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EXPLORING ENTREPRENEURIAL EXIT STRATEGIES AND SURVIVAL OF SMALL AND MEDIUM-OWNED ENTREPRISES IN DEVELOPING ECONOMIES-A CASE OF KENYA

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ABSTRACT
Entrepreneurial exit strategy is a critical component in entrepreneurial process, where a well-prepared strategy helps entrepreneurs to reduce the potential loss of their current business, prepare them to face the post-exit era, and improve the chance of re-entering business after quitting. While such benefits might be true in the context of developed countries, we are critical of their existence in the context of developing economies like Kenya. We enrich the entrepreneurial processes literature by examining entrepreneur's exit strategy and the factors influencing it in the novel context of the developing economies - with a focus of Kenya. This will be further catalyzed by the new reality caused by the Covid-19 pandemic which is bringing its own unique challenges for SMEs.The study was based on three major entrepreneurial exit strategies, which are resignation, business sales, and succession. The interview was conducted on 100 Kenyans small and medium-sized enterprises (SMEs) entrepreneurs with diverse backgrounds. Data was collected using a 5-point Likert scale questionnaire to gather perception from the respondents'. Based on the study it was found out that most of the small and medium owned entrepreneurs did not have a clear entrepreneurial exit strategy in terms of resignation, business sale or succession plan which affected the survival of their enterprises. In addition, the research found several models explaining how the entrepreneurs need to select each of this strategy for enterprise survival.
Keywords: Entreprenerial, Exit strategy, Survival, Small and Medium Enterprises

INTRODUCTION
A recent National Economic Survey report 0f 2019 by the Central Bank of Kenya (CBK) indicate that SMEs constitute 98 percent of all business in Kenya, create 30 percent of the jobs annually as well as contribute 40 percent of the GDP.Small and medium-sized enterprises (SMEs) sector in Kenya has been in a critical phase for the last five years. One of the indicators can be seen from the latest documents published by National Economic Survey (2019) who reported a contraction in SMEs' production growth of minus 5.35 per cent in the fourth quarter (Q4) of 2018. Under this situation, certainly, Kenyan entrepreneurs have been facing difficulties in maintaining the Business competitiveness and sustainability, and some of them have been declared bankruptcy and exit from the market, or usually called as entrepreneurial exit (Collewaert, 2017; DeTienne, 2016). In Kenya most of the SMEs are either sole proprietorships owned by family members or in partnership (CBK,2020).

Without a good understanding of exit strategy and associated factors, entrepreneurs struggle to organize their efforts to get back and start a new business, face difficulties to reorganize the resources they once have had, and have a big chance to repeat their failure experiences derived from the previous business (Dehlen, Zellweger, Kammerlander, & Halter, 2017; Hessels et al., 2017; Wennberg, Wiklund, DeTienne & Cardon, 2016). Helping Kenyan entrepreneurs with the information about some practical exit strategy and the mechanisms behind the selection of exit strategy might be useful for them to reduce the negative impact of business failure. Yet, very little attention has been paid to the different methods Kenyan entrepreneurs use for exiting their company or what factors contribute to their choice of exit route, although it can be argued that designing an exit strategy would help not only the entrepreneur, but also the firm, farmily and national economies (DeTienne & Wennberg, 2016; & DeTienne, 2017).

Entrepreneurial exit is defined as "the process by which the founders of privately held firms leave the firm they helped to create; thereby exiting management, in varying degree, from the primary ownership and decision-making structure of the firm" (DeTienne, 2017). This definition implies that the concept focuses on the individuals who exit from their business instead of on the firms which quit from the market. The research to date on entrepreneurial exit has found many factors that contribute to the selection of exit strategy, such as education level, work experience, understanding market experience, desire to pursue different interest, family reason, and emotional commitment to the firm (Cardon, Zietsma, Saparito, Matherne & Davis, 2016; Kammerlander, 2016; Parker et al., 2017; Salvato, Chirico & Sharma, 2016). The main weakness of previous studies is that much of those studies used big industries in developed countries as the context, while no studies have been identified to explore entrepreneurial exit strategy in the context of developing countries. Wennberg and DeTienne (2017) have sounded this note of caution and called researchers to react to these issues. Moreover, it is important to explore entrepreneurial exit concept in a new context, where there is a chance of finding a new exit strategy that is not only useful for the entrepreneurs itself but also for extending our understanding of exit strategy in the literature. For these reasons, this study addresses a fundamental research question regarding entrepreneurial exit in a developing economies) setting: How do Kenyans entrepreneurs describe their decision and experiences in exiting from their business?

Using a qualitative approach, the answer for this research question will entail identifying what entrepreneurs define as an exit, what strategy they apply, and what motivations are behind the entrepreneurs exit from their business. The study will contribute to the literature by providing new information about the exit strategy and the mechanisms through which the entrepreneurs select the specific exit strategy. The findings will form a cornerstone for the researchers who are interested to explore the entrepreneurial exit concept from relatively new perspective, and subsequently extend insight on entrepreneurial exit.

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2018), the sector contributed over 50 percent of new jobs created in the year 2018. With the government of Kenya pledging to create over 500,000 jobs annually, it is evident that the majority of these jobs will come from small and medium enterprises sector. Therefore, it is evident that with proper entrepreneurial exit strategies, the sector is capable of providing and surpassing the government's target of creating 500,000 jobs annually. The lower end of SME is confined to subsistence and low value activities. Only a few SME grow to employ more this problem is catalyzed by lack of exit strategies. Despite their significance, past statistics indicate that three out of five businesses fail within maturity in operation (Kenya National Bureau of Statistics, 2018) due to absence of proper exit strategy. This phenomenon has made it very difficult if not impossible for SME to grow into large scale enterprises. Studies have shown that the SME sector in Kenya is a strong contributor to the national Gross Domestic Product (McCormick & Dorothy 2017). It should be noted that the current government has promised to provide1million jobs to the many unemployed youths in the next 5 years and the government has identified the SME sector as the one to provide these jobs. This promise comes at the back drop of a similar promise by the previous government and out of which nothing much was achieved. Why then is the SME sector not providing these jobs? And are there factors that inhibit this sector from survival? Most studies in the past on SMEs and their survival have focused on accessibility to credit and inflation in the country as the main factors inhibiting survival of SME in Kenya. This prompts a need to carry a research on the exit strategies (resignation, business sales and succession) and survival of SMEs in Kenya.

