TRIGGERS INFLUENCING THE DECISION TO EXIT
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ABSTRACT
Whilst there are significant studies on business cessation (liquidations), there has been very little research focus on business exits or business harvesting. The aim of this research was to undertake an investigation into identifying factors that lead to owners making decisions to exit their businesses. This penchant to making an exit decision is expressed conceptually in the form of an ‘exit trigger’. The study concluded that exit triggers consisted of two groups of factors: ‘opportunities’ which referred to positive factors, and ‘challenges’ which referred to negative or pessimistic factors. These factors are able influence the exit decision in isolation, or more typically, as combinations of factors operating in sequence or simultaneously. Generally, challenge factors were more likely to influence owners, but occasionally the arrival of well-timed offers proved to be persuasive in influencing owners to exit.

Keywords: Small to medium enterprise (SME), exit decisions, decision triggers, business harvests, business exits, decision triggers, voluntary exit

1. INTRODUCTION
An important stage in the life of a Small to Medium-sized Enterprise (SME) is the planned voluntary exit of the owners due to an acquisition or merger. This event is sometimes referred to as a business harvest. Business harvesting refers to the value obtained when the owner leaves the business voluntarily. In its broadest sense, Henricks (1997) refers to business harvesting as a way of getting value out of a business, whereas for Timmons and Spinelli (2004), harvesting is a vehicle (plan or strategy) for reducing risk and creating entrepreneurial choices and options. Business harvesting however is a complex task (Coulthard et al. 1996) involving many decisions, substantial resources, and varying degrees of ‘planning’. Undertaking a decision to exit a business is likely to be one of the most significant business decisions an owner is ever likely to undertake.

A business harvest is a significant event for their owners as it represents a windfall capital gain for their equity and may often represent the only chance owners have to access the rewards of many years of hard work. Despite this economic significance, less than two percent of Australian SME owners (ABS 1997) actually get this opportunity so it is important to understand factors associated with decisions to exit. The contributions this study makes are twofold: firstly, it investigates the presence of trigger as a precondition or penchant by the owner to making an exit decision; and secondly, it identifies factors that impact the trigger and the relationship between these factors. In this study, successful business exits are defined as exits which have been undertaken voluntarily and where the owner has received payment for the goodwill of the business.

Following this introduction is a discussion of the literature on the topic. This is followed by the research method, the study’s findings, and finally a discussion of what the study found and its implications for management practice and further research.
2. REVIEW OF LITERATURE

By definition a ‘trigger’ refers to an event or situation that initiates others. In this study an ‘exit trigger’ is defined as a set of events or circumstances which results in owners having a proclivity to exit. Based on the researcher’s own experience and observations, the exit trigger is perceived as a prologue to the exit decision (Cánez, Platts & Probert 2000; Fountas, Wulfsöhn, Blackmore, Jacobsen & Pedersen 2006). It does not guarantee that a decision to exit will be made, but identifies an owner’s receptivity to making that decision. The central connection between the exit trigger and exit decision is that a trigger is the precondition to the decision (Fountas et al. 2006). Paton and McCalman (2000, p.10) refer to a specific trigger layer which relates to “the identification of needs and openings for major change deliberately formulated in the form of opportunities”.

Behavioural science decision theories can be used to understand the process owners undertake when making numerous management decisions including business exits. Making decisions “is a fundamental part of the management process” (Gilligan, Neale & Murray 1983, p. 1). Decisions to exit a business are likely to be some of the most significant management decisions owners will ever undertake. Therefore, it is pertinent to review this topic to gain a better understanding of the possible influences and mechanics involved in exit related decisions.

Decision theory deals with situations where decision makers (often referred to as ‘actors’) make choices between given options or alternatives. Typically these options may take the form of a course of action to be undertaken, an object to possess, and how much to pay for possession (Rapoport 1989). The underlying premise to decision theory is that choices (decisions) have consequences called outcomes, and that each of the decision makers making the choices has preferences for different outcomes (Rapoport 1989).

In behavioural science the earliest work on decision theory makes a distinction between programmed and non-programmed decisions (Simon 1960). The focus of earlier studies on the topic was the decision maker at the moment of choice together with factors influencing choice behaviour (Gilligan et al. 1983, Eisenhardt & Zbaracki 1992).

