

# Why do some entrepreneurs decide to give up?

## Exploring the causes through cognitive maps.

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### Abstract

Despite the contributions of previous studies, no satisfying answer has been provided to explain why some entrepreneurs decided to exit from entrepreneurship. This question will remain extremely complex and difficult to answer if researchers continue to study this phenomenon using uni-dimensional and/or binary approach. The aim of this paper is to contribute to a better understanding the complexity of entrepreneurial exit by proposing an integrative and typological framework. This study seeks to provide tow main contributions. First, given the little research integrating in the same studies the individual and firm levels of analysis, the current research propose an integrative theoretical framework based on entrepreneur/new venture dialogic and highlighting the multidimensional, the multiform and the paradoxical aspect of entrepreneurial exit. Second, despite the wide use of cognitive approach in entrepreneurship, only a few studies have used cognitive maps as a tool for understanding the “negative entrepreneurial outcomes”, such as the exit decisions of entrepreneurs. The methodological framework is based on cases studies of four entrepreneurs who have made the entrepreneurial exit decision. Based on cognitive mapping approach, the method used in this paper is divided into three stages. The first stage explores the view of the entrepreneur with regard to his/her exit experience and is based on non-directive interview. The second stage applies the cross-impact “cognitive matrix” in an effort to define the relationship among the concepts gathered during the first stage. In the final stage, the cognitive map composed of concepts and links is analysed in order to identify the root causes of entrepreneurial exit. The findings of this qualitative study show that entrepreneurial exit is not the exclusive consequence of the presence of positive or negative exit reasons, but the immediate result of the interaction of six key dimensions that this research aims to explore, describe and classify. The resulting analytical framework can be used as “visual support” by researchers and professional actors to provide an overall view of the entrepreneurial failure phenomenon, to better analyze its causes, and to build strategies for avoiding tragic and traumatic exit experiences.

**Keywords:** Exit, Failure, Entrepreneurship, Cognitive mapping.

## Introduction

Since entrepreneurship is seen as one of the main factors contributing for the economic growth (Minniti & Levesque, 2010; Schumpeter, 1934; Thurik & Wennekers, 2004; Zalan & Lewis, 2010), policy makers and researchers are constantly interested in the topic. From the late 90's the research focuses on entrepreneurial success and "picking winners" (Cooper, 1993). To predict successful entrepreneurs, previous research aligns with the linear discriminant analysis model (Cooper et al., 1994; Duchesneau & Gartner, 1990; Littunen et al., 1998; Wetter & Wennberg, 2009). The objective of these researches is to explain why some entrepreneurs succeed to insure the survival of their new ventures while others failed to avoid bankruptcy.

Although statistics show that failure of new ventures is more likely than success (Hayward et al., 2006; Parsa et al., 2005; Van Praag, 2003), entrepreneurial failure remains therefore less studied from a dynamic and "processual" perspective (McGrath, 1999). In fact, research on entrepreneurship has tended to focus on the positive outcomes of entrepreneurship such as the decision to start-up a new business (Cooper, 1993) but there is little research focused on the negative entrepreneurial outcomes such as "entrepreneurial failure" or "entrepreneurial exit decision". This phenomenon is therefore perceived by some entrepreneurs as well as by entrepreneurship supportive structures as something to be avoided (Cardon et al., 2011).

For researchers, entrepreneurial exit is an important aspect of entrepreneurship. We can't understand the entrepreneurial process without understanding the end of the process (DeTienne, 2010). Moreover, for several researches, entrepreneurial exit can be associated to successful outcomes (DeTienne, 2010; Wennberg et al., 2010). In order to highlight the paradoxical aspect of entrepreneurial failure, recent years have seen an increasing focus on the positive and negative exit reasons (e.g., Aaltonen et al., 2010; Wennberg et al., 2010).

Over the last decades, scholars tried to quantify the exits in start-ups. Although there is a dependency on global regions and branches (Hessels et al., 2011), more than 50 per cent of the starting companies stop their activity (Bangma & Snel, 2009; Verhoeven et al., 2005). In the United States, 34 % of the started ventures did not survive the 2<sup>nd</sup> year, after 4 years 50 % survived and 60 % did not reached the 6<sup>th</sup> annum (Hayward et al., 2006, p.160). Parsa et al. (2005) cite an investigation of American Express where was found that for restaurants, 60% did not survived the third year. Besides a negative perception of exit, a part of the exit, 50% -

66%, is determined as positive (Headd, 2003; Wennberg et al., 2010). A not quantified part of the negative determined exit was avoidable (Headd, 2003).

Despite the contributions of previous studies, no satisfying answer has been provided to explain why some entrepreneurs decided to exit their new ventures. This question will remain extremely complex and difficult to answer if researchers continue to study entrepreneurial exit using uni-dimensional and/or binary approach (Khelil et al., 2012). Indeed, entrepreneurial exit is a multi-dimensional and multi-forms phenomenon. Primary, it is a multidimensional phenomenon because it is most often been studied at organizational or individual levels of analysis (Wennberg, 2011). Secondly, it is multi-forms phenomenon because it can take many forms such as liquidation, bankruptcy, or sell-off of a firm (e.g., Aaltonen et al., 2010; Wennberg et al., 2010; Wennberg, 2011). The aim of this paper is to contribute to a better understanding the complexity of entrepreneurial exit phenomenon by proposing an integrative and typological framework. To this end, this study seeks to provide several contributions.