The main objective of the study is to explore the entrepreneurial exit strategies and survival of small and medium-owned enterprises in developing economies. The specific objectives of the study were: To investigate the effect of resignation as an exit strategy on the survival of small and medium-owned enterprises in developing economy. To analyze the relationship between Succession as an exit strategy on the survival of small and medium-owned enterprises in developing economy. To identify the impact of Business sale as an exit strategy on the survival of small and medium enterprises in developing economy.

LITERATURE REVIEW

Theoretical Review

Leibenstein's Theory (Emphasis on X-Efficiency)

The concept of X-efficiency was introduced by Harvey Leibenstein a noted economist in1966 in his article titled "Allocative efficiency vs. X-efficiency". This is also referred to as X-inefficiency. In general X-inefficiency refers to the difference between the optimal efficient behavior of business in theory and the observed behavior is practice which occurs owing to different factors.X-efficiency refers to the effectiveness with which a given set of inputs are used to produce outputs. If a particular firm is producing the maximum output it can, given the resources it employs with the best available technology, it is said to be technical-efficient. X-inefficiency occurs when technical-efficiency is not achieved. Whenever an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of X-efficiency. Harvey Leibenstein had mentioned that for allocative efficiency the whole economy was considered whereas in case of X-efficiency just specific companies and industries are to be considered-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used at all.

The entrepreneur has been entrusted two roles; first the role of a gap filler and second an input completer. The production function usually has certain deficiencies. These deficiencies and gap arise because all the factors of production function cannot be marketed. The entrepreneur has been entrusted the job to fill the gaps in the market. The second role of the entrepreneur is input completion. The entrepreneur has to mobilize all the available inputs in order to improve the efficiency of existing production methods. Leibenstein advocated two types of entrepreneurship. First is the 'Routine entrepreneurship' which involves the important functions of management of business. Second type is that of the 'New entrepreneurship' which involves innovative entrepreneurship.

Need for Achievement Theory

This theory was developed by David. C. McClelland. McClelland concerned himself with economic growth and the factors that influence it. In this context, he tries to find the internal factors i.e. "human values and motives that lead man to exploit opportunities, to take advantage of favourable trade conditions." That is why he gives importance to the innovative characteristics of entrepreneurial role. The entrepreneur is concerned with need for achievement (n-achievement). The n-achievement is called as "a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment. "It is this motive of n-achievement that guides the actions of entrepreneur. People with high n-achievement behave in an entrepreneurial way. So it is better to develop an achievement among individuals to ensure high scale of economic development. In practice, an achievement motive is inculcated through child rearing practices, which stress standards of excellence, material warmth, self-reliance, training and low father dominance.

McClelland identified two characteristics of entrepreneurship. First doing things in a new and better way. Secondly, decision making under uncertainty. This motive is called as the tendency to strive for success in situations involving an evaluation of one's performance in relation to some standard of excellence. People having high need for achievement are more likely to succeed as entrepreneurs. According to McClelland, individuals with high need achievement will not be motivated by monetary incentives but that monetary rewards will constitute a symbol of achievement for them. Similarly, they are also not interested much for social recognition or prestige but their ultimate goal is personal accomplishment. That is why McClelland suggests that in order to raise the level of achievement motivation, parents should set high standards for their children.

Theory of Social Behaviors

Kunkel presents a behavioral model of entrepreneurship. Supply of entrepreneurs is a function of social, political and economic structure. Behavioral model concerned with the overtly expressed activities of individuals and their relations to the previous and present surroundings, social structures and physical conditions. According to Kunkel, Individuals perform various activities of which some are accepted by the society while others are not. The accepted are rewarded. The rewards act as reinforcing stimulus increasing the probability of repeating that behavior pattern. This pattern of social behavior is entrepreneurial behavior. The supply of entrepreneurship depends upon four structures found in a society:

Limitation Structure – The society limits specific activities and this limitation structure affects all the members (including entrepreneurs) of a society.
Demand Structure- Material rewards are necessary to lay the foundation for future social gains. Behavior of people can be made entrepreneurial by manipulating certain selected components of the demand structure.
Opportunity Structure – It consists of the availability of capital, management and technological skills, information concerning production methods, labour and markets.
Labour Structure – It is concerned with the supply of competent and willing labour.

The supply of labour is governed by several factors such as available alternative means of livelihood, traditionalism and expectations of life.

Empirical Review

Impact of Resignation as an Exit Strategy on the Survival of Small and Medium-owned Enterprises in Developing Economy

When considering your options, an exit strategy allows you to leave and protect your interests, for best results, a lawyer analyzes your situation and advises you on the best exit strategies available to you (Motwani and Schwarz, 2018). No one knows your job like you do, at least most of the time, when an entrepreneur leaves a job abruptly, it can leave a gap that is difficult to fill appropriately. Another way to help with transition is to be strategic when you choose to leave the company. Sometimes, you need to mentor your employees to take over. When resigning ensure every department or section within your organization that is affected by your resignation is fully understood by those taking over in terms of functioning or task handling (Drozdow, 2017).