Theories relating to decision theory can be classified as being ‘descriptive’ which principally deals with questions on how people do behave when given choice situations, and ‘normative’ (sometimes referred to as ‘prescriptive’ models) which principally deals with how people ought to behave in the same situations (Rapoport 1989, Baird 1989). The ‘normative’ classification relates to how people should behave if they are perfectly rational and under ideal operating conditions. However, in reality very few business decisions are made with access to perfect information. Whilst normative theories may have limited application, in real life situations the linkage between the two approaches is ‘how the decision process might be improved’.

According to Simon (1960) and Mintzberg, Raisinghani and Théorêt (1976) there are two groups of business decisions: straight forward, repetitive and routine, categorised as ‘programmed decisions’; and novel, unstructured and consequential, referred to as ‘non-programmed’. Programmed decisions are typical of day-to-day activities that organisations are able to undertake using formalised procedures. This type of decision allows an organisation to make routine decisions efficiently without committing significant management resources. Examples of programmed decisions are short-term operating control decisions which are routine and frequent and require the implementation of straight forward decision rules. These types of decisions are often referred to as ‘administrative decisions’. Other examples are periodic control decisions, sometimes referred to as ‘operating decisions’, occur less frequently than operating control decisions and are usually concerned with monitoring the effectiveness of resource allocation (Gilligan et al. 1983, Bridge & Dodds 1975).

On the other hand, non-programmed decisions are required when the situation is unique or complex and organisationally unforeseen, so the circumstances require a custom developed decision (Simon 1960). In these situations more creativity, experience, and judgement is required, so these types of decisions are undertaken by senior levels of management. Examples include strategic decisions (e.g. new investments, market expansion) which are significant to the future development of the organisation and have a high cost (Bridge & Dodds 1975, Ansoff 1987). According to Simon (1960), programmed and non-programmed decisions represent the two extremes of a continuum. Ansoff
(1987) sees these types of decision as both interdependent and complementary. However, in most instances decisions for business exits by owners will occur at the non-programmed extremity.

As previously highlighted, undertaking a decision to exit a business is likely to be one of the most significant business decisions an owner is likely to make. Unlike administrative or operating decisions, exit decisions are strategic in nature, unprogrammed but in some cases planned, and customised to specific circumstances. To arrive at an exit decision owners will embark on a process which firstly involves defining an exit objective and criteria for assessing possible options, then exploring and evaluating possible exit options before deciding which option best fulfils their exit objective.

3. RESEARCH METHOD

In this research a case study strategy has been adopted. Collis and Hussey (2003) describe case studies as being “extensive examination of a single instance of a phenomenon of interest” with the intention of gaining a rich understanding of the context of the research and the processes being enacted (Morris & Wood 1991, Gilmore & Carson 2007). Its strength comes from being able “to explain [sic] the causal links in real-life interventions that are too complex for the survey or experimental strategies” (Yin 2003a, p. 15). A case methodology is valuable when issues are difficult to extract from their context. Yin (2003a & 2003b) considers case studies as empirical investigations that explore contemporary phenomena within real life contexts, especially when the boundaries between the phenomenon and context are not clearly evident.

Adoption of case study strategy approach ensures application to a single event or multiple cases (COLMR 2005, Eisenhardt 1989) that can be either short or long in duration. The sampling of informants and/or experiences is typical rather than total immersion in the setting or culture, as is the case with action research or participative enquiry. Miles and Huberman (1994) and Gilmore and Carson (2007) maintain that qualitative researchers usually work with small samples of people nested in their context and studied in-depth.

Stake (1995) suggests that an instrumental case study that examines a number of cases is a collective case study. Hill (1998, p. 190) observes “a case is handsomely enriched by the possibility of being placed in some relationship to another case framed as a similar kind of case in hot pursuit of a solution to a problem, or an ‘issue’. As one of the intentions of studying a sample of SME exits is to develop the level of ‘enrichment’ described by Hill (1998), multiple cases have been selected to strengthen the results by replicating pattern-matching (Tellis 1997). In this way confidence in the findings emerging from the study is increased.

To guide the data collection a research model was developed from the literature on business exits and the researcher’s first-hand exit experiences. This model provides the initial framework for analysing the interview results from the cases under study. The initial case results and preliminary findings are then, as a cognitive process, used to modify the protocols for the subsequent cases and to further explore possible linkages between propositions and unexplained phenomenon. The analysis of each case adds to the analysis of subsequent cases.

