The Psychology of Business Exits:

Measuring Entrepreneurial Role-Identity Fusion

Allie Taylor

A Dissertation Submitted to the Faculty of

The Chicago School of Professional Psychology

In Partial Fulfillment of the Requirements

For the Degree of Doctor of Philosophy

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Abstract

Business owners in the low- to mid-market are the backbone of the global economy. Approximately eighty percent of these companies are privately held, they generate more wealth than any other group, and they employ 67% of the American workforce (Prisciotta &Weber, 2005; US Census, 2012). However, professional experience, industry trends, and popular literature describe the difficulties owners experience with transitioning from their role as owners and exiting their businesses (Burlingham, 2013; Peters, 2009; Prisciotta & Weber, 2005; PwC, 2014). Several of these reports identified a lack of documented exit strategy as a significant risk to continuity of the business, yet 63% of the owners have made no preparation for this inevitable event (Prisciotta & Weber, 2005). A comprehensive literature review was undertaken to better understand the psychological phenomenon associated with this process so that an informed theoretical model could be constructed. Based on the theoretical model, the first scale of an instrument to measure owner exit inclination, Entrepreneurial Role Identity Fusion (ERIF), was developed. The scale was adapted from an existing identity fusion model developed by Gomez et al. (2011) in consultation with Dr. William Swann of the University of Texas at Austin and it formed the basis of this study. The instrument was administered via online survey to successful low- to mid-market ($1M ≥ $500M annual revenue) business owners (n = 133). Both a 1-factor (Identity Fusion) and a 2-factor (Identity Fusion and Significance) solution were explored. The data indicated the 2-factor model is the better fit and Significance emerged as an additional dimension of interest. The theoretical model, results, and implications for future research are discussed.

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Chapter 1: Theoretical Framework

Entrepreneurial literature spans more than 40 years of studies. Yet, one of the greatest business challenges in the private equity, merger and acquisition (M&A), and business exit space continues to be the high rate of costly failure. Exit failure is most often attributable to the psychology of business owners (Peters, 2012), but there are few resources available to solve this challenge. This study built upon existing research to develop an assessment that quantifies the behavioral inclinations owners have for business exit. The result of this study is a valid and reliable instrument that measures Entrepreneurial Role Identity Fusion (ERIF).

Background

Successful entrepreneurs are tenacious, driven, and in the pursuit of business establishment and growth, but they are not well suited to transition and exit. According to the 2012 United States Census report, there are ~28 million businesses in the US, and 80% of those are either closely or privately held. In 2000, privately held businesses accounted for more than $3 trillion in annual revenue (Prisciotta & Weber, 2005). As of 2016, privately held businesses accounted for 57% of the US gross domestic product and provided jobs for 63% of the U.S. work force (Tharawat Magazine, 2016). The majority of these firms are small to medium businesses (SMB; between $1 million ≤ $500 million) and they are responsible for generating more than 64% of the wealth (JD Powers, 2015; Nazar, 2013) that translates to 18% of the financial assets invested by U.S. households (Prisciotta & Weber, 2005). Many of these businesses were founded in the late 1950s and 1960s by people who are now nearing the age when business exit is becoming an unavoidable reality (DeTienne & Cardon, 2006; Hayes & Shervish, 2003; PwC, 2014), and in many cases neither the businesses nor their owners are prepared to successfully navigate this eminent challenge. Despite owners acknowledging the importance of succession planning (PwC, 2014), fewer than 50% of SMB owners consider their exit strategy until they make a decision to exit (DeTienne & Cardon, 2006).

The downstream impact of failing to plan is that 70-80% of all businesses fail to sell on the first attempt (West, 2015), and of those that do sell the vast majority of the owners regret their exit within 12 months of the close and very few are satisfied with the price and terms (Burlingