sanguineti, 2022). One topic that has been addressed extensively in family business research is succession (e.g. Capolupo *et al.*, 2022; Valenza *et al.*, 2021; Duh *et al.*, 2009). Not all family businesses are anticipated to continue through family succession (Schlömer-Laufen and Rauch, 2020; Scholes *et al.*, 2008), nor are all enterprises family businesses.

The past decade, however, has seen an increase in work exploring the departure of individual entrepreneurs from their enterprises (e.g. DeTienne, 2010; DeTienne and Cardon, 2012; Parastuty, 2018; Piva and Rossi-Lamastra, 2017; van Teeffelen and Uhlaner, 2013; Wennberg *et al.*, 2010). Entrepreneurial exit studies encompass all forms of exit, from family succession to independent sale and discontinuation (Drapeau and Tremblay, 2020).

In addition to exits, interest in exit strategies is growing. DeTienne (2010) suggested a typology of exit strategies, and DeTienne and Cardon (2012) have demonstrated that different exit strategies exist and are influenced by experience. Nordqvist *et al.* (2013) called for studies on entrepreneurial entry and exit to include succession, and Parastuty (2018) noted the potential of entrepreneurial learning as a perspective on exit. Various other contributions have further refined our understanding of the antecedents of exit strategy choices (e.g. Afrahi and Blackburn, 2019; Dehlen *et al.*, 2014; Kaciak *et al.*, 2021), but considerable gaps remain around this complex phenomenon.

We argue that exit and exit strategies in the context of entrepreneurs approaching retirement warrant specific attention. Notwithstanding the considerable increase in exit research in the past decades, the conjunction of exit and approaching retirement has rarely been considered (Soleimanof *et al.*, 2015; see also Wennberg and DeTienne, 2014). Morris *et al.* (2020) recently called for further research on the effect of contextual factors on entrepreneurial retirement and for studies using wider samples. The fate of the firms run by retiring entrepreneurs has also been a concern for policymakers, as highlighted by the European Economic and Social Committee (2022), for example. For an entrepreneur approaching retirement age, the future overshadows developmental activity well in advance of actual retirement (Joensuu-Salo *et al.*, 2019). In small and medium-sized firms, where the owner-manager has a crucial role, this is a cause for concern. Such firms constitute 99% of the businesses in the EU, and accordingly, a significant majority of business transfers also occur within that segment, with almost 90% involving micro-businesses (European Commission, 2021). While large-scale mergers and acquisitions are extensively documented, the distinct dynamics of business transfers in entrepreneur-led firms remain relatively unexplored.

The specific objective of this article is to analyse the relationship between entrepreneurs' exit strategies and their ownership history (i.e. whether their mode of entry into the business has an impact on the way they intend to exit it). To the best of our knowledge, this is the first study to consider the exit strategies of sale, family succession, and liquidation in relation to ageing owners' entry mode. Our findings suggest that entry and exit are indeed linked, and entrepreneurs consciously or unconsciously shape their exit according to the model of their entry. We suggest that the entry mode is imprinted on the individual, which forms an important basis for decisions on exit strategy.

2. Theoretical framework

2.1 Entrepreneurial exit and exit strategy

Exit as a concept may refer to the exit of a firm from the market (e.g. Cefis *et al.*, 2022), the exit of an individual from self-employment (van Praag, 2003) or the exit of a founder from the business they created (DeTienne, 2010; DeTienne and Chirico, 2013; DeTienne *et al.*, 2015), linking entrepreneurial exit to the exit of the founder as a part of the entrepreneurial process (e.g. DeTienne, 2010). From the perspective of business transfers, subsequent changes in ownership are also of interest. A business transfer is potentially recurrent in that not only the founder but also subsequent owners can exit the business and transfer it to a new owner (Deschamps, 2020).

DeTienne and Cardon (2012) pointed out that all entrepreneurs eventually exit their firms, whether they founded the firm or acquired it through a business transfer. In considering entrepreneurs' exit, it is important to distinguish between the intention to exit in general and the intention to exit through a specific exit strategy (Drapeau and Tremblay, 2020) and between the actual exit and various intentions regarding exit or exit routes. Exit may be viewed as an event but also as a process involving volitional decision-making (DeTienne and Wennberg, 2016; Morris *et al.*, 2020), and forming intentions concerning the manner in which the exit will take place is easily conceivable as a part of that process. Our interest here is on *exit strategies*, defined as the mode through which the entrepreneur intends to exit the firm (DeTienne *et al.*, 2015).