The research framework resulted in two propositions being developed:

**P1.** An exit trigger indicates an owner’s penchant to exit and is a precondition for an exit decision.

**P2.** There are five factors which can fulfil an exit trigger. Four (4) tangible factors (financial, timing, crisis, risk) and one (1) subjective factor (optimism). A trigger for a voluntary exit is established by one (1) or more tangible factor(s) in combination with the subjective factor or by the subjective factor singularly.

Yin (2003a, p. 22) states that “each proposition directs attention to something that should be examined within the scope of the study”.

Cases for this study were purposefully selected on the basis of firstly a successful exit and then in situations where the researcher was able to gain a level of rapport with the potential interviewee to allow the case-rich details to be revealed. Primary data for the twelve case studies was collected.
through interviews asking questions in uncontrolled situations. These interviews were divided into two categories: primary, with principal shareholder/owners and secondary, with other shareholders and/or advisors. In determining the number of interviews necessary to complete this study, two interviews for each case were attempted. Adding information-rich cases ceased when saturation of the concepts was achieved or when the researcher became convinced that the proposition was not going to be supported. This resulted in data being collected from twelve cases. However, due to single shareholdings and unavailability of advisors in some cases, a total of sixteen interviews were completed.

Although the main source of data in this study is via a primary interview, where possible this was corroborated with other sources of information. The researcher undertook several strategies for corroborating data. Firstly, where secondary data in the form of printed Business Plans was available to the researcher, it was compared to the outputs from the interview data Yin (2003a) refers to this as non-converging evidence. Secondly, data triangulation (Yin 2003a) of a second source of interview data was established by interviewing a business partner or exit advisor for a specific case. This was then compared with the data from the initial interview.

The interview method used for this research was a semi-structured interview. A broad set of standardised questions was used to guide the interview. A case study protocol was used by the researcher to provide an overview of the study project, to develop field procedures, to assist in the development of the case study questions, and as a guide for the study report. Interviews were conducted with former business owners who had successfully exited their businesses. All data was considered relevant irrespective of initial classification, and all thoughts and perceptions immediately recorded after the interview(s) as reflective notes. To supplement the transcript data from each interview in this study, the researcher employed three additional notations relative to the interview to identify critical subjectivity and reflexivity (Lincoln 1995). These notations involved making field notes during the interview, writing reflections (post-interview) on the case specifics and the interviewee in the context of the research questions, and writing a set of self debriefing notes on the interview.

The study’s data was analysed using two core approaches. Based on the principles prescribed by Glasser and Strauss (1967) for grounded theory, the first approach is a content based analysis which guides the analysis to the theoretical understandings. In this approach the data is reduced, organised, and displayed (within-case and cross-case displays [Miles & Huberman 1994]) to determine the level of support between the research framework and the empirical data. When this process was completed the data is then re-ordered in a range of conceptual ‘frames’ in an attempt to explain what does not match or to better explain the key elements of the decision process.

### 4. CASE STUDIES & FINDINGS

This study analysed the exit activities of twelve SME owners who had successfully completed exits of their businesses (refer Table 1). Using the Australian Bureau of Statistics (ABS) standard for categorising SMEs by employee numbers; five were small business (less than 20 employees) and seven were medium-sized businesses (20-199 employees). There was a spread of both business types and industries represented; the most common business type being re-seller/ supplier agents; and industries ranged from ICT and human resources (HR) to construction and hospitality. While some businesses were similar (e.g. re-seller/ICT), there were key differences in operating regions and target customers.

Business start dates ranged from 1975 to as recent as 2001. Seven of these businesses were start-ups by their owners, with four of these being their owner’s first business. Nine cases had been owned for more than six years with half at nine years or more. However, the two businesses operating in hospitality exited after only three and four years of operation. With the exception of two, all businesses were structured as limited liability companies. In most instances (seven cases), businesses were wholly owned by the interviewees. However, in two of these cases the interviewees had bought out their partners during the time of ownership. The largest grouping of partners in any business was six.