In a study carried out in Japan by martins in 2018 on three different entrepreneurs indicated that they had to accept the undesirable but inevitable condition that pushes them to give up and leave the current business. By resignation. This strategy can be in an informal (i.e., stating verbally in an information condition) or formal (i.e., writing a statement to the business partner) form. The manner in which resignation takes place in businesses has attracted significant interest in SMEs the selection of this strategy is motivated through three interconnected factors: (1) perceived unethical behaviors, (2) own background, and (3) conflict (Martins et. al., 2016, Meijaard et. al., 2015). Perceived unethical behaviors were one of the factors that influenced entrepreneurs to resign from their business. Perceived unethical behavior was described as the extent to which the entrepreneurs perceive the behavior of their business partner as ethical. Several unethical behaviors could be unequal distribution of profit, unauthorized intervention to some activities, intention to dominate the business, and financial fraud. Another factor is called "own background", which refers to the entrepreneur's internal activities or situation that are not related to the business but apparently demotivate the entrepreneurs to continue their business.

Another factor was conflict. Conflict could occur from the unethical behaviors of the business partner perceived by the entrepreneurs. For example, once the entrepreneurs felt cheated, he would conform or clarify the business issues directly to his partners. Unsatisfactory clarifications would tense the relationship between both, and subsequently could end the connection between these two partners. Alternatively, conflict could come from internal evaluation within the self, especially when the entrepreneurs had another responsibility to complete Moreover, entrepreneurs who run a business against their wishes, or being forced to run a business might end up quitting their business before their business had a chance to flourish. These two factors (perceived unethical behaviors and own background) could be the source of conflict, which motivated the entrepreneur to resign from the business (Talreja, 2017).

Figure 1
EXIT STRATEGY 'RESIGNATION' AND FACTORS ASSOCIATED TO IT

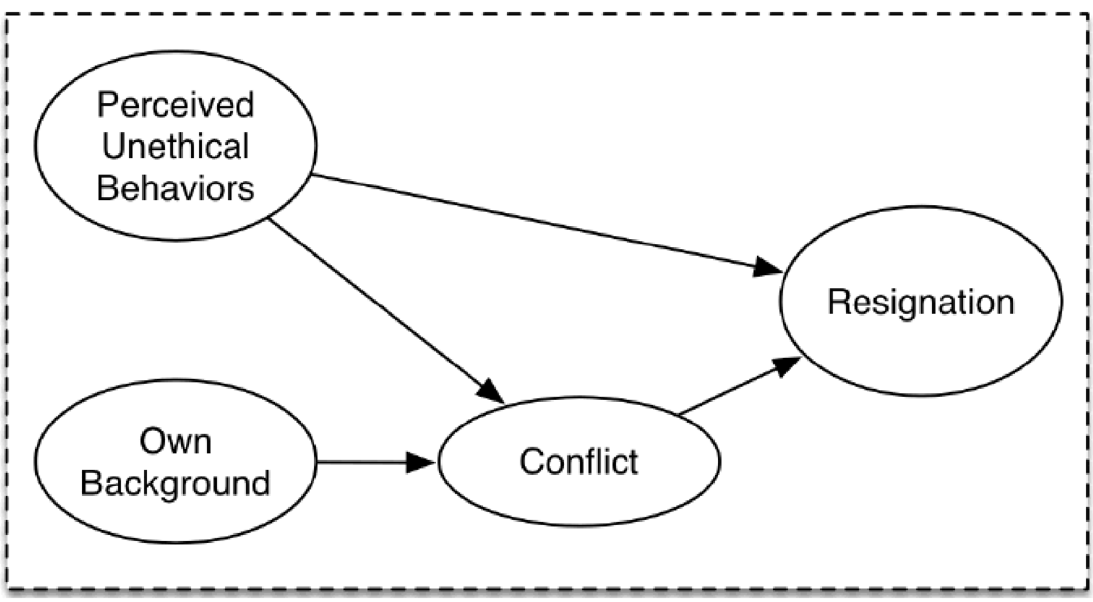

Figure 1: Exit strategy, resignation and factors associated to it

Impact of Succession as an Exit Strategy on the Survival of Small and Medium-Owned Enterprises in Developing Economy

Family business succession is the process of transitioning the management and the ownership of the business to the next generation of family members. The overall business succession strategy builds on the concept of theory and the link to family strategy. The concept of strategy is believed to have originated from ancient Greek word 'stratego' meaning to plan the destruction of one's enemy through effective use of resources (Burnes, 2016). The concept has since found universal application beyond the military. Chandler (1962) views the emergence of strategy in civilian organizations to have resulted from an awareness of opportunities and needs created by changing populations, incomes and technology to employ existing or expanding resources more profitably. Ansoff and McDonnell (2019) define strategy as rules for guidance of organizational behaviour. The implication is that an organization is supposed to interact with the environment according to some predetermined pattern. Hax and Majluf (2018) view strategy as a fundamental framework through which an organization can assert its vital continuity, while at the same time facilitating its adoption to changing environment. Drowzdow's, 2017 presents a categorization of exit outcomes, she argues that an SME could either be handed over to professional managers or family members could take over.

Despite the lack of agreement in terms of what strategy is, there is a broad appreciation of the fact that strategy can be viewed as either the process or the contents (Mintzberg 2017). Process deals with how strategies develop in organizations while content deals with what constitutes a winning strategy. In every organization, there are two independent and simultaneous processes through which strategy comes to be (Mintzberg, 2018). The first strategy-making process is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. Strategy in this process typically is formulated in a project with a discrete beginning and end. The result of this process is an intended or deliberate strategy. Intended strategies can be implemented as they have been envisioned if: those in the organization understand each important detail in management's intended strategy, the strategy makes as much sense to each of the members in the organization as it does to top management, and there is little unanticipated influence from outside political, technological or market forces. Since it is difficult to find a situation where all three of these conditions apply, it is rare that an intended strategy can be implemented without significant alteration.