DeTienne *et al.* (2015) propose a three-category typology of exit strategies: financial harvest strategies that include IPOs and acquisition (i.e. sales to other firms); stewardship strategies that include family succession, employee buy-out and independent sale; and voluntary cessation strategies that include liquidation and discontinuance.

Among the key findings reported by DeTienne *et al.* (2015) are that applying causation-based decision-making is associated with financial harvest exit strategies, and that a larger number of employees is positively related to stewardship exit strategies. Voluntary cessation strategies are associated with fewer employees. An important caveat to the research of DeTienne *et al.* (2015) is its focus on young firms of between two and five years old and, thus, early-stage exit strategies. Moreover, it was not possible to incorporate family succession in the analysis of exit strategies. Chirico *et al.* (2020) compared the exit strategies of family-controlled and non-family-controlled firms and added merger as a fourth exit strategy.

A number of studies have considered the individual factors that influence exit strategies. Wennberg *et al.* (2010) found that entrepreneurial experience positively influences the probability of a harvest sale over distress liquidation or sale and that age increases the likelihood of a harvest sale or distress sale over continuation or liquidation. DeTienne and Cardon (2012) reported that firm size affects the influence of individual factors. The study found entrepreneurial experience, education and age had an impact on the preferred exit strategies in firms with five or fewer employees. Battisti and Okamuro (2010) also showed a link between preferred exit strategy and size; the results suggest that founders are less likely to sell. Other scholars have highlighted associations with, for example, work orientation, entrepreneurial experience, firm age, socioeconomic wealth, age and perceived barriers (Afrahi and Blackburn, 2019; Dehlen *et al.*, 2014; Kaciak *et al.*, 2021; Rouse, 2016; Koładkiewicz *et al.*, 2022a, b).

Compared to salaried employees, entrepreneurs are in the unique situation of having considerable control over their retirement process (Morris *et al.*, 2020), that is barring health issues or unforeseen developments. Studies have shown that the self-employed are more likely than employees to prefer late retirement (Radl, 2013; Visser *et al.*, 2016; Zwier *et al.*, 2021). As retirement decisions involve uncertain cost-benefit calculations, individuals are sensitive to signals from their social environment and consequently local embeddedness (Forster-Holt, 2022) or age norms (Radl, 2012) can affect them. Pending retirement can be a complex and highly emotional process in the context of entrepreneurship (Mallett and Wapshott, 2015; Morris *et al.*, 2020). Full retirement requires a person team to relinquish ownership and control of the firm, and the exit strategy represents the means by which this is accomplished. According to Morris *et al.* (2020), stronger retirement intentions are associated with financially based exit strategies as opposed to stewardship-based and cessation-based exit strategies and also lead to greater engagement in exit preparation efforts. Soleimanof *et al.* (2015) argued that the choice of exit strategy might be an iterative process in which exit preparation efforts may lead to modifications to an exit strategy. Von Bonsdorff *et al.* (2019) investigated ageing entrepreneurs and found that those aged 64 or older were more likely to pursue an exit strategy of succession within the family. In contrast, a sale to an external party is more probable for those aged 55 to 63. Although exit strategies may be formed in a venture's early phases (DeTienne *et al.*, 2015), such strategies become more imminent and they are quite likely to be subject to change as retirement looms.

2.2 Entrepreneurial learning, imprinting and exit strategy

Entrepreneurial learning as a research area combines learning and the entrepreneurial context (Harrison and Leitch, 2005). As such, entrepreneurial learning involves the process of action and reflection (Cope and Watts, 2000; Politis, 2005; Taylor and Thorpe, 2004). Prior career experience – specifically start-up, management and industry experience – are viewed as aspects of experience that are transformed into knowledge during entrepreneurial learning. Several studies have considered entrepreneurial exit a learning event (Cope, 2011; Singh *et al.*, 2015; Walsh and Cunningham, 2017). However, entrepreneurial learning studies have largely construed exit as a failure, that is, as a learning event informing experiential learning rather than one affected by prior experiences. The approach reflects the narrow categorisation of entrepreneurial learning as learning "experienced during creation and development of a small enterprise" (Cope, 2005, p. 374) or a process of developing the "necessary knowledge for being effective in starting up and managing new ventures" (Politis, 2005, p. 401). Politis (2005) considers entrepreneurial learning a continuous, complex process by which entrepreneurs transform experience into knowledge. In the present context, focusing on the learning impacts of a specific experience at a specific time, a more appropriate concept is that of imprinting (Boeker, 1988; Marquis and Tilcsik, 2013; Simsek *et al.*, 2015).