There were no patterns in the educational background of owners, with five having post-graduate qualifications and only four being educated to year twelve or less. The sample was not representative of Australian female ownership of small businesses because only one female owner was represented. No attempt was made to account for the ages of interviewees, but since their exits five have retired or semi-retired, one has been employed, and the remainder have continued operating/owning a business of some form.
The reported findings on what events and factors ‘triggered’ owners to make an exit decision was generated firstly from direct responses interviewees gave to specific factors, and secondly, through details of events and influences leading to the exit decision which were revealed in the interviews. An initial set of factors were developed as part of the research framework and these were refined through a pilot study phase.

The pilot phase involved three cases in a sequential process where data for the first case was collected, an analysis conducted and the outcomes assessed. Before collecting the next data set, protocols and questions were modified to overcome perceived weaknesses (Eisenhardt 1989, Parkhe 1993, Perry & Coote 1994). This procedure was repeated for two additional cases to refine the protocols and questions used in the main data collection. Where critical data was not revealed in the pilot phase, a follow-up process was initiated in which the interviewee was re-approached and asked specific questions to complete the data collection. After the pilot process, data from the three pilot cases were utilised together with the remaining cases, contributing to the final analysis and the study’s findings.

The research framework forecasted that all owners would report a high weighting of trigger factors in their decision to exit. For the trigger to be present, it was anticipated that a lack of optimism would be prominent in all cases. However, this was not supported by the case data where lack of optimism was only a factor in four cases (refer Table 2), and only substantial in Case RQ150 (70 percent weighting). Categorisation (using thematic analyses) of cases reporting optimism as a factor in the decision to exit showed that these cases were often associated with consolidating markets/industries.

Based on the case data it is clear that the original conception of the exit trigger and the impact of optimism is limited in its application and too constricted in its definition. If however, the relationship of all the factors is changed adjusted from optimism ‘and’ any of the four other factors to optimism ‘or’ financial ‘or’ risk ‘or’ … to encompass a less restrictive characterisation, all cases qualify as having exit trigger conditions present before deciding to exit. Contrary to the research framework, both the content and thematic analyses identified that a lack of optimism, whilst important, was not central to the exit decision; that is, many of the interviewees were optimistic about their future. This was further supported by only one case (XW120) directly identifying risk as a factor in their exit decision. From the summary of factors influencing the exit decision (refer Table 2), it has been concluded that ‘the offer’ was a prominent factor. However, the offer relates more to the exit decision rather than the circumstances that led up to that decision. Whilst some factors occurred as ‘hypothesised’, there was an unexpectedly high incidence of ‘human resources’ (HR) issues (see ‘Business Internal’ in Table 2) being stated as the reason for exiting. This was a major issue for four business owners, with one interviewee (Case FE210) basing his entire exit decision on this issue. As expected, ‘enthusiasm and energy’ was rated by owners as a key reason for leaving, with one owner (Case TS140) using his energy and enthusiasm levels as the benchmark on when to get out.