First, given the little research integrating in the same study the individual and firm levels of analysis, based on entrepreneur/new venture dialogic, the current research proposes an integrative theoretical framework highlighting the multidimensional, the multiform and the paradoxical aspect of entrepreneurial exit. Second, despite the wide use of cognitive approach in entrepreneurship research (Baron & Ward, 2004; Brännback & Carsrud, 2009; Forbes, 1999; Mitchell et al., 2000), only a few studies have used cognitive maps as a tool for understanding entrepreneurial phenomena. In management sciences, the cognitive maps are mainly used in strategic management for studying managerial decision-making (Calori et al., 1994; Eden, 2004). However, there are limited uses in entrepreneurship research (Khiari et al. 2011; Verstraete, 1997). Moreover, relatively few studies have focused on the use of a cognitive mapping approach to explain “positive entrepreneurial outcomes”, such as the decision to start a new business (Hines, 2000; Vandekerckhove & Dentchev, 2005). Until now, studies focused on the empirical use of cognitive mapping to explain “negative entrepreneurial outcomes”, such as the exit decisions of entrepreneurs, are rarely found (Khelil et al., 2012; Khelil et Smida, 2012).

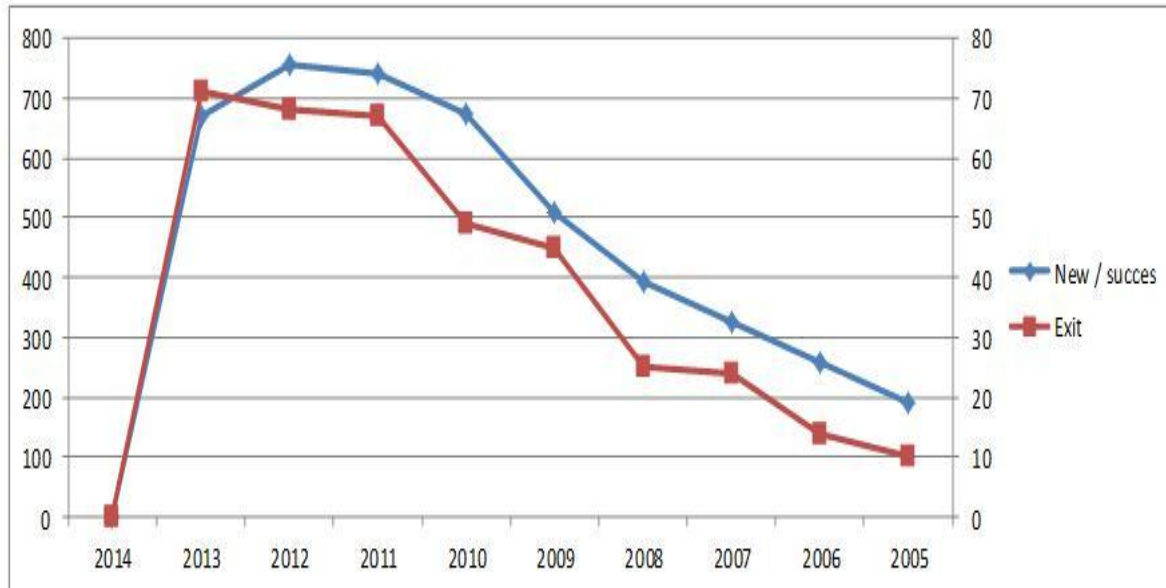
Our study is organized as follows. We begin by reviewing the previous literature on failure and exit in the fields of management and entrepreneurship in order to propose an integrative theoretical framework for developing an entrepreneurial exit typology. Then explain the

methodological framework, which is based on cases studies of four entrepreneurs who have made the entrepreneurial exit decision. The resulting cognitive map is next reinterpreted across the proposed theoretical framework. Finally, a discussion of the implications and the future directions of this work are highlighted.

## 1. Theoretical framework

For the dynamic aspect of the proposed framework, entrepreneurship is approached as a process (Baron, 2008; Bhawe, 1994; Krüger et al., 2000; Shane & Venkataraman, 2000; Shapero & Sokol, 1982). According to this perspective, entrepreneurial failure is then approached as the exit of the entrepreneurial process (Vecchio, 2003; Wennberg et al., 2010) which is valuable to study more deeply as a significant part of new venture creation process (Cardon et al., 2011; McGrath, 1999). Searching the literature for entrepreneurship “success” and “start” (left y-axial), it generates ten times more hits than looking for articles on entrepreneurship and “exit” (right y-axial), which is shown in fig.1.

**Figure 1- Evolution of the number of publications on entrepreneurial exit**



Recent studies of entrepreneurial exit determine exit routes of the entrepreneurial process based on the ‘sale’ or ‘liquidation’ with high or low performance (Wennberg et al., 2010). Other exit routes based on resources (e.g. capital assets, human capital) and goals for organization and growth (Delmar et al., 2006; Van Praag, 2006; Wennberg, 2011) or personal traits (Hammer, 2012). Fragmented among scholars two groups of causes are mentioned: the

entrepreneur (Hayward et al., 2006; Ottesen & Gronhaug, 2005; Simon et al., 2000) or his / her organizational environment (Vaillant & Lafuente, 2007). Despite the contributions of the aforementioned studies, they lack an integrative approach. From the literature two levels of exit can be determined, from where the subject can be studied: organizational level and personal level.

### **1.1. The organizational-level approach of entrepreneurial exit**

According to the population ecology of the organizations theory, the success of a new venture is expressed in terms of survival (Aldrich & Ruef, 2006, p. 38). Successful entrepreneurs are those who insure the survival to their new business for some or many years. There are certainly multiple definitions of entrepreneurial success, but several researchers suggest associating this concept to start-up survival because the early years are critical for the stabilization of the entrepreneurial activity (Littunen et al., 1998). Hay et al. (1993) argue that we can speak about entrepreneurial success only when the new venture remains on the market for a period of at least three years. The main difficulty for the newly created firms is not to find a new market, but the main difficulty is to be rooted in those markets (Hay et al., 1993).