Boeker (1988) argued that entrepreneurs' environmental background and experiences are imprinted on them, which affects their firm's strategy. Marquis and Tilcsik (2013, p. 199) imprinting as a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods. The study thus highlights the three essential features of imprinting: a sensitive period characterised by high susceptibility, the impact of the environment, and the persistence of that impact even in the face of subsequent changes. Mathias *et al.* (2015) view imprinting as a time-sensitive learning process. There is considerable agreement that the founding of a firm is a period of susceptibility (e.g. Guenther *et al.*, 2016; Bryant, 2014; Albert and DeTienne, 2016) at the organisational level. On the individual imprinting level (Marquis and Tilcsik, 2013; Lee and Battilana, 2020), Terbeck *et al.* (2022) show that starting a business is a formative experience that leaves an imprint on the founder, affecting later decision-making, and Fern *et al.* (2012) report that the founder's past experience strongly influences later choices.

Simsek *et al.* (2015) suggest three processes that imprinting encompasses: an imprint forms (genesis), evolves (metamorphosis), and eventually manifests in outcomes (manifestations). Genesis is predominantly understood as relating specifically to the environment of the focal entity, but for example, Mathias *et al.* (2015) encompass in their understanding of the environment a wide variety of factors, including personal experiences. We thus argue that on the individual level, taking ownership of a business through a business transfer is a period of susceptibility comparable to founding a firm. Drawing on previous researchers' interpretation that imprinting can be occasioned by experience (Mathias *et al.*, 2015; Amankwah-Amoah *et al.*, 2018; Ghezzi, 2020; Wang *et al.*, 2023; Lee and Battilana, 2020; Sotirakopoulos *et al.*, 2023) we suggest that the entrepreneur's experience can constitute an imprinter (see Simsek *et al.*, 2015) and thus, the experience of entry into entrepreneurship via a specific mode can comprise a genesis process, which is then manifested in a specific exit strategy.

There are numerous studies addressing founder imprint on organisations (e.g. De Cock *et al.*, 2021; Hsu and Lim, 2014; Snihur and Zott, 2020; Leung *et al.*, 2013) and some on imprinting in conjunction with exit. Guenther *et al.* (2016) examine the effects of founder exit, and Harel *et al.* (2022) show the impacts of business closure on later mergers and acquisitions. Amankwah-Amoah *et al.* (2018) argue that the experience of failure in business leaves an imprint on the founder's later venturing. Looking at imprint effects on exit, Albert and DeTienne (2016) demonstrate that initial strategic resources imprint ventures, which affects exit sale strategies. As far as we know, no previous study considers the imprint of entry mode on exit strategy.

2.3 Hypothesis development

To reiterate, we contend that becoming a business owner by buying the business from a predecessor is an imprinting experience. The first-hand experience of the business transfer imprints itself on the new owner. We suggest that imprinting then manifests in the chosen exit strategy. In previous business transfer research, Van Teeffelen and Uhlaner (2013) demonstrate that entrepreneurs who originally purchased their firm are more likely to favour a sale rather than liquidation as their exit choice. Similarly, family succession is an imprinting experience for the successor (see, e.g. Murthy and Paul, 2016), and the deliberate imprinting of values on family members is important to enduring chains of family business succession (Jaskiewicz *et al.*, 2015). Taking over through family succession also entails some level of commitment to maintaining the socioeconomic wealth internalised in the business (Berrone *et al.*, 2012; DeTienne and Chirico, 2013; Makó *et al.*, 2018), thus providing in-built motivational drivers towards exit by family succession.

The motivation and enactment of starting a business is a powerful experience involving the process of entrepreneurial identity construction (Radu-Lefebre *et al.*, 2021). The firm becomes the founder's "baby" (Cardon *et al.*, 2005), leading to intense psychological commitment, which has implications for the firm (Ljungkvist and Boers, 2020) and the owner. Nevertheless, Leroy *et al.* (2015) found no significant effect of psychological ownership. Despite the power of Cardon *et al.*'s (2005) metaphor, entrepreneurs may decide to liquidate even a successful business for a variety of reasons, including career change, divorce, retirement or a better opportunity (Wennberg *et al.*, 2010). Furthermore, Hsu *et al.* (2016) have shown that exit can also be associated with family interference in business and vice versa, with differing impacts on women. Importantly, founding a firm as an experience lacks the genesis of a business transfer imprint.

Drawing on the above, we hypothesise:

H1. Family successors are more likely to choose family succession.