As such, the effective integration and management of the family component will have a determining effect on the success of the succession process. Many business owners view succession as an event characterized by the moment when the torch is passed to the new leadership (Lansberg, 2016). In contrast, researchers view succession as a process of distinct stages exhibiting characteristic problems (Handler, 2007; Lansberg, 2018). A number of models of the succession process have been proposed based on life cycles (Churchill & Hatten, 2017), degrees of successor involvement (Longenecker & Schoen, 2016), and mutual role adjustment of successor and founder. They suggest that progression between the stages is not always smooth or continuous and can be disrupted by changes in family circumstances or truncated by resistance. Longenecker and Schoen (2017) were among the first to create a theoretical model of intergenerational transitions. It involves the following stages: pre-business, introductory, introductory-functional, functional, advanced functional, early succession, and mature succession. This model clearly treats succession as a process; it omits any reference to the non process aspects. Keating and Little (2016) also developed a multiple stages model for succession, which has similarities with the Longenecker and Schoen model. Keating and Little distinguish the following stages: watching for interest, reducing the pool of eligibles, assessing commitment, compensating the others and placing the successor. Again these models provide a prescription and do not consider the value of adjustments to specific contexts which may not be planned. Meijard (2019) simplifies the succession process into three levels of involvement of offspring: part-time employment, full-time employment and leadership role. Handler (2017) uses three phases of succession that next-generation family members experience: personal development phase, business involvement phase and the succession phase.

Impact of Business sale as an exit Strategy on the Survival of Small and Medium-Owned Enterprises in Developing Economy

Business sale is another possibility where the family ownership and control are sacrificed for the sake of the business, this may occur where the family does not have the capacity to run the business successful or where the business is sacrificed or terminated for the sake of retaining family values and vision. The family may opt to sell off the business to a third party or liquidate the business through asset stripping in this situation the family may opt to retain the unity of the family by doing away with the business which could otherwise lead to a split in the family. These are outcomes that may be planned deliberately by the founders or emerge from the consistent decisions that entrepreneurs take in the process of managing their enterprises (Talreja, 2017).

On selling one may decide to sell the business to someone whom you're familiar with, either an existing partner, a manager or employee, a customer, a friend, or a family member. Commonly, during a seller financing agreement, the buyer may pay off the business gradually which allows the seller to maintain an income while the buyer begins to run the business without making a large initial investment. The seller can also act as a mentor during the transition, which helps to make the process smoother for parties (Lansbury, 2016). A long-term buyout could help incentivize employees, making them feel more committed to the business' success .When sold to someone who's already familiar with the company, there may be less disruption to the business. Sometimes when selling a business to a family member one may stress family relations and cause disagreements among the family or tempted to sell at a discounted price, which means unable to recoup the full amount the business is worth (Tan and Smyrnios, 2018)

Selling the Business in the Open Market

According to Steers (2017) buying an already established business can be an attractive option for entrepreneurs. This is because it's less risky than starting a new enterprise, and seller financing makes the purchase easier to fund than it would be if you were financing a startup. Buyers also benefit from assuming a business' existing systems, its sales stream and cash flow, established client base, and brand reputation for these reasons, it's best to put in the effort to prepare your business in advance and make it as appealing as possible to attract potential buyers. If your business is in good financial condition, it will likely be attractive to buyers, The business' goodwill can be incorporated into the company's value, enabling the seller to profit from years of relationship and brand building some of the challenges in selling on an open market includes being a long, tedious process to find a buyer in the open market, sometimes valuing a business can be complicated, as you may not sell as you anticipated (Kaplan &Norton, 2015).

Selling to an Existing Business

In some cases, a competitor or similar business may want to acquire your company. Your business could be a strategic fit in the market or a competitor may want to eliminate the competition (Marr and Schiuma, 2016). This is a good option for someone who wants to continue work in their chosen industry but with less responsibility. Generally during acquisitions, sometimes the business owner is offered a position in the newly acquired business for continuity and familiarization with the culture and management.

An IPO (Initial Public Offering)

Talreja, 2007 states that an initial public offering refers to when a business first sells its shares of stock to the public, this is in rare cases where an SME is converted first into a public company. Companies typically go through this process to raise additional capital. Going public is a big step for any business—it's a long, expensive process, and afterward the company is subject to public reporting requirements. The benefits include being profitable to become a public company, going public can help boost publicity, reputation, and brand awareness. Challenges includes taking your company public is a tedious, lengthy, and expensive endeavor, going public comes with new obligations like filing reports and providing information about business operations, finances, and management, shareholders get to have a say over the company's direction, which could cause y lose some flexibility in managing the business

ENTREPRENEURIAL EXIT AND SURVIVAL

Broadly defined, organizational survival refers to efficiencies and effectiveness in terms of utilization of resources as well as the accomplishment of its goals (Steers, 2019). Survival is a recurrent theme in strategic management research it is important from three perspectives. Theoretically because effectiveness of strategies is tested by the survival they cause; empirically because there are many constructs that have been employed to capture strategy content and process issues; and managerially as a measure of quality of decisions that managers make on a day to day basis. Measurement of survival gives indication as to the effectiveness of an organization. Whatever management decision is made within an organization is expected to be have a relationship with its survival and hence its effectiveness. The most objective and most commonly cited indicators of measurement are the financial data (firm's bottom line). Financial data can, however, be difficult to access and interpret especially for small unquoted companies. Scholars have also expressed dissatisfaction with the exclusive use of financial dimension arguing that it encourages short-termness and local optimization and therefore overlooks the long term improvement strategy, ignoring competitor information and interaction with customers (Kaplan and Norton, 2015). Researchers in such circumstances recommend multiple measures of firm performance including both financial as well as non-financial measures (Murphy et al. 2012; Westhead and Howorth, 2016).