To explain the performance of this type of venture, Hay et al. (1993) prefer using the concept of “survival barriers” rather than “entry barriers”. These authors characterize successful start-ups as it is primarily their ability to overcome the “survival barriers”. Although entrepreneurs are constantly subject to the risk that an event or combination of events forced them to exit from their new venture, they start their business in the hope that they will survive (Shepherd et al., 2000) and cross the start-up phase. Insuring the new venture survival becomes the most important goal for entrepreneurs (Littunen et al., 1998). Looked from this perspective, the basic measure of the success of the emerging businesses is first survival. Entrepreneurs who fail are those who fail to keep their business “alive” (Chrisman et al., 1999).

According to this deterministic approach, entrepreneurial failure is associated with new venture mortality. The reflection on organizational mortality really began in the 1970's with Hannan & Freeman (1977) studies. According to the population ecology of the organizations theory, business failure is synonymous of “organizational mortality” (Mellahi & Wilkinson, 2004). Other research associates “organizational mortality” with a state of bankruptcy (Honjo, 2000a-b) which is considered as the legal form of the “organizational death”. For Singh et al.

(2007), bankruptcy is the most objective measure of “organizational mortality”. It is then appropriate to operationalize failure because it is based on a legal manifestation of the phenomenon.

This determinist and restrictive approach assigns a vital role to environmental factors to explain failure as bankruptcy (Mellahi and Wilkinson, 2004): new ventures fail through no fault of entrepreneurs, but rather, due to unavoidable difficulties derived from the environments (Cardon et al., 2011). However, entrepreneurs may exit their new ventures for positive reasons other than business failure (e.g., Aaltonen et al., 2010; Wennberg et al., 2010). According to DeTienne (2010), every venture will once exit this entrepreneurial process. The literature distinguishes two ways of entrepreneurial exit: (i) quit because of good performance (also called desired failure or entrepreneurial exit) (DeTienne, 2010; Wennberg et al., 2010) or (ii) because the performances are not good (also called unwanted outages or entrepreneurial failure) (Headd, 2003; Samuels et al., 2008; Wennberg et al., 2010). About half of the cases of entrepreneurial drop out refers to situations which are not desirable (Wennberg et al., 2010) and in which the entrepreneur (Hayward et al., 2006; Ottesen & Gronhaug, 2005; Simon et al., 2000) and its environment (Vaillant & Lafuente, 2007) have a role in the cause.

According to Cardon (2011), about half of the cases of entrepreneurial failure, the failure seems to be avoidable, because the failure was based on mistakes (firm internal attributes). There is no clear research known to what extent the half of “not desirable” is similar to the half of “avoidable”. Research shows that the relationship between entrepreneurial exit and entrepreneurial failure, after the first seven years, is roughly equal (Wennberg et al., 2010). Cardon et al. (2011) divide entrepreneurial failure further into two categories: tough luck and mistakes by the operator. Within the entrepreneurial literature, many different meanings to the word ‘failure’ are used. An often used and small framed definition is that of “bankruptcy” or “insolvency” (Zacharakis et al., 1999). Other scholars add elements as “personal limitations of venture participants” (Singh et al., 2007) or “do not yield enough added values for a reasonable income” (Everett & Watson, 1998). In this context, the exit reasons are essentially related to individual rather than organizational factors including the positive and the negative feeling attached to the new venture performance.

## 1.2. The individual-level approach of entrepreneurial exit

In some circumstances, the legal death of organization does not necessarily coincide with the death of the sociological entity of the organization. It can change its name to reorganize as a new legal entity, with all or only some of the members of the dying organization (Poroli, 1999). In addition to the legal bankruptcy Crutzen & Van Caillie (2009) argue that the abandonment of the initial legal status can also be done in the case of a merger, spin off or take over. In this case, the mortality is not related with the formal death due to legal bankruptcy, but the death of the original sociological corporate identity. Evoking the concept of identity led to ask about the sociological mortality of the new venture: the notion of organizational identity is not the guiding principle for identifying organizational mortality (Mignon, 2001). Research conducted by Sutton (1987) can give an interesting perspective to define the sociological mortality. Based on a qualitative study of eight case studies, Sutton (1987) describes the process leading to death by focusing on the relationship between the dying organizations and their members. It specifies three components: the struggle for survival, the dissolution of the organizational arena "disbanding" and the reintegration component of the organization in other social systems "reconnecting". In this perspective, the concept of mortality is associated with the failing of the venture to protect her initial identity.

However, it is difficult to identify the mortality of new venture based on their organizational identity. It appears as a set of characteristics that gives the firm during its existence, specificity, stability and consistency (Mignon, 2001, p. 43). But it takes time for an emerging firm to "build" his own identity. Moreover, it is difficult to distinguish the identity of a newly created firms that of its founder. New businesses are generally recognized through the name of their leader and founder. The entrepreneur may also terminate his/her entrepreneurial adventure. From a sociological perspective of mortality, failure of a new venture is related to the discontinuity of its activities under the leadership of its leader and founder.

According to this sociological perspective, entrepreneurial failure is perceived in terms of the mortality of the entrepreneurial identity. The sociological mortality is effective when the new venture cannot survive beyond a period of three years under the leadership and the control of its founder. This position is based on the observation that only 50% of new venture reach the threshold of three years (Abdessalam et al., 2004; Van Praag, 2003). Entrepreneurial exit is considered a key criterion to distinguish entrepreneurs who fail from those who succeed. It is

in this context that the sociological perspective that associates entrepreneurial exit to the person of the founder and considers the disappearance of the new company, known under the name of its founder as a failure.