H2. Buyers are more likely to choose selling as an exit strategy.

H3. Founders are more likely to choose liquidation.

We included the respondent's age, firm size, gender and industry as control variables in our analysis. A respondent's age is naturally an important factor, and firm size is relevant to an exit strategy (e.g. DeTienne *et al.*, 2015). One-person service enterprises are particularly vulnerable to closure as the business can be inseparable from its owner (Harada, 2007). Gender may also affect exit strategies (Justo *et al.*, 2015). In addition, the industry a firm operates in can play a role. Ryan and Power (2012) find that in Ireland, service sector firms are more likely than others to transfer, but in Scotland, evidence is inconclusive. A recent Finnish study [*source omitted from review to preserve anonymity*] found that a sale to an external party is the preferred option in manufacturing, construction, trade, and non-expert services. In contrast, discontinuation is the most common exit strategy among expert services firms.

3. Data and methods

The data were collected in 2021 using a web-based survey addressed to owner-managers/CEOs. The survey was sent to members of the Finnish Federation of Entrepreneurs (*Suomen Yrittäjät*) and the Family Business Network and promoted in the relevant newsletters. In this paper, we utilise the responses from respondents aged over 55, representing small and medium firms (max 249 employees). A total of 1,192 respondents fit the criteria and we used SPSS software version 29 to aid analysis.

With respect to demographics, 26.7% of the respondents were women, and 72.8% were men (remainder declined to state their gender). Furthermore, 45% of the respondents had a higher education degree. The mean age of the respondents was 63.2 years (minimum 56, maximum 89).

Table 1 presents the sizes and industries of the firms and the entry modes and exit strategies of the respondents. Entry mode was measured on a nominal scale with three options: the respondent had (1) founded the firm, (2) bought the firm or (3) assumed ownership through family succession. Exit strategy was also measured on a nominal scale with four options. The respondents were asked, “What do you think your firm’s future will be after you have given up the main responsibility for it?” with the options (1) succession within the family, (2) co-owners will continue the firm, (3) selling the firm outside the family and (4) closing the firm down.

Most of the respondents had founded the firm (73%), 16% had bought the firm, and 11% had become owners through family succession. Selling was the most popular choice of exit

Table 1. Industries, firm size of the SMEs and respondent entry mode and exit strategy

Industry	*%*
Trade	17.3
Manufacturing	15.2
Expert services	21.7
Other services	31.3
Construction	11.8
Other	2.7
Firm size	
One-person enterprise	34.4
2–4 employees	30.3
5–10 employees	18.7
11–20 employees	8.4
over 20 employees	8.4
Entry mode	
Founder	73.2
Buyer	16.2
Family succession	10.7
Exit strategy	
Family succession	17.9
Co-owners will continue	8.6
Selling	45.4
Closing down	26.1

Source(s): Created by authors

strategy, with 45% of the respondents planning to sell the firm after giving up the main responsibility. Another 26% were thinking of closing down the firm, 18% were planning for family succession, and in nine per cent of firms, co-owners were expected to continue the firm.

First, we used the Pearson chi-square test with cross-tabulation to estimate the relationship between entry mode and exit strategy. Second, we used logistic regression analysis to estimate the impact of entry mode on exit strategy (i.e. a specific exit strategy versus other strategies). Logistic regression analysis is a commonly used statistical procedure for analysing binary data, as demonstrated by Hilbe (2009). The explanatory independent variables, also known as predictors, can be continuous, categorical or indicator/binary variables. The main objective of logistic regression analysis is to predict whether a dependent variable can be categorised based on the independent variable (Menard, 2010). The odds of being classified as a case based on the predictors are determined using logistic regression. Odds refers to the probability that a particular outcome is a case divided by the probability of it being a non-case, as defined by Strickland (2017, p. 34). In logistic regression analysis, the normal R2 statistics are not appropriate, and instead, pseudo-R2 statistics are applied (Hilbe, 2009). Hence, we utilised pseudo-R2 statistics to assess the model fit. Furthermore, the statistical significance was examined using the omnibus test of the model coefficients, as described by O'Connell (2006).

Respondent's age, firm size, gender and industry were used as control variables. Firm size was transformed into a natural logarithm. In addition, we created a dummy variable for a one-person enterprise (1 for yes and 0 for no). Gender and each industry were treated as dummy variables in the model. Men were coded as 1, women as 0, and those replying to the gender question with "other" were coded as missing information. Dummy variables were coded for industries of manufacturing, construction, expert services, other services and trade (1 for yes, 0 for no).