Naldi et al. (2008) in their study of SMEs exit strategy and firm survival employed both financial and non-financial measures. For instance, they required the respondents to compare their own business operations with that of two key competitors in terms of profit, sales growth, cash flows and growth of network. These items were summed into an index (a=0.82) and validated by previous researches. The measures were captured on a scale of 1-5 (1= much better and 5=being much worse). Similar approach was employed by Craig and Dibrell (2016) who used self-reported measures of survival provided by respondent members of top management team. Survival was rated (using Likert scale) in relation to competitors in the industry over the most recent years. They used ROA, sales growth, employment growth, market share growth. Saito's (2014) study on SMEs and Firm survival in Japan, he examined the survival of firms that are controlled by founding families in Japan. He found that 36% of listed firms were managed by the founder or his descendant, and founding families were the least shareholder in about 25% of listed firms. He empirically found that family firms not managed by founders traded at a premium. The survival of family firms both owned and managed by the founder's descendants were superior to those of family firms.

METHODOLOGY

Design

The study employed both descriptive and inferential design. The adoption of the multi design approach was informed by the complex nature of exit strategy which was the core of the study. The descriptive cross-sectional design allowed the researcher to ensure unbiased representation of the population of interest. The survey was deemed appropriate as it allowed the researcher to capture the nature of transition in the SMEs in Nairobi in line with objectives of the study. Using Cochran's (1963) formula, a sample of 100 SMEs was arrived at from a sampling frame of 300 SMEs registered with Nairobi county Government in year 2019. The random number table generator was then applied to generate 100 firms for the study.

Data Collection

The study relied on only primary data since no available secondary sources could provide relevant data to answer the study objectives. These data were obtained using a structured questionnaire which employed interviews with Enterprise owners and enterprise management as well as key informant interviews. The interviews were conducted using interview guides. Researchers' observation of the business and the environment was also used to confirm some of the basic data obtained from the interviews. The questionnaire was developed using items based on exit strategies themes applied by scholars in similar studies (Mbetu, 2019). It was further validated via discussions with experts in enterprises and pretested with real respondents during the pilot survey stage.

Data Analysis

Data collected using the survey was quantitative and analyzed using both descriptive and inferential statistics. Descriptive statistics were used to present profiles of the firms. Specifically, these were used to assess the extent of SMEs and the nature of transitions, that is, entrepreneurial exit strategy. In order to examine the relationship between transition and SMEs survival, multiple linear regression analysis was used. This enabled the researchers to develop a more robust model for further establishing the relationship between the exit strategy and survival. The t-values and F-ratios were applied to test hypotheses in order to draw specific conclusions about the relationships.

A statistical test of internal consistency of the test items was carried out. The computation of Cronbach's alpha facilitated this test. According to Allen and Yen (2002), Cronbach's alpha splits all the questions on the instrument every possible way and computes correlation values for them all. In the end, output is one number for Cronbach's alpha and just like a correlation coefficient, the closer it is to one, the higher the reliability estimate of the instrument. Cronbach's alpha is a less conservative estimate of reliability than test/retest. Items with low correlation coefficients were considered inappropriate as they may not be measuring what they are supposed to measure. As a rule of the thumb, items with coefficients of 0.7 and above are acceptable while those falling below are suspect and thus are excluded. In this study, all the items used for both exit strategy and survival had Cronbach's alpha of more than 0.7, hence all were included for analysis.

RESULTS

The study achieved a response rate of 95% (95 out of 100 targeted firms) which was considered adequate for analysis. Majority of the firms that participated in the study were 11 - 20 years old (66.6%), 20.5% were below 10 years old. The rest (12.9%) were more than 20 years old. The purpose of this study was to determine the nature of exit strategies employed by SMEs in Nairobi as well as the relationship between exit strategy and survival of these businesses. First, results and findings on the nature of exit strategies employed by SMEs in Nairobi were presented followed by the results on the influence of exit strategy on the SMEs' survival.

Type of Entrepreneurial Exit Strategies

To determine the type of exit strategies employed SMEs in Nairobi, the study captured key exit processes applied by the SMEs. The key exit processes were derived from the literature on survival methods. The specific exit processes include founder awareness of the need for exit, counter decision to exit, business structures and organization, business procedures and processes, criteria for exit, successor identification and development and whether the founder has made plans for conflicts resolution during and after exit. Table 1 summarizes these key exit processes.

Table 1: Extent of Planning on Key Exit Aspects

	Aspect	Very Great Extent	Great Extent	uncertain	Small Extent	No Extent At all	N
1	Need for exit plan	7 (7.0)	9 (9.0)	15 (15)	30 (30)	38 (38)	99
2	Founder exit options considered	7 (7.0)	7 (7.0)	12 (12.3)	30 (30.3)	42 (42.4)	99
3	Founder exit decision made	5 (5.1)	4 (4.1)	8 (8.2)	12 (12.2)	69 (70.4)	98
4	Business structures and organization made	7 (7.2)	5 (5.2)	11 (11.1)	22 (22.2)	52 (53.6)	97
5	Processes and procedures documented	7 (7.1)	8 (8.1)	17 (17.3)	29 (29.6)	37 (37.8)	98
6	Succession criteria determined	4 (4.2)	5 (5.3)	8 (8.2)	25 (25.3)	57 (57.5)	99
7	Successor selection decision made	7 (7.1)	5 (5.1)	14 (14.3)	26 (26.5)	46 (50)	98
8	Stakeholders informed	6 (6.3)	4 (4.1)	12 (12.4)	32 (32.7)	41 (42.7)	96
9	Successor skills assessment done	5 (5.4)	5 (5.3)	12 (12.6)	27 (28.4)	46 (48.4)	95
10	Successor mentoring commenced	6 (6.1)	4 (4.1)	14 (14.3)	29 (29.7)	45 (46.6)	98
11	Conflicts resolution plan made	7 (7.1)	9 (9.2)	12 (12.2)	31 (31.6)	39 (39.8)	98

Figure above represent the percentage computed for each aspect.