In terms of causes, the individual-level approach of entrepreneurial exit assigns a fundamental role to the entrepreneur's expectation in order to explain why some entrepreneurs decide to exit from entrepreneurship. From this perspective, the entrepreneurial exit is associated not only with organizational aspects, including the new venture's bankruptcy or insolvency, but also with psychological aspects related to the entrepreneur's expectations (Ucbasaran et al., 2010). The individual-level approach involves the goal-achievement gap theory (Cooper & Artz, 1995). Based on this theory, entrepreneurial exit can be associated with the entrepreneur's personal (dis)satisfaction with respect to the (non)achievement of her or his specific aspirations and expectations.

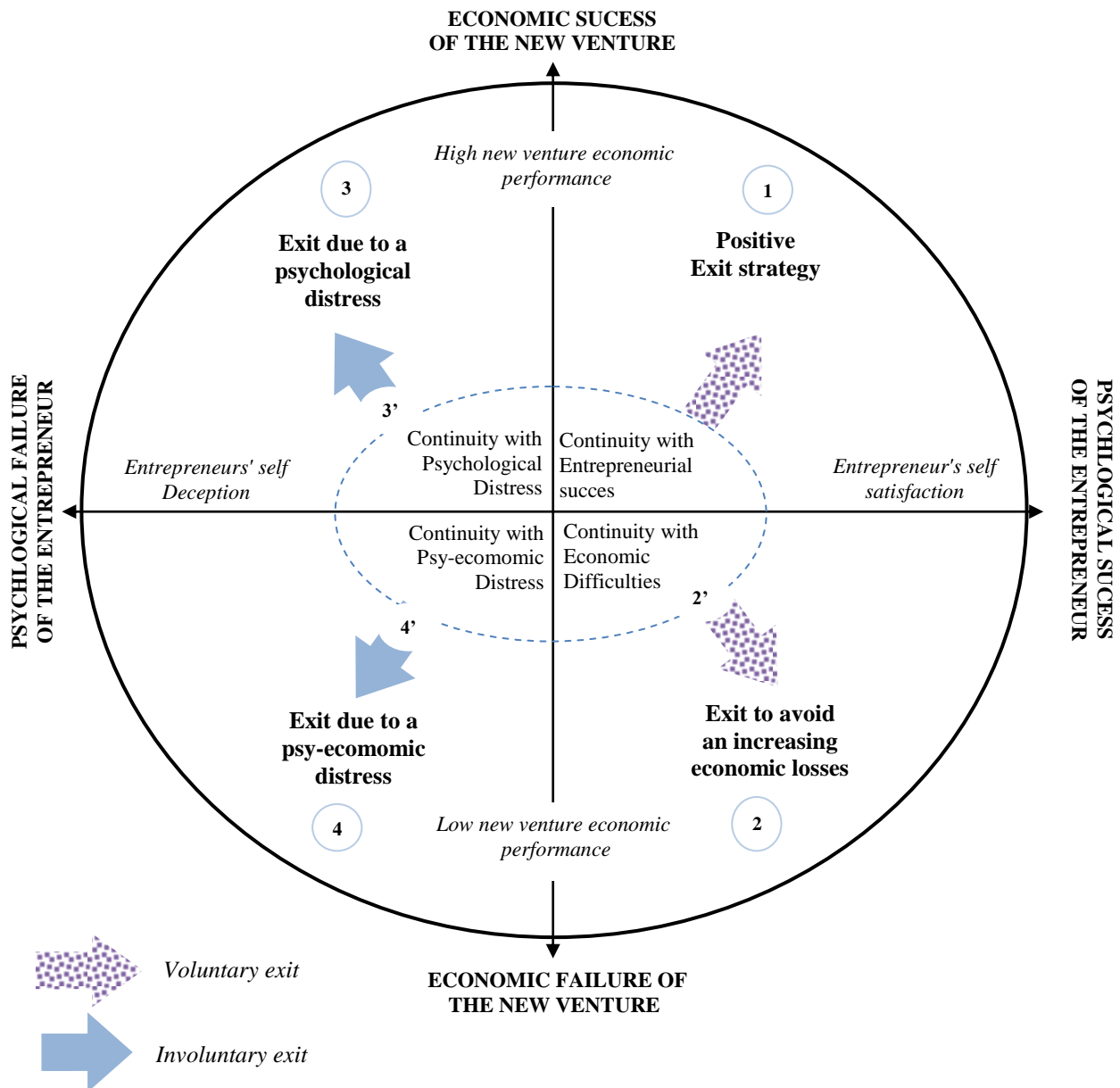
In accordance with the taxonomy of exit routes (Wennberg et al., 2010), the "distress Sale" and "distress liquidation" seem to fit to the purpose of organizational level approach. To obtain clarification on an assembly of reasons for entrepreneurial, a more holistic definition of entrepreneurial failure would be most helpful. In line with often-cited scholars on this topic, failure can be also defined as 'the termination of an initiative that has fallen short of its goals' (e.g. McGrath, 1999; Cannon & Edmondson, 2001) and therefore can be associated with individual-level approach. In this research we combine the two approaches of entrepreneurial exit: the organizational level associate with the economic reasons of exit and individual level associated primarily to psychological reasons. By combining the two approaches, the next section proposes a more nuanced approach of entrepreneurial exit.

### **1.3. The typology of entrepreneurial exit**

By combining the two approaches to entrepreneurial exit, the proposed typology describes for "conceptual configurations" (see Fig.2).