4. Results

The chi-square test results show a significant relationship between entry mode and planned exit strategy (chi-square 73.532, $p < 0.001$). Table 2 presents the results of the cross-tabulation. Selling the firm was the most popular strategy for all respondents. However, compared to other entry modes, family succession was more likely among respondents who had themselves become owners through family succession. Similarly, 68% of respondents who had bought a firm planned to sell it when they relinquished their main responsibility. That was a higher percentage than was recorded for other entry modes. In addition, closing down the firm was more likely when the entry mode was founding the firm than with other entry modes.

		Family succession	Other owners continue	Selling	Closing down	Other	Total
Founder	Count	138	66	343	256	20	823
	%	16.8%	8.0%	41.7%	31.1%	2.4%	100.0%
Buyer	Count	22	17	123	19	1	182
	%	12.1%	9.3%	67.6%	10.4%	0.5%	100.0%
Through family succession	Count	40	7	47	25	1	120
	%	33.3%	5.8%	39.2%	20.8%	0.8%	100.0%
Total	Count	200	90	513	300	22	1,125
	%	17.8%	8.0%	45.6%	26.7%	2.0%	100.0%

Source(s): Created by authors

Table 2. Ownership history (row) and planned exit strategy (column)

Next, we performed a logistic regression analysis for the family succession, selling and liquidation exit strategies. The first model in Table 3 shows the test results for the first hypothesis. The findings indicate that incumbents with a family succession mode of entry were 2.1 times more likely to have a family succession exit strategy than those with other entry modes (Exp (B) 2.067, $p < 0.001$), supporting our first hypothesis. In addition, firm size positively explained family succession as an exit strategy (Exp (B) 1.398, $p < 0.001$), as did gender (male; Exp (B) 1.647, $p < 0.05$). Larger companies are more likely than smaller ones to have succession as an exit strategy. That is particularly the case for one-person enterprises where the association is significantly negative (Exp (B) 0.374, $p < 0.001$). The respondent's age was not a significant variable in the model, while industry was. All industries except expert services had relevance in the model and explained negatively the exit strategy of succession. The model predicted 83% of the cases correctly. The omnibus test produced a significant chi-square value (115.993, $p < 0.001$), and the Nagelkerke R^2 value was 0.158.

The second model tested the second hypothesis. The results in Table 4 show that those who bought their businesses were almost three times as likely to have an exit strategy of selling the business compared to respondents with other entry modes (Exp (B) 2.696, $p < 0.001$), supporting our second hypothesis. In addition, firm size has a statistically significant value in the model, negatively explaining the exit strategy of selling (Exp (B) 0.819,

	B	S.E.	Wald	Sig	Exp(B)
Ownership history: succession	0.726	0.225	10.371	***	2.067
Firm size	0.335	0.090	13.995	***	1.398
Respondent's age	0.007	0.014	0.282	0.595	1.007
Gender (male)	0.499	0.211	5.604	*	1.647
Industry: manufacturing	−1.279	0.473	7.304	**	0.278
Industry: construction	−1.198	0.482	6.172	*	0.302
Industry: expert services	−0.757	0.458	2.732	0.098	0.469
Industry: other services	−1.252	0.450	7.750	**	0.286
Industry: trade	−1.606	0.478	11.301	***	0.201
One-person enterprise	−0.984	0.276	12.740	***	0.374
Constant	−1.521	0.948	2.576	0.109	0.218

Note(s): $*p < 0.05$, $**p < 0.01$, $***p < 0.001$
Source(s): Created by authors

Table 3. Logistic regression analysis for family succession as an exit strategy

	B	S.E.	Wald	Sig	Exp(B)
Ownership history: buying	0.992	0.179	30.588	***	2.696
Firm size	−0.200	0.080	6.276	*	0.819
Respondent's age	−0.009	0.011	0.735	0.391	0.991
Gender (male)	−0.171	0.148	1.328	0.249	0.843
Industry: Manufacturing	1.112	0.501	4.929	*	3.042
Industry: Construction	0.995	0.502	3.932	*	2.705
Industry: Expert services	0.586	0.490	1.433	0.231	1.798
Industry: Other services	1.152	0.482	5.723	*	3.165
Industry: Trade	1.636	0.493	11.025	***	5.135
One-person enterprise	−1.019	0.190	28.873	***	0.361
Constant	−0.104	0.816	0.016	0.898	0.901

Note(s): $*p < 0.05$, $***p < 0.001$
Source(s): Created by authors

Table 4. Logistic regression analysis for selling as an exit strategy

$p < 0.05$). The larger the company, the more likely its owners are to plan a succession. However, one-person enterprises are not likely to be sold (Exp (B) 0.361, $p < 0.001$). The respondent's age has no significant value in the model, nor does gender. With regard to industry, expert services do not explain the exit strategy of selling positively while all other industries do. Trade firms are particularly likely to favour a sale form of exit in the model (Exp (B) 5.135, $p < 0.001$). The model correctly predicted 64% of cases. The omnibus test produced a significant chi-square (125.825, $p < 0.001$), and the Nagelkerke R^2 value was 0.139.