### Table 1: Characteristics of the cases studied.

<table>
<thead>
<tr>
<th>Case Identification</th>
<th>Business Type</th>
<th>Industry</th>
<th>Location</th>
<th>State</th>
<th>Date Started</th>
<th>Date exited</th>
<th>Business Partners</th>
<th>Education Levels</th>
<th>No's of Staff</th>
<th>Entrepreneurs Type</th>
<th>Prior Yrs Bus</th>
<th>Years of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZY110</td>
<td>Re-Seller</td>
<td>ICT</td>
<td>City</td>
<td>VIC</td>
<td>1990</td>
<td>04 / 97</td>
<td>Yes (2)</td>
<td>Postgrad.</td>
<td>11-20</td>
<td>Serial</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>XW120</td>
<td>Consultant</td>
<td>HR</td>
<td>City</td>
<td>National</td>
<td>1995</td>
<td>07 / 06</td>
<td>Yes (3)</td>
<td>Postgrad.</td>
<td>11-20</td>
<td>First</td>
<td>Nil</td>
<td>11</td>
</tr>
<tr>
<td>NM160</td>
<td>Consultant</td>
<td>Engineering</td>
<td>City</td>
<td>QLD</td>
<td>1984</td>
<td>11 / 96</td>
<td>Yes (5)</td>
<td>Postgrad.</td>
<td>21-49</td>
<td>First</td>
<td>Nil</td>
<td>12</td>
</tr>
<tr>
<td>VU150</td>
<td>Retail</td>
<td>Pharmaceutical</td>
<td>City</td>
<td>VIC</td>
<td>1989</td>
<td>07 / 04</td>
<td>No</td>
<td>Postgrad.</td>
<td>6-19</td>
<td>Serial</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>TS140</td>
<td>Cafe</td>
<td>Hospitality</td>
<td>Regional</td>
<td>QLD</td>
<td>1989</td>
<td>02 / 04</td>
<td>No</td>
<td>Undergrad</td>
<td>21-49</td>
<td>Serial</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>RQ150</td>
<td>Re-Seller</td>
<td>ICT</td>
<td>City</td>
<td>WA</td>
<td>1984</td>
<td>08 / 04</td>
<td>No</td>
<td>Undergrad</td>
<td>11-20</td>
<td>Serial</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>PO170</td>
<td>Re-Seller</td>
<td>ICT</td>
<td>City</td>
<td>National</td>
<td>1993</td>
<td>08 / 04</td>
<td>Yes (2)</td>
<td>Postgrad.</td>
<td>21-49</td>
<td>Serial</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>JI180</td>
<td>Logistics</td>
<td>Logistics</td>
<td>City</td>
<td>National</td>
<td>1990</td>
<td>10 / 02</td>
<td>No</td>
<td>Undergrad</td>
<td>21-49</td>
<td>First</td>
<td>Nil</td>
<td>12</td>
</tr>
<tr>
<td>LK190</td>
<td>Construction</td>
<td>Building</td>
<td>City</td>
<td>National</td>
<td>1992</td>
<td>03 / 01</td>
<td>No</td>
<td>Year 11</td>
<td>21-49</td>
<td>First</td>
<td>Nil</td>
<td>9</td>
</tr>
<tr>
<td>HG200</td>
<td>Distributor</td>
<td>Motor Vehicle</td>
<td>City</td>
<td>VIC</td>
<td>1982</td>
<td>10 / 96</td>
<td>Yes (6)</td>
<td>Year 11</td>
<td>6-19</td>
<td>First</td>
<td>Nil</td>
<td>6</td>
</tr>
<tr>
<td>FE210</td>
<td>Re-Seller</td>
<td>Building</td>
<td>City</td>
<td>VIC</td>
<td>1975</td>
<td>07 / 02</td>
<td>No</td>
<td>Year 11</td>
<td>6-10</td>
<td>Serial</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>DC220</td>
<td>Cafe</td>
<td>Hospitality</td>
<td>City</td>
<td>VIC</td>
<td>1995</td>
<td>05 / 05</td>
<td>No</td>
<td>Year 12</td>
<td>11-20</td>
<td>Serial</td>
<td>8</td>
<td>3</td>
</tr>
</tbody>
</table>
Table 2: Cross-case display of interviewee responses to key factors and their weightings. Researcher analysis (highlighted as ‘○’*) added from interview data on the exit decision prologue when it contrasted with interviewee weightings.

<table>
<thead>
<tr>
<th>Case Identification</th>
<th>Financial</th>
<th>Timing</th>
<th>Crisis &amp; Lifestyle</th>
<th>Risk</th>
<th>Strategic</th>
<th>Optimism</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZY110</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XW120</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NW160</td>
<td>✓ ✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VU150</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TS140</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RG150</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO170</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JI180</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LK190</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HG200</td>
<td>✓</td>
<td></td>
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<td></td>
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<tr>
<td>FE210</td>
<td>✓</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>DC220</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It has been concluded that the reasons associated with exiting vary considerably and are combinations of the owner’s characteristics, the business’ circumstances, and attractiveness of the exit opportunity. In the development of the original model of the exit trigger receptivity to an exit was established because of generally pessimistic factors (financial issues, crises, etc.) and a lack of optimism by owners. In an attempt to better explain what the data reveals, a number of reconfigurations of the trigger model were undertaken. Firstly, the strategic factor was set aside because it had been accommodated by a hypothesised ‘pilot exit decision’. The next step was to de-emphasise the importance of optimism so that it became one of five factors rather than the ‘essential’ factor (as previously discussed). In the thematic analyses, data on timing alluded to categories of positive and negative factors that impact on the trigger to exit. An example of this was ‘lifestyle’ which was initially categorised under ‘crisis’ because it referred to extreme work regimes and limited family life. Subsequent cases highlighted lifestyle in a desirable or aspirational context (being able to spend more time with the family, extended holidays), resulting in a re-think of how this is portrayed. In general the ‘pessimism’ version of the trigger model has been able to account for most of the data in most of the cases (eleven out of the twelve cases). However, at the conclusion of the thematic analysis, a dimension of positive factors referred to as ‘opportunities’ was added, and negative factors categorised as ‘challenges’ (refer Table 3). This is referred to as the ‘OC model’ of the exit trigger.