On analyzing the results in Table 1, ratings above 3 (those that are great and very great extent), it can be seen that 68% of the respondents reported having established the no need for an exit plan with 72.7% having not considered the founder exit options. 82.6% have not made the founder exit decision. A large majority of respondents (75.8%) indicated that they had not planned their business structures and organization to a large or very large extent. Similarly, a large proportion of 67.4% indicated having not documented business processes and procedures.

All other aspects were either planned to a small extent or not planned at all. This generally indicates that most enterprises did not consider planning business systems and operations alongside considering exit plans. The extent of planning of exit is consistent with initial expectation that due to the cultural factors, exit plans would be minimally planned.

To test a hypothesis on the differences in the application of planned versus emergent strategies as employed by the SMEs, the study considered the nature of exit strategies in terms of the extent of formality. The hypothesis was stated as:

> *H1: SMEs in Nairobi will exhibit no difference in application of emergent exit plans and planned exit strategies.*

Eleven items indicating the key areas of exit strategy were identified from similar studies. A series of statement relating to each of the areas were developed for the respondents to respond on. The respondents were required to indicate the extent to which a number of exit aspects have been intended or planned for in their business on a scale of 1-5, where 1 = No extent at all (no intentions at all); 2 = Small extent of planning; 3 = Uncertain; 4 = Great extent of planning; and 5 = Very great extent (fully planned for). Mean scores for the extent of planning were computed to indicate the nature of exit planning. The results of the descriptive analysis are presented in Table 2.

Table 2: Nature of Entrepreneurial Exit Strategies

	N	Mean	Std. Deviation	Std. Error Mean
C Business Sale	98	**3.497**	0.744	.05224
A Sale in an open Market	99	**3.232**	0.710	.04938
D sale to Another Business	98	**3.050**	0.787	.05595
H Initial Public Offer	97	2.807	0.902	.06428
E Estate Plan	98	2.499	1.186	.08534
G Successor Training	98	2.337	1.209	.08774
F Successor Selection	99	2.271	1.169	.08288
I Conflicts Resolution	98	2.221	1.196	.08565
K Resignation	96	2.145	1.281	.09175
J Succession	95	2.030	1.040	.07450

The computed means were arranged in descending order. Only three factors (business sale, Sale in an open market and Sale to another Business) out of the ten exit strategy factors representing 27% were planned. All other aspects scored a mean of less than 3 and therefore were considered to be largely emergent in nature.

The study sought to establish if the differences between the emergent and the planned strategies were statistically significant. A one-sample t- test was run to ascertain the significance level for differences in these means. Since the scoring was on a scale of 1-5, the test value was set at 3. At 3, the respondent is indifferent as to whether the succession is planned or not. The results are presented in the Table 3. The results of the test of differences at $p=0.05$ indicate that most of the dimensions of exit were unplanned.

The sign of the t-statistics indicated the nature of the strategy - whether the aspect is planned or emergent i.e. above or below the test value of 3. A negative sign indicated a more emergent while a positive sign indicated a more planned item. Sale to another Business aspects were not statistically significant. Despite the computed mean of more than 3, a test of significance indicates that the factor is not reliable indicator of planned or emergent. This left only two variables as being significantly planned, namely of business sale and setting of sale in an open market. Based on these findings, it can be concluded that exit in SMEs in Nairobi is largely unplanned.

Table 3: Differences between Planned and Emergent Exit Strategies

	Test Value = 3.0				95% Confidence Interval Difference	
	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Business Sale	9.406	97	.000	.4966	.3936	.5996
Sale in an open market	4.592	98	.000	.2317	.1343	.3290
Sale to another Business	.888	97	**.370**	.0503	-.0601	.1606
Initial Public Offer	-2.996	96	.003	-.1926	-.3193	-.0658
Estate Plan	-5.849	98	.000	-.5009	-.6692	-.3325
Successor training	-7.578	97	.000	-.6632	-.8362	-.4901
Successor Selection	-8.780	98	.000	-.7286	-.8920	-.5651
Conflicts Resolution	-9.111	98	.000	-.7795	-.9484	-.6106
Resignation	-9.316	97	.000	-.8547	-1.0357	-.6738
Succession	-13.021	98	.000	-.9701	-1.1170	-.8232

Exit Strategy and Survival

The main focus of this study was to establish the relationship between exit strategy and enterprise survival. The exit strategy was determined in terms of the mean ranking of the exit practices on a scale of 1-5 as described earlier on in this paper. The mean for the various aspects of exit strategies were computed to give a new distribution of means. For purposes of this study, survival was measured in three ways. First component of survival was comparative survival, where the respondents were required to indicate the survival of their business on a scale of 1-5 compared to the two closest competitors where: 1=Extremely poorly, 2=Poorly, 3=Somehow well, 4=Better, 5=Much better. Second component was business survival, using the same scale, the respondents were required to indicate the extent of business growth in the last five years in market share and dimensions of business growth – employment and revenues. The third measure of survival was organizational effectiveness. This included the extent of employee satisfaction, customer satisfaction, employee relations, image and speed of decision making. This measurement of survival was employed in previous studies by Paivi (2017).

In order to obtain a composite index of survival to facilitate multivariate analysis including correlation and regression, a survival index was computed for each individual firm aggregating the various items divided by the total of maximum rating and computing a percentage, that is, survival Index = Total score/Max. Score *100.