Next, we performed a logistic regression analysis to test the third hypothesis. The results in Table 5 show that only firm size explains liquidation as an exit strategy (Exp (B) 0.370, $p < 0.001$), and the effect is negative. The smaller the firm, the more likely it is to choose a liquidation strategy. In addition, one-person enterprises are over twice as likely to choose liquidation than other firms ((Exp (B) 2.231, $p < 0.01$). Gender, industry and respondent's age did not have a relationship with liquidation. Hence, the regression analysis findings do not support our third hypothesis when firm size and one-person enterprises are controlled in the model. The preliminary cross-tabulation analysis revealed a relationship between founding a firm and a liquidation strategy; however, that correlation disappeared when firm size was included. The finding may suggest that firm size can mediate the effect of founding as entry mode on the liquidation strategy. The model predicted 79% of the cases correctly. The omnibus test produced a significant chi-square (330.263, $p < 0.001$), and the Nagelkerke R^2 value was 0.364.

In addition, we conducted a multinomial regression analysis as a post-hoc robustness check. Multinomial regression is used when the dependent variable comprises non-ordinal categories (Hoffman, 2016). In this study, the dependent variable is the choice of exit strategy, which includes three options: (1) family succession, (2) selling the firm and (3) liquidation. The reference category was in this case family succession.

The independent variables in the model encompass entry mode (family succession, buying the firm or founding the firm), firm size, industry type (manufacturing or other), gender (female or male) and respondent age. The results of the multinomial regression analysis corroborate those of the logistic regression analysis (see Table 6). The model fit was excellent (chi-square 361.497, $p < 0.001$), with a Nagelkerke R2 value of 0.347.

The findings indicate that the entry mode *buying the firm* (reference group family succession entry mode) significantly explains a preference for an exit strategy of selling the business over a family succession (Wald 15.578, $p < 0.001$), and vice versa. However, the exit strategy of liquidation is not significantly explained by the entry mode; only firm size is significant in the model.

	B	S.E.	Wald	Sig	Exp(B)
Ownership history: founder	0.336	0.210	2.572	0.109	1.399
Firm size	−0.995	0.208	23.005	***	0.370
Respondent's age	0.013	0.014	0.866	0.352	1.013
Gender (male)	0.097	0.184	0.279	0.597	1.102
Industry: manufacturing	−0.296	0.544	0.296	0.587	0.744
Industry: construction	0.382	0.505	0.571	0.450	1.465
Industry: expert services	0.314	0.473	0.441	0.507	1.369
Industry: other services	−0.002	0.474	0.000	0.997	0.998
Industry: trade	−0.603	0.498	1.466	0.226	0.547
One-person enterprise	0.802	0.295	7.387	**	2.231
Constant	−1.842	0.996	3.420	0.064	0.158

Note(s): $^{**}p < 0.01$ $^{***}p < 0.001$
Source(s): Created by authors

Table 5. Logistic regression analysis for liquidation as an exit strategy

Parameter estimates									
								95% confidence interval for Exp(B)	
Exit strategy[a]		B	Std. Error	Wald	df	Sig	Exp(B)	Lower bound	Upper bound
Selling	Intercept	1.853	1.134	2.669	1	0.102			
	Firm size	−0.348	0.081	18.565	1	***	0.706	0.603	0.827
	Respondent's age	−0.014	0.017	0.673	1	0.412	0.986	0.954	1.020
	Entry: Founded the firm	0.381	0.260	2.141	1	0.143	1.464	0.879	2.439
	Entry: Bought the firm	1.312	0.332	15.578	1	***	3.714	1.936	7.127
	Entry: Family succession	0[b]			0				
	Industry: other than manufacturing	−0.157	0.243	0.418	1	0.518	0.854	0.530	1.377
	Industry: manufacturing	0[b]			0				
	Gender: female	0.547	0.220	6.198	1	*	1.728	1.123	2.658
	Gender: male	0[b]			0				
Liquidation	Intercept	1.478	1.371	1.162	1	0.281			
	Firm size	−1.859	0.151	151.558	1	***	0.156	0.116	0.210
	Respondent's age	0.009	0.020	0.223	1	0.637	1.009	0.971	1.050
	Entry: Founded the firm	−0.333	0.351	0.902	1	0.342	0.717	0.360	1.426
	Entry: Bought the firm	−0.801	0.471	2.884	1	0.089	0.449	0.178	1.131
	Entry: Family succession	0[b]			0				
	Industry: other than manufacturing	0.108	0.375	0.083	1	0.773	1.114	0.534	2.325
	Industry: manufacturing	0[b]			0				
	Gender: female	0.292	0.256	1.307	1	0.253	1.339	0.812	2.210
	Gender: male	0[b]			0				