**Figure 2 - Typology of the entrepreneurial exit scenarios based on the entrepreneurs/new venture dialogic**



This typology shows that entrepreneurial exit may take other configurations than bankruptcy (eg. Khelil, 2012; Smida & Khelil, 2010). Indeed, the most common and extreme form of failure is the dramatic bankruptcy (Scenario 4), which corresponds to the conjunction of two dimensions: the economic failure of the new business and personal disappointment of founder due to a non-realization of their initial aspirations and expectations. The proposed typology demonstrates the presence of other forms of entrepreneurial exit. It shows that there are two predominant dimensions of entrepreneurial exit: economic (organizational-level) and

psychological (individual-level). It is the combination of these two dimensions that will determine the fate of the new venture: continuity versus discontinuity. In some circumstances, it is the entrepreneur who will decide whether to continue or stop the entrepreneurial adventure, in other circumstances, it is forced to stop his/her adventure. For scenarios 1 and 2, the decision of the discontinuity is a deliberate choice rather than being obliged, in scenario 3 and 4, entrepreneurs are faced with economic and /or psychological difficulties that force them to exit.

This approach of entrepreneurial exit was chosen by DeCastro & Szyliowicz (2004) to distinguish between a "voluntary exit" and an "involuntary exit". The first configuration includes all entrepreneurs confronted to constraints that obliged them to exit from their new venture. The second configuration includes the entrepreneurs that decided deliberately to exit from entrepreneurship (DeTienne & Cardon, 2006). In fact, the entrepreneur can design a positive exit strategy (scenario 1) to facilitate the transition to other activities that are perceived as satisfactory to him, while his company generates profits. The discontinuity of entrepreneurial activity is not then always synonymous of failure (Cope et al., 2004; Everett & Watson, 1998; Shepherd et al., 2000). Some entrepreneurs decide to exit from entrepreneurship for other reasons than insolvency (scenario 3). For example, interpersonal conflicts with partners, seemingly minor, can create serious problems ultimately leading to entrepreneurial exit (Singh et al., 2007).

The typological approach of entrepreneurial exit leads us to distinguish between "organizational mortality" and "entrepreneurial exit". The conception of entrepreneurial exit is larger than "organizational mortality" since it covers more. Shepherd et al. (2000) argue that organizational death is specifically related to an unexpected drop in income and/or unpredictable increase in spending on such an important that the new venture becomes insolvent and unable to borrow or attract new financial capital: it can no longer continue to operate. In this perspective, the mortality appears to be the result of an unforeseen incident affecting the solvency of the new venture causing the interruption of its activities (Shepherd, 2003). Organizational mortality is therefore a special case of entrepreneurial exit. The entrepreneur decides to end his entrepreneurial adventure only for reasons of insolvency (Shepherd et al., 2000): it's the case of the scenarios 2 and 4.

Some entrepreneurs live moments of doubt, stress, disappointment, hesitation between continuity and discontinuity (Valéau, 2006). Among them are those who demonstrate a great motivation, determination and will that allow them to keep their business alive despite its economic failure and despite the lack of income it generates compared to their that could offer them the job market if they were employees (scenario 2') or/and even a rhythm or lifestyle that does not suit them at all (scenario 3' and 4'). Contrariwise, other entrepreneurs decide to exit for insolvency reasons (scenario 4), to avoid economic losses (scenario 2) or to end the psychological pressures that mentally exhausted (scenario 4).

In addition to the economic dimension, entrepreneurial failure is also associated with psychological states of demotivation, discouragement, lack of perseverance and endurance. The origins of this type of failure can be mixed with personal dissatisfaction of the due to non – concretization of its initial expectations and /or the entrance to his small emerging failure in the spiral of economic failure that demotivate (Khelil et al., 2012).

## **2. Methodological framework**

In this paragraph the methodological framework is presented. First the used methodology of cognitive mapping is set out by describing the expressed concepts, the identification of the causality relationships between the concepts and the identification of the key dimensions. In the second part the four cases used are described.

### **2.1. A qualitative methodology based on cognitive mapping**

Scholars propose several definitions of “cognitive map” or “large-scale space” (Chown et., 1995). Cossette's (2003) definition is the most commonly used in entrepreneurship literature. He defines a cognitive map as a graphical representation of the mental representation that the researcher has made of a set of discursive representations expressed by a subject (e.g., entrepreneur, manager) from his/her own cognitive representations about a particular object. According to this definition, the researcher conceives the cognitive map according to his/her own interpretation of the discursive representation of the subject. The cognitive map can be then considered as a graphical representation of the mental representation made by the researcher on a studied phenomenon.

For the use of cognitive maps in the research of exit-routes of entrepreneurship, the authors focus on the principle of “Human way finding” as proposed by Chown et al. (1995). Based on these principles, we performed the analyses in three sequential phases: (i) Landmark identification; the description of the expressed concepts as Piaget’s (Piaget & Inhelder, 1967) characterization topological representations of landmarks; (ii) Path selection; the identification of causality relationships between concepts; and (iii) Abstract environmental overview; the identification of the key dimensions.

### **2.1.1. The description of the expressed concepts**

In the first phase of the structural analysis method, the interviewed entrepreneur indicated the different concepts or ideas that, in his opinion, related to his entrepreneurial exit decision. In this study, the process of listing concepts that compose the entrepreneurs’ cognitive map used the non-directive interview method which is the more appropriate for collecting data in the context of entrepreneurs with positive and negative exit experience. For this reason, the questions were at the same time “open”, for example: “What are the factors affecting your decision to exit from entrepreneurship?” and “centred”, for example: “What are the individual, organizational, environmental, and/or processual factors that affected your exit decision”? The main objective of this step is to generate concepts that are as realistic and exhaustive as possible.