In order to ascertain the influence of exit strategy on firm survival, the study set out to test hypothesis H2 stated as: *H2: Exit strategy has no influence on Enterprise Survival among SMEs in Nairobi*. This hypothesis was tested using a multiple regression model. A number of other techniques were considered for this analysis but the regression technique was found to be most suitable. The use of Analysis of Moment Structures (AMOS) was for instance considered as a possible method. AMOS has the advantage of combining a number of other techniques like regression, factor analysis and even chi-square test in one, but it is most useful when testing causality of multiple variables. Multiple regression analysis was considered most appropriate, modeled as:

$Survival = \beta 0+\beta 1X\beta 1+\beta 2X2\ldots\ldots\beta nXn+\epsilon$

Where: $\beta 0$ *is the beta coefficient of the exogenous variables*

βi *is the beta coefficient for variables Entrepreneurial exit strategies*

Xi *is the exit strategy variables.*

ϵ *is the error term*

To ascertain the influence of exit strategy on survival, first the independent effect of the exit strategy variables was determined and the results are shown in Table 4.

Table 4: Independent effect of exit Strategy Variables on Firm survival

Exit Strategy Dimension	**Unstandardized Coefficients**		**Std. Coefficients**	**t-value**	**Sig.**	**Collinearity Statistics**	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	46.390	5.295		8.761	.000		
Succession	-1.568	1.951	-.083	-.804	.423	.461	2.172
Resignation	-.649	.933	-.061	-.695	.488	.649	1.541
Business Sale	1.746	1.978	.097	.883	.379	.408	2.452
Sale to another business	1.598	1.742	.097	.918	.360	.447	2.238
Estate Plan	1.658	1.135	.152	1.461	.146	.456	2.192
Successor Selection	1.633	1.475	.149	1.107	.270	.275	3.639
Successor training	-.433	1.493	-.040	-.290	.772	.260	3.853
Initial Public Offer	1.122	1.308	.076	.858	.392	.637	1.569
Conflicts Resolution	2.147	1.054	.198	2.037	.043	.523	1.914
Resignation	.602	1.378	.048	.437	.663	.411	2.434
Communication Plan	-1.352	1.195	-.134	-1.132	.259	.351	2.852

Dependent Variable: *Survival Index*

Examination of the absolute t-values and the corresponding significance levels in the model was done to determine the robustness of the model. Usually, the higher the t-value, the lower p-value (significance level) hence the parameter is significant. At 95% confidence level, only two parameters were found to be statistically significant. First is the model constant (t-value = 8.761; $p<0.05$), which indicates that there are other significant factors that influence survival beyond the ones captured by the model. Second is conflicts resolution which has a positive influence on survival (t-value = 2.037; $p<0.05$), implying that the more a SMEs are able to resolve conflicts, the better the survival. None of the other variables displayed any significant influence on survival even at 90% confidence level.

To test for the combined influence of exit strategy variables on SMEs Survival, the relevant outputs out of the multiple regression analysis were used. These include the multiple R, R^2, and F-ratio value as well as the significance level value. The multiple R value shows the strength of the relationship between the exit strategy variables (combined) and the SMEs survival index. The R^2 value shows the proportion of SMEs survival that is accounted for by the combined effect of exit strategy variables. The F-value demonstrates the overall statistical significance of the model which predicts the effect of exit strategy on SMEs Survival at 95% confidence level ($p=0.05$). The decision to confirm hypothesis H2 was based on the magnitude of the F-ratio and $p<0.05$. The results of the model summary are presented in Table 5.

Table 5: Combined Effect of Exit Strategy Variables on SMEs Survival

Multiple R	R Square	F-Ratio	Sig.
.423	.179	3.293	0.000

Dependent Variable: *SMEs Survival Index*

Independent Variables: *Entrepreneurial exit Strategy variables and semi variable*: Sucession, Resignation, sale in an open market, exit strategy, business sale, sale to another business, estate plan, successor selection, successor training, Initial Public Offer, conflicts resolution and timeliness.

The results in Table 5 show that there is a relationship between exit strategy variables (combined) and SMEs survival (multiple R = 0.423). This means that there is a fairly weak positive relationship between SMEs exit strategy and Survival. The results also indicate that 17.9% of SMEs Survival is accounted for by Entrepreneurial exit strategy variables (R^2 =0.179). Overall, the results indicate that the model is statistically significant in explaining SMEs Survival (F-ration= 3.293; $p<0.05$), hence reject H2 and conclude that Entrepreneurial exit strategy has influence on survival of SMEs in Nairobi.

DISCUSSION

The study hypothesized that SMEs in Nairobi will exhibit no difference in application of emergent exit and planned exit strategies. On testing this hypothesis, it was established that most enterprises considered planning business systems and operations more than they considered exit issues. Only two exit variables were found to be significantly planned, namely conducting of business sale and succession. We, therefore, conclude that exit in SMEs in Nairobi is largely unplanned.

The Central bank of Kenya business survey report of 2017/2018 indicated that 58% of the small businesses had no succession plans. The report also indicated that only 42% of the firms had plans for company valuation, 69% had no contingency report. Interestingly the PwC report indicated that 46% of the firms from emerging markets had established guidelines for deciding who should run the business. This compares favorably with the finding of this study where 67% indicated that they have not planned their business structures and organization to a very large extent. The subject of planning among SMEs has always been controversial. Pearce and Robinson (2017) found that formality of planning was relevant in explaining the survival of small firms.