As a result, although the original factors of timing, risk, and financial remain unchanged from the research model, they are now grouped with a redefined ‘optimism’, and categorised as ‘challenges’. Furthermore, in the pilot study lifestyle issues were combined to form ‘crisis & lifestyle’, but the thematic analyses suggest that ‘lifestyle’ be detached from the ‘crisis’ category because the data on underlying issues of family and enthusiasm that are not in the context of catastrophes or calamities. The thematic analysis identified the major themes for this factor as ‘energy and enthusiasm’, ‘family’, and ‘personal’. Here ‘energy and enthusiasm’ were substantial factors for half the cases, with one (TS140) rating it as the main reason for selling (refer Table 3).
Identifying the positive factors involved in an exit trigger was a more subtle exercise than identifying pessimistic factors. They were implicit in the description of events revealed by the interviewees, and revealed through several iterations of the thematic analyses. However, two categories of factors associated with opportunities; ‘lifestyle’ and ‘timing’, emerged. Lifestyle as a trigger factor refers to the lifestyle aspirations owners may desire. Examples of this could be expressed in terms of retirement, owning a luxury car, philanthropy pursuits, time to travel, and education for children. It is concluded that if these can be achieved more quickly through an exit, the receptiveness to exit will be enhanced. This reveals a link between contemplation of an exit and the factor stakeholder aspirations – ‘what the family wants’ or ‘what I will do for the family’. For example, although one case (LK190) reported no evidence of pessimistic trigger factors an analysis of the owner’s response to expectations and lifestyle revealed:

[LK190]  First up it solves your future, so you have that nice warm feeling ..

Based on the ‘opportunity - lifestyle’ adaptation, this case now offered support for the revised OC model of the exit trigger.

As timing was a crucial element in achieving a positive exit decision, an examination was undertaken to determine if this also impacted on the exit trigger. The thematic analyses revealed that if significant or long-standing problems can be resolved by exiting, this also ‘encourages’ the exit decision. Cases VU130 and JI180 are examples of support for this concept. At the outset they give partial support to the exit trigger (i.e. ‘challenge’ category factors) in the original model, but their owners showed evidence of conflicting behaviours by expressing optimism for the future with scant or no contemplation of an exit, but still sold their businesses. Whilst this result was partly explained by the attractive offers received, the timing of the offer was critical. Case VU130 had not previously contemplated exiting, but had a long-standing and difficult HR problem which was not easily resolvable. When a competitor re-issued a previously made offer to buy his business, the owner accepted the timely offer because it solved his problem.

[VU130]  So suddenly there’s this offer, as you say ...., killing two birds ..So it’s all sort of building up a little bit and the offer is the bit that puts it over the line.

In the case of JI180 the business required a significant capital investment to maintain competitiveness, and like for case VU130, the timing of the offer resolved the issue.

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**Table 3: The ‘Opportunity – Challenges (OC) Model’ of exit trigger factors consisting of factors categorised as positive and negative factors.**

<table>
<thead>
<tr>
<th>+ Factors</th>
<th>Personal</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifestyle</td>
<td></td>
<td></td>
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<tr>
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"First up it solves your future, so you have that nice warm feeling .."

"So suddenly there’s this offer, as you say ...., killing two birds ..So it’s all sort of building up a little bit and the offer is the bit that puts it over the line."
Now I had no inclination to sell at that time but there were a number of things going on. First of all I put a new software programme in and buy (sic) a lot of new equipment, trailers and things like that. Now we’d been a cash flow company up until that date and it would have meant going to the bank and getting quite a bit of money to put this stuff in. So I was a bit dubious about doing that ...