### **2.1.2. Identification of causality relationships between concepts**

The second phase of the analysis of a cognitive map is based on the study of the links between the identified concepts. The study of the network of relationships gives meaning to the cognitive map (Cossette, 2001). To identify the links between concepts, the method described in this article focused on the entrepreneurs’ discursive representations. To this end, in the previous step, the “entrepreneurs’ speech data” were divided into “units of analysis”. In cognitive mapping, the unit of analysis chosen is the belief about the cause and effect relationship or the influence relationship between concepts (Allard-Poesi, 2003). Relations expressed by the entrepreneur and identified from his/her discursive data were codified by using cognitive matrix.

This matrix determines whether each concept online has a direct impact or influence on each concept in a column. If the answer is “yes”, we entered one at the intersection of the row and column. If the answer is “no”, we write zero. Moreover, the diagonal cells must contain the number zero because greatness cannot “self-influence” directly (Smida, 2010). Regardless of the direction (positive or negative) and intensity (very low, low, medium and high) of the relationships expressed, the presence of a link between two concepts is codified as one.

### **2.1.3. Identification of the key dimensions**

The third phase of analysis of the cognitive map is essentially based on the identification of the importance of concepts. A concept is not considered important unless it has numerous links with other concepts (Cossette, 2001). A factor that acts on a significant number of other factors exerts its influence on an important portion of the phenomenon under study. Moreover, a factor that reacts with a large number of additional factors is considered to be very sensitive. However, understanding how we can identify these factors /concepts is critical. The analysis of the entrepreneur’s cognitive map can be founded on the influence-dependence plane that allows researchers to identify and localize the factors and essential dimensions of entrepreneurial exit. Each variable can be projected according to its global influence and dependence on others. The repartition points clouds of all concepts’ repartition resulting from the structural analysis allows us to distinguish four categories of concepts (determinant, relay, dependent, and excluded) and to clearly examine the entrepreneurial exit phenomenon.

## **2.2. Cases**

The current qualitative explorative study pursued the phenomenological perspective in the selection of the case studies. As opposed to the theoretical saturation criterion which is a fundamental aspect of the grounded theory, the phenomenological approach refers to the variety criterion in order to justify adequate sample sizes (Hlady-Rispal, 2002, p. 87). The selection of the cases studies is then based on the variety criterion. According to the typologies of entrepreneurial exit scenarios (as described below), our explorative study is based on four cases. In addition to the variety sampling criterion, the selection of his cases study is also based on the criteria of equilibrium and potential for discovery (Stake, 1995, p. 4; Rispal-Hlady, 2002, p. 82). In the choice of the number of cases, we also meet the standards of four to ten cases of a qualitative study (Eisenhardt, 1989).

### **2.2.1. The case of the positive exit strategy: Kids' Computer Club**

After having obtained a Master's degree in Computer Science, K.C decided to pursue PhD studies in international deemed university for Engineering. In the absence of sufficient resources, he has temporarily waived this personal project. Thanks to the support of a friend, K.C obtains a supplier credit which allows him to receive Microcomputers needed to create a Kids Computer Club. This company was founded at the beginning of 2008 in Tunisia. At the time, the business idea - computer clubs children improve their skills by using educational software – was original and for this reason it received a national recognition. The amount of turnover increased exponentially within a few months. The company quickly gained the attention of private primary schools. Motivated by the wealth creation, K.C decided to sale his business to a private schools group in order to extract some economic value from Kids' Computer Club. This allows him to pay the registration fee to pursue his doctoral studies in his favourite university.

### **2.2.2. The case of the exit to avoid increasing economic losses: Visual Solution**

The Visual Solution Company was founded in 2005 by V.S after having obtained a Master's Degree in art and communication; he decided to create his own business in the field of marketing communications. To differentiate his business from competitors, V.S specialized in 3D visual communication and more specifically in 360° virtual tour for the leading hotels. He quickly confronted with a series of start-up problems which are essentially related to cultural and commercial problems such as the difficulty to access to the hotel owner and convince them of the usefulness 360° virtual tour. In order to avoid insolvency and therefore the bankruptcy and the stigma attached to it, he decided to liquidate his businesses. Thanks to the customers' prospection, V.S found an hotelier who offers him a long-term stable employment. For V.S this job was a great opportunity to apply his creativity in 3D visual communication. V.S decided then to exit from entrepreneurial activity not only to avoid bankruptcy but also to reach a more tempting opportunity.

### **2.2.3. The case of the exit with the entrepreneurs' self-deception despite the economic success of the new venture: recycling plastic bottles**

Attracted by the fiscal and financial advantages offered by institutional actors in order to encourage young entrepreneurs to create their own businesses, R.P decided to embark on an

entrepreneurial adventure. The absence of a stable and well-paying job after obtaining a master degree in entrepreneurship is also one of motivation that pushed R.P to choose entrepreneurship. It is in the recycling of plastic bottles that R.P wants to invest. To acquire the necessary expertise, R.P pursued a vocational training in recycling plastic process. At the beginning of 2006, R.P created his recycling plastic bottles company. At the starting up, R.P was confronted to several problems which are essentially associated with the quotas limitation in the supply of the discarded plastic bottles which are imposed by the regional authorities. Despite this constraint, the turnover and economic profits of the recycling plastic bottles, progress. This is why R.P decided to expand its business activity to include not only recycling, but also injection, extrusion and blowing of the recyclable plastic. Despite the high economic performance of his business, R.P suffers from permanent and unsupportable stress. According to R.P, there are two types of causes explained his psychological distress: (i) the mental pressure of the family culture in Tunisia (parental involvement on the live project of their children; public sector employment is socially perceived as being more prestigious than entrepreneurship); (ii) the competitors that mobilizing their institutional network relation to the detriment of R.P an additional of the discarded plastic bottles. Under the psychological pressure involved not only by the competitors but also by his family, R.P was obliged to sale his profitable firm to another recycling plastic company. This later was also motivated by the appropriation of the innovative process for the recycling developed by R.P.