Note(s): [a]The reference category is family succession
[b]This parameter is set to zero because it is redundant
*p < 0.05, ***p < 0.001
Source(s): Created by authors

Table 6.
Results of multinomial regression analysis

The first two hypotheses were supported: a family succession entry mode predicted family succession as an exit strategy (H1), and buying a firm was positively related to selling the firm upon retirement (H2). These relationships were evident even though firm size, industry, gender and respondent's age were controlled for. However, the third hypothesis, that founders are more likely to choose liquidation (H3), was not supported by the regression analysis results. The cross-tabulation showed a relationship, but further analysis suggests that this relationship depends on firm size.

5. Discussion

The results contribute to the growing stream of research on exit strategies related to the work of researchers such as DeTienne *et al.* (2015), uncovering a perspective little visited previously. Age and approaching retirement as reasons for exit have largely been ignored in exit studies (Soleimanof *et al.*, 2015). Therefore, our understanding of the pathways taken by retirement-age entrepreneurs to arrive at an exit strategy is incomplete. Accordingly, this paper applied entrepreneurial learning as a perspective on exit strategies, specifically suggesting the concept of imprinting might illuminate the phenomenon. Mathias *et al.* (2015) noted that the sources of imprinting are a generally understudied aspect of entrepreneurship; our study proposes that entry via a business transfer forms one such source.

Our results support the findings of DeTienne and Cardon (2012) and Afrahi and Blackburn (2019) relative to the effects of firm size. Firm size was found to be significant in all three tested models. The results also directly support the work of van Teeffelen and Uhlaner (2013), according to whom entrepreneurs who originally bought their firms were more likely to favour a sale rather than liquidation as their exit choice. We also found that entrepreneurs with family succession as the mode of entry were 2.1 times as likely to adopt a family succession exit strategy than entrepreneurs with other entry modes. This result supported and extended the findings of Koładkiewicz *et al.* (2022b), which also suggested a connection between succession as an entry and exit strategy, an expectation echoed in much of the family business succession research. The result also resonates well with the argument that taking over through family succession entails a commitment to the socioeconomic wealth of the family business (e.g. Berrone *et al.*, 2012; Makó *et al.*, 2018).

It is also worth noting that the approach taken here considered both family and non-family businesses inclusively. To date, studies have mainly focused on either family successions or on sales and liquidations. More inclusive business transfer studies can shed new light on the complex phenomenon of entrepreneurial exit, as demonstrated here. Recently, Drapeau and Tremblay (2020) concluded that stewardship exit strategies are, in fact, *business transfers,* as they involve the transfer of the business to another party (cf. DeTienne *et al.*, 2015 on financial harvests). Based on our results, the lack of an imprinting experience vis-à-vis a stewardship exit strategy may be a contributing factor in the decision to exit via business closure. In the case of one-person enterprises, the possible inseparability of the owner and the business may in itself be a sufficient cause for closure. Understandably, the size of the firm is a dominant factor, especially in a one-person enterprise. When the business is very small, there is little to transfer and little for a potential buyer/successor to acquire. The findings aligns with earlier studies on exit strategy (e.g. DeTienne *et al.*, 2015) and firm exits (e.g. Ponikvar *et al.*, 2018; in liquidation, the entrepreneur's exit is also a firm exit). While our results do not directly support the idea that founding as entry mode affects the exit strategy, there is also nothing in our results to contradict the idea that the *lack* of a business transfer imprint is a contributing factor. Wennberg *et al.* (2010) remind us that entrepreneurs can decide to liquidate even successful businesses.