The definition of timing as a trigger factor can be further expanded to also include helpful industry trends (as opposed to ‘negative’ industry trends under ‘challenges’) and significant events that are opportunistic for the business. An owner might use these circumstances as leverage to attract an acceptable price for exiting or as an attraction for a new owner. An example of this might be a fire at a competitor’s manufacturing facility, a helpful change in demographics of a key market, or new use for a product.

To summarise, the exit trigger has two types of factors that influence an owner’s receptivity to an exit. These are opportunities which refer to positive factors, and challenges which refer to negative or pessimistic factors (refer Table 3). Factors may operate singularly (e.g. lack of optimism), or more typically, as combinations of factors in sequence or operating simultaneously. Generally, challenges factors are more likely to influence owners, but occasionally the arrival of well-timed offers can be persuasive in the decision to exit.

5. DISCUSSION & CONCLUSIONS

In conclusion, the concept that ‘an exit trigger as a precondition to exit’ was supported by the cases studied, but this did not concur with the context proposed in the original research framework. The proposition (P1) that an exit trigger was an indication of an owner’s penchant to exiting and a precondition for an exit decision (Cánez, Platts & Probert 2000; Fountas, Wulfsöhn, Blackmore, Jacobsen & Pedersen 2006), is supported by the results of this study. Further, it is concluded that there may be multiple triggers prior to an exit decision and the fulfilment of a trigger may recede and re-emerge when trigger factors change. The concept that the trigger is a pre-condition is further supported by Leonetti (2008) who refers to a state of ‘exit readiness’, which supports the view of a trigger being a state of mind.

There is however, only partial agreement with the second proposition (P2) which argued that there were five factors associated with the exit trigger; four tangible factors and one subjective factor, and that the subjective factor (lack of optimism) was central to the trigger. This study concludes that there are two groups of factors that influence the exit trigger. These were labelled ‘opportunities’ (i.e. lifestyle and timing), which refer to positive factors; and ‘challenges’ (i.e. timing, lifestyle, risk, optimism, crisis, and financial), which refer to pessimistic factors. Furthermore, the relationship between factors is that they may operate singularly, or typically, as a combination of factors. Generally, ‘challenges’ are likely to be the more prevalent factors influencing to exit owners.

One perspective on exit triggers is that unlike exit decisions, they are about reflective choices between the immediate and the future. In the literature on decision making, Bazerman and Moore (2009) refer to tension when choosing between long and short term interests (i.e. what one wants to do versus what one should do). Here business owners generally undertake ownership with a long-term aim of building the business and achieving objectives of financial reward and/or desired lifestyle (Brenner & Schroff 2004, Hawkey 2005. Sometimes this aim includes a harvest objective (Hawkey 2005, Baker 2004, Ahern 2003), but as this study has found, this is often only a wishful thought, often without a plan or strategy.

SME management often involves the complexities of balancing short-term business needs and difficulties with achieving long-term objectives. In the main, an exit trigger occurs when short-term interests are or become predominant in the owner’s decision-making processes. They can occur for a multitude of reasons. Firstly, the owner may have achieved some or all of their long term objectives such as becoming financially secure (Leonetti 2008 refers to this as ‘financial readiness’) meaning that their attention is directed towards managing risk (Timmons & Spinelli 2004, Leonetti 2008, Fischbach 2005). Alternatively, they may realise that their long-term goals are too difficult to achieve (i.e. they give up on them, are unwilling to continue to make lifestyle or family sacrifices, or due to industry developments; Schaper & Volery 2004) or they re-consider them. Alternatively, owners may realise that the business’s needs have surpassed their capacity (e.g. energy, management capability, resources,
or ideas; Molod & Sattler 2005, Baker 2004, Moody 2004, Thurow 2001, Brenner & Schroff 2004, Coulthard, Howell, & Clarke 1996) or desire (e.g. lifestyle or family requirements), or that an exit can resolve short-term difficult or unresolvable management issues.

In some instances an exit assists, or is part of, the owner’s long-term plans (Timmons & Spinelli 2004). This study found that some owners became receptive to exiting when they were able to achieve their long-term financial and lifestyle goals by harvesting their businesses. This resulted in the addition of an ‘opportunity’ dimension which was a major change to the construct of the exit trigger because it de-emphasised the importance of the factor ‘optimism’, and encompassed harvesting as the way owners achieved this long-term objective. Specifically, the immediate opportunity (for an exit) triggered receptivity because that ‘distant’ objective could then be achieved. In these instances, the trade-off between what one wants to do versus what one should do still applies. Owners still trade-off long-term attributes (perceived esteem from business ownership, employment, being one’s own boss, lifestyle choices) for short-term gain - usually monetary, but there may be other benefits.