#### **2.2.4. The case of the exit with economic and psychological cost: industrial manufacturing of traditional cakes**

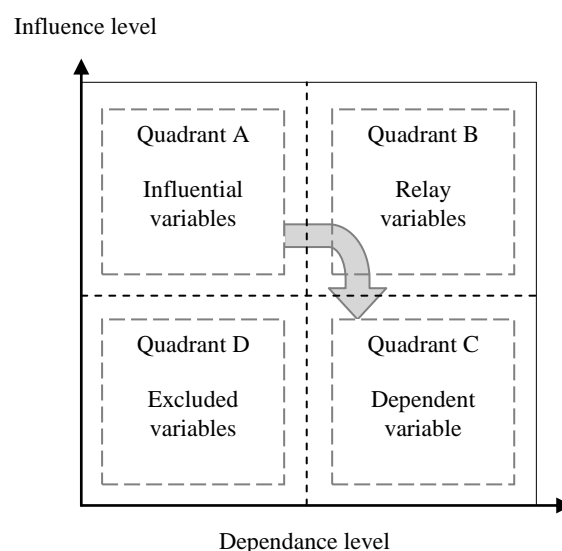
After obtaining a master's degree in finance, P.T decided to achieve his dream of starting his own business **Fout! De hyperlinkverwijzing is ongeldig.**his student live. His business idea was the creation of a company in the industrial manufacturing of traditional cakes for both, national and international market. The production processes of the cakes mostly take place in Tunisia providing cold chain logistics adapted to high temperatures of this country. Confronted with difficulty problem of bank financing, the foundation and the operations of his company launched four years later. However, multiple parameters were changed enormously during this period putting the feasibility of his business concept in peril: increase in the prices of the plastic packaging materials, changes in the cake production process, the cold chain logistics technologies, the increment of the intensity of competitive rivalry, etc. Financial resources actually invested been twice what was initially expected, where the over

indebtedness of P.T. In addition, P.T was strongly dependent on a limited number of clients who will reveal insolvent. The salary costs have also significantly increased which leads to the deterioration of the financial situation of the company. Faced with a situation of insolvency seemed insurmountable, P.T was invaded by the feelings of helplessness, despair, disappointment and demotivation. Mentally and physically exhausted, P.T decided to exit from entrepreneurship.

### 3. Results

The cognitive map approach used is based on the evaluation of the importance of concepts structuring the entrepreneurs' cognitive mind. This relative importance was assessed from the Mic-Mac (Godet, 2001) algorithm, which helped us identify the most influential concepts occupied a prominent place in the entrepreneurs "cognitive mind". This approach has helped not only to bring out the most influent concepts, but also the rank of "influence" and "dependence" from the influences/dependences cognitive plan. The distribution of cloud "variable points" in the plan, particularly in relation to the four quadrants can distinguish four main categories of concepts or variables: influential (sector 1), relay (sector 2), dependent (sector 3) and autonomous (sector 4) variables, which by definition, are excluded from the entrepreneurs cognitive mind.

**Figure 3 - The direct influence-dependence "cognitive plan"**





### **3.1. Influential variables**

These are both very influential and little dependent variables. These are by definition the explicative causes of entrepreneurial exit. We can identify the strong influence of two categories: external contextual factors and internal factors associated with the lack of resources.

#### **3.1.1. External contextual factors**

The “contextual constraints” dimension has three components: the “institutional barriers”, the “difficulty in accessing external sources” and “the intense competition”. Among the “institutional constraints” we can note the influence : the "inadequate" taxation” (case R.P), “cumbersome administrative procedures” (case P.T), the “cost of bank financing” (cases R.P & P.T), the lack of social legitimacy for young entrepreneurs (case P.T), the absence of a post-creation (case P.T) and psychological support system (case R.P). In addition to “institutional barriers”, the external causes of entrepreneurial exit can also include the “difficulty in accessing external sources”: difficulties in finding new creditworthy customers (case K.C and P.T), the difficulty getting loans (cases R.P and K.C), etc. Indeed, the study of cognitive maps, including R.P and K.C cases shows that the access to financial resources is one of the major challenges that entrepreneurs have faced. The “intense competition” is also perceived as a major threat for entrepreneurial continuity (case RP and VS).

#### **3.1.2. Internal factors associated with the lack of resources**

In addition to external causes of entrepreneurial exit inherent to the context, we note the strong influence of the lack of the internal resources. These entrepreneurial exit causes are based on three elements: the “lack of expertise”, the “fragility of social networks”, the “undercapitalization - lack of sufficient financial resources”. The “lack of expertise” is expressed by factors attributable to the “knowledge capital”. According to the interview data analysis, the “knowledge capital” can be divided into two components: “academic knowledge” acquired throughout the academic curriculum of the entrepreneur and/or through specific entrepreneurial training and “operational knowledge” including the technical skills acquired through the prior experience in an industry.

The “fragility of social networks” is associated with a set of factors: the conflict relations with stakeholders such as bankers (case R.P), the lack of credibility and legitimacy with stakeholders such as customers (case V.S), the weakness of social and family support network (case V.S) are also among the crisis of legitimacy and credibility that affect the relational vulnerability of novice entrepreneurs. This is the case for K.C; V.S; R.P; P.J. They decided to create their own business without any significative experience. They have provided so little between the date of graduation and the date of the creation of their new venture, in order to build their own professional network.