Survival has to be seen in light of the efficiency and effectiveness of an enterprise. In business, the bottom line measured in financial terms has been the most popular measure of survival. Financial survival indicators including sales or turnover, profitability measures like ROI, ROA, ROE, and EPS could easily be collected from secondary sources especially for the companies listed in the stock markets or centrally regulated. However, access to objective quantitative data on survival for unlisted firms has been difficult and more so for the SMEs (Palvi et al.., 2007). This is largely because the SMEs are not required to file any performance which translates to their survival data with any organization and so reliable secondary data is not available.

For this reason, researchers have attempted to capture SMEs survival extent relying on primary data as presented by reliable members of the business. The availability of this kind of primary data is also subject to agreement of the respondents to provide such data. Data obtained this way would have limitation of lacking details and occasionally reluctance of respondents to give such data. In order to overcome these limitations, researchers have resorted to self-reported extent of survival data by top management which is largely comparative in nature including profit, sales growth, cash flows and business growth (Dibrell, 2006, Naldi et al., 2007, Tani and Smyrnious, 2008). This study utilized this approach to accessing the performance which indicates the survival.

Studies on the relationship between exit strategies and firm survival especially for non-listed firms have produced minimal evidence on the strength of the relationship. The current study largely confirmed this observation. A test of independent effects of exit strategy variables on SMEs survival revealed that there are other significant factors that influence survival beyond the ones used in the study. It was also revealed that business sale was the only aspect of exit strategy which had a statistically significant positive influence on survival. Cucculelli and Micucci (2018) studied exit strategy and firm survival in Italy. They employed a survey drawing respondents from a pre-existing data base. They found that maintaining management within the family had a negative impact on survival.

Diwisch et al. (2017) on exit and firm performance in Australia found no significant difference between those that planned and those that did not plan the exit. Past entrepreneurial exit strategies however had greater positive impact on survival. Bennedsen et al. (2015) on the role of family in exit strategies in Denmark found that exit strategies had a large negative causal impact on firm survival. Marisetty et al. (2012) on wealth effect on SMEs exit strategies in India found that family business was viewed positively by the investing public and generated abnormal returns. Saito (2015) in a study on family firms exit strategies in Japan found that SMEs managed by founders were viewed (by investing public) more positively than non-founders firms. The current study established that even though majority of exit strategy variables displayed statistically not significant independent influence on SMEs survival, the summary model of the combined effect was statistically significant.

CONCLUSION

From the study results, a number of conclusions can be drawn. One of the key conclusions is that exit strategy should not be considered under the simplistic labels of either planned or emergent where planned is considered as those deliberately considered and formally documented. There seem to be a third dimension of planned but not documented. From the study, it is established that there were many instances where the founders have made very elaborate strategies but due to factors beyond the scope of the study, these strategies are not documented. This provides an opportunity for considering how this dimension can be added to the management literature.

Use of professional services like lawyers and accountants was minimal. In the Kenya context, these services are considered expensive and therefore not readily accessible to the general population. The use of lawyers for instance is only considered necessary when there are legal disputes. They are otherwise not considered part of the enterprise disputes resolution system. Also prominently underutilized are the shareholding agreements for the enterprise firms. Except in the law firm, the other firms operated an arrangement where the founder continued to control the ownership as long as they lived. It was evident in most of the cases that communication was not fully open between the founder and beneficiaries.

Another conclusion from the study is that the relationship between exit strategy and survival is not conclusive as to establish a clear causal relationship that can be modeled. Post exit seems to be influenced by many other factors. While the survey did not indicate a strong and significant relationship between exit and SMEs survival, it emerged from the same case studies that firms that went through smooth exit recorded significant growth post transition. In all the other areas, the findings from the survey agreed with those of the case analysis.

IMPLICATIONS

The implications of this study are considered at three levels. These include theoretical, methodological and practical policy implications. In terms of theory, this study has demonstrated that conceptualizing post exit survival in SMEs requires a consideration of several other factors other than exit strategies. The inclusion of such factors is going to enhance research efforts in this area and with further rigorous works as well as reach a solid conclusion on the determinants of post exit survival of SMEs.

On the methodological front, the study explored the complex field via a multi method design utilizing a survey and a series of case studies. This multi-dimensional approach is a first in the area of strategic management research in Kenya. It is however well appreciated in research in other social science disciplines locally (Kamau 2015, Kirori 2018). Both Kamau and Kirori employed multi-design approach in their doctoral research studies in the fields of development and economics respectively.

Lastly, the study findings can form the basis of recommendations to assist both government and private actors to develop suitable policies and interventions that will enable SMEs make smoother transitions from founders to other beneficiaries. Based on this study, specific policy interventions should be developed to formalize the exit processes in SMEs. These include need for concerted efforts to create awareness of the importance of formal exit strategy. In addition, it is necessary to simplify and make available relevant exit infrastructure including simplified legal documents and access to legal services, provide tax and other incentives for people to plan their exit.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The findings should be interpreted and understood within the confines of inherent limitations. First, this study did not achieve 100% response rate. Coupled with limited time and resources, efforts of obtaining more responses were greatly hampered. Therefore, the results could have improved if more data were obtained for analysis.

Second, the study predominantly utilized regression and correlation analysis in testing the various relationships between and among various variables. This choice was made with assumption that the relationships were linear. There is a possibility that the relationships between and among the variables is non-linear and therefore testing their relationships using non-linear regression models is likely to lead to different results. Therefore, more research is required that will utilize non-linear regression models as well as different operationalization of the variables that will also allow for use of other analytical techniques to test the hypothesized relationships for this study.

Lastly, the sampling frame was limited to SMEs in Nairobi, Kenya. This means that the findings might not apply to SMEs in other towns including those in remote areas that were not covered by this study. Therefore, there is limitation on the extent to which these results could be generalized across all the SMEs in Kenya. Consequently, a similar study is necessary in other towns and remote areas in order to validate and/or enhance this study's findings.

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