We concur with DeTienne and Cardon (2012) that the decisions that emerge with different exit strategies might significantly affect the firm's outcomes; in other words, the continuity outlook of the firm impacts current decision-making. It is self-evident that an owner-manager expecting to transfer the business to a family member has a different perspective than an entrepreneur intending to sell or close the business. Those pursuing a family succession exit strategy may be willing to sacrifice personal financial gains. They might favour long-term development over short-term profit, whereas selling to an external party as an exit strategy tends to reflect a preference for personal financial returns over other goals (DeTienne and Chirico, 2013). Yet, also in the exit strategy of selling, financial gains may be sacrificed for psychological reasons (Kammerlander, 2016). However, the sale option is only available to ageing entrepreneurs who ensure their business remains sale-worthy through continuing development. Morris *et al.* (2020) remind us that avoiding retirement and associated planning activities can limit the available exit options. Their results show that strong retirement intentions are linked to a preference for financially-based exit strategies and are associated with higher levels of exit preparation effort. Our study adds to those findings of Morris *et al.* by showing that experiences at the beginning of the entrepreneurial career may also have an impact.

Mathias *et al.* (2015, p. 25) pointed out that entrepreneurs are influenced by the complex events, activities, and experiences that occur throughout life; they are not "stuck" with imprinted knowledge. Nevertheless, our results suggest that the manner in which a person embarks on entrepreneurship is important. At that sensitive time an imprint is formed, which later manifests in the exit strategy, which is not to say that the entry mode alone determines the exit strategy. External factors, such as market conditions, technological changes and taxation, can impact exit strategy choices. An imprint, once formed, may also evolve (Simsek *et al.*, 2015). The lens of imprinting nevertheless offers a useful perspective on the exit strategies of ageing entrepreneurs.

6. Conclusions

Our objective was to analyse the relationship between entrepreneurs' exit strategies and their entry mode, focusing on entrepreneurs approaching retirement age. We suggest the utility of imprinting as a concept in studying exit strategies. Our results demonstrate a connection between the entry and exit strategy of family succession and between buying as an entry mode and selling as an exit strategy, and further suggest a connection between founding and closure, albeit apparently mediated by size.

This study extends previous results by highlighting the little-examined context of entrepreneurs approaching retirement. Despite the extensive impact of population ageing in Western societies, this perspective is often disregarded in studies on entrepreneurial exit. For example, Wennberg and DeTienne (2014) fail to mention ageing as an individual-level trigger of entrepreneurial exits, thus demonstrating a focus on the entrepreneurial process as the creation of the new. With the exception of the work of Battisti and Okamuro (2010), we have found no studies that consider all three entry and exit modes of entrepreneurs approaching retirement age nor any that offer a potential explanation connecting the two. Future studies could apply the concept of imprinting with a wider scope; our current data can only infer imprinting was a factor, not conclusively demonstrate its presence or force.

A practical contribution of the current research lies in its results unveiling a potential bias towards a specific exit strategy based on an entrepreneur's entry history. The finding could be enormously important to entrepreneurs approaching retirement age. Those aware of the tendency to pursue certain exit strategies could counter it, enabling them to realise benefits they might not have considered. Furthermore, the results have implications for policymakers, development agencies and other actors concerned with business transfer awareness raising. The current study's results suggest that retiring entrepreneurs would benefit from being made aware of the role of imprinting to help address unconscious bias. Feldman and Beehr (2011) assert that the retirement decision process consists of three phases, the first of which is imagining the possibility of retirement. Awareness-raising activities can spur that first phase. Research itself can raise awareness; responding to a survey about exit strategies might be the first time an entrepreneur has been called upon to consider retirement as a personal issue.

This study has some limitations. First, the data were collected from one European country and thus cannot be generalised to all other contexts. However, the data set is considerable and represents the general demographics of European entrepreneur-led businesses quite well. Second, there may be other intervening variables that were not controlled for in this study, such as other cognitive biases or wider entrepreneurial experience (portfolio or serial entrepreneurship), that could be addressed in future studies. For portfolio and serial entrepreneurs, imprinting may have occurred in prior entries. Other future research avenues include qualitative studies, for example, comparative causal mapping of the exit strategies of entrepreneurs approaching retirement age. That approach could unveil the mental models involved in entrepreneurs' retirement and exit decisions. Another direction for future studies relates to the relationship between intuition and imprinting; prior studies on small business owners' decision-making have established intuition plays a role (e.g. Giroux, 2009), but it would be very useful to understand more of how intuition is applied in a setting with mutually exclusive alternatives, such as that around exit strategies. Qualitative – and possibly also longitudinal – research could shed more light on the phenomenon. Comparative international studies could also reveal the impacts of different institutional and social frames.

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