This study has provided insights into the SME exit process by identifying the major stages and key activities associated with SME owners exiting their businesses. Despite being one of the earliest studies on the topic with scope for articulating original knowledge, this study, like all empirical investigations, has its limitations.

Firstly, a recall of details from owners whose exits have occurred up to ten years earlier can have a tendency to primarily recall positive details (interviewee response bias and retrospective bias), and failing to recall setbacks or details of activities that failed or did not proceed according to expectations (referred to as a ‘halo’ effect). Consequently, some factors may be portrayed as almost trouble-free and linear, and not accurately describe what actually occurred. To overcome this limitation, a further study testing the trigger factors with owners of more recent (within two years) exits, is recommended. Design of this study should be directed towards investigating a cross-section of exit related activities and decisions at regular time intervals (as opposed to just the successful ones), to provide enhanced levels of detail.

A further limitation of this study involves the characteristics of the sample in which the twelve cases used were purposively selected, which presented an inherent problem of generalisability of the findings (Eisenhardt 1989, Yin 2003a). However, in this study analytical generalisation as opposed to statistical generalisation was applied, with the rigor of the findings coming from the replication of cases (Eisenhardt 1989, Yin 2003a), aiming to generate rather than test theory, with wider generalisation never being its intended purpose. Nevertheless, although it is possible and likely that this sample is representative of successful SME exits, generalisability of the findings could be implied, and a positivist approach investigating the factors identified to test the study’s findings, and further enhance its generalisability.

Three further topics are recommended for future research. Firstly, it is hypothesised that ‘time in business’ forms an inherent exit trigger for SME business owners, and as such, causes owners to be receptive to exiting. The demanding work regime of SME ownership and exhaustion of new ideas eventually results in some owners questioning their ability to contribute to their business’s future. A study into factors that result in this condition, variances within business characteristics (number of owners, size of business, business type) and the ownership longevity/cycle would provide a valuable contribution to knowledge of this aspect of the exit decision.

Differentiating between small and medium business owners would also be a helpful insightful. It is hypothesised that medium sized businesses are more likely to plan and use advisors, as evidenced by two cases, so further research may reveal differences between small and medium businesses. It is suggested that organisation size be part of the investigation in the positivist study to further enhance the generalisability of this study’s findings.

Finally, it is hypothesised that exit contemplation, the exit trigger, and barriers to exit (specifically stakeholder aspirations) are interlinked and fluid. The underlying assumption to be further tested here is that the exit requirements of owners are not static but dynamic and linked to the environment, operating factors, length of ownership, and business success.

One of the major benefits arising from this study is that it lays a foundation in which practitioner knowledge can now be framed, allowing this knowledge to be contrasted with non-exit literature,
debated, and in time, extended. In contrast to the literature which provides pockets of relevant and important knowledge, the concluded process has instigated an integration of this knowledge and provided practitioners with a ‘language’ and location to position their ‘how to’ advice in a holistic way.

As one of the first empirical studies on the topic, a major consequence of this study will be to enable stimulation of the course of future research. Enhancing knowledge on this aspect of the SME lifecycle is important because it can reduce enterprise mortality (voluntary closures) and encourage its continuance and longevity. This will reduce the wastage of resources and organisational experience that is lost when a SME business enterprise ceases.

Furthermore, increasing the level of voluntary exits is economically significant to the Australian economy. As a result, the potential consequence of this research is far reaching if it results in more SME owners voluntarily exiting because of their enhanced awareness. More importantly, increased business harvesting should result in increased entrepreneurial activity because it frees and resources successful entrepreneurs to undertake new opportunities (Timmons & Spinelli 2004). Meanwhile the acquired SME businesses are absorbed into larger businesses or taken over and operated by less entrepreneurial owners.

Given the commercial importance of SME activity in the Australian and most other economies, this research has provided scholarly insight into a significant but unfortunately too infrequent event in Australian business ownership. It is hoped that this research will encourage further studies into this neglected and under-researched topic.

6. BIBLIOGRAPHY