The “under-financial capitalization” is expressed by the entrepreneurs who do not have enough capital to start their business. They are then obliged to apply for a bank loan. In case of rejection of their application, they are often forced to choose informal financing mechanisms such as the family debt. Without financial support, some entrepreneurs decide to start their business in the hope of having a cash flow from the first customers. Given the absence of a real and effective demand, they are in a state of insolvency.

In addition to “external constraints” and “lack of internal resources”, the study of cognitive maps emphasizes the importance of psychological factors. The fear of failure (cases K.C and V.S), the stress generated by the magnitude of entrepreneurial activity (cases R.P & P.T), the risk aversion (case K.C), the preference for a salary activity (cases K.C & V.S) than entrepreneurship career, etc., are among the psychological factors that might explain entrepreneurial exit.

### **3.2. The relay or mediating variables**

The relay variables are the variables that are both highly influential and highly dependent. They are by nature mediating factors and present the tipping point between entrepreneurial continuity and discontinuity. By analysing the cognitive maps, it appears that psychological variables have the moderating effect. These variables are structured around four components: “push motivation” the “externality locus of control”, the “lack of commitment to entrepreneurship” and the “conservative orientation”.

Concerning the “entrepreneurial motivation”, the entrepreneurs evoke primarily the pull factors with the intent to conceal the push factors (case P.T & R.P). The main sources of motivation are driven by issues related to unemployment. The “externality locus of control” is associated with the belief that new venture survival depends on uncontrollable external factors. Need to be supported by competent persons, the need for financial support (case R.P & P.T) are among the variables explaining the entrepreneurs beliefs about what determines their failure. Regarding the “lack of commitment to entrepreneurship”, mental exhaustion, emotional depression, hopelessness (case R.P), unwillingness to continue and fight to keep the project alive entrepreneurial (case V.S) are among the psychological variables invoked and manifested through a state of demotivation, discouragement and a desire to give up the entrepreneurial activity.

The “individualistic orientation” is expressed in terms of variables such as the need for stability and financial security (case V.S), the perceived imbalance between the effort made and the pay, preference for employee status (case P.T & R.P). This implies that these entrepreneurs are guided by individualistic than entrepreneurial goals. To these factors must be added the psychological attributes of the entrepreneur – hyper-confidence which is defined by a very ambitious vision (case P.T) compared to the available resources. We can then speak about the “confused” entrepreneurs who are stressed by the goals they could not achieve because of the lack of resources.

### **3.3. The dependent variables**

The third sector includes the dependent or outcome variables of entrepreneurial exit. They are both dependent and have very little influence. They are the result of which is explained by the influential and relay variables. These variables are organized around economic and psychological dimensions that will add the dimension of entrepreneurial discontinuity. For economic dimension of entrepreneurial exit, the most cited concepts by the entrepreneurs to deplore the non-economic performance of their business are: the (in) recovery of the initial investment, the degradation of the personal financial situation (case R.P & V.S) of the entrepreneur, the depreciation of the economic value of the new venture (case P.T), the destruction of invested funds (case P.T), the liquidity crisis (case P.T), etc. Psychological manifestations of the entrepreneurial exit are expressed in terms of (dis)satisfaction of the

entrepreneurial experience (case R.P), the personal disappointment, pain and psychological suffering, non-resistance to stress and pressure (case P.T) and loss of confidence (case R.P). Among the variables that comment the entrepreneurial exit, there is the sale of the business to the competitors (case R.P), the abandonment of the new venture (cases RP, VS and KC), the desire to suspend the entrepreneurial activity (case K.C) divestment and liquidation of the company (case K.C), transferred to informal sector (case P.T) and the desire to seize the opportunity for a well paid job rather than entrepreneurial activity (case K.C & V.S).

It also notes the strong dependence of the variables measuring the risk of involuntary discontinuity which are perceived by entrepreneurs from the multiplicity of problems that could jeopardize the survival of their business. Supply problems (cases P.T), c family conflicts (case K.C), and conflictual relationships with bankers, loss of credibility, the problems with customer insolvency (case P.T & V.S) are also among the issues most discussed by the entrepreneurs as threats for entrepreneurial continuity.

### **Conclusion and implications**

The systematic literature review shows that there is an increasing rate of publication in the field, especially after the occurrence of an economic crisis. It shows also that there seems to be a predilection by some journals to the topic. Based on cognitive mapping, the findings of this qualitative study show that entrepreneurial exit is not the exclusive consequence of the presence of positive or negative exit reasons, but the immediate result of the interaction of six key dimensions that this research aims to explore, describe and classify.

The implications of this paper have two directions. The first implication is found in a contribution to research. From the wide variety of approaches and models, concerning failure and the exit routes of entrepreneurship, this paper sheds light on the field from an integrative and dynamic perspective by combining the most important and recent insights to a valuable framework. From this framework, scholars can apply further research to enforce the knowledge on the negative site of entrepreneurship, from the perspective of the person of the entrepreneur. From a social perspective, not enough can be done to prevent, mostly young, people from an entrepreneurial adventure, resulting in an economic, social and psychological disaster (Shepherd, 2003), as entrepreneurial failure is in an European perspective. The

framework can give anchor points for further research in this field. The second direction of implication is the use for the field of entrepreneurship support. The launching of an integrative framework opens new perspectives for support systems for starting entrepreneurs. One general aspect is that “curricula designers” have now a three dimension model where they can distil design criteria for curricula on entrepreneurship education as summer schools, short courses and regular business modules. Besides that, business coaches can develop new tools to add to their toolbox.

The framework offers new insights and handles for specific interventions, adapted to the entrepreneur involved. The resulting analytical framework can be used as “visual support” by researchers and professional actors to provide an overall view of entrepreneurial exit phenomenon, to better analyze its causes, and to build strategies for avoiding tragic and traumatic exit experiences.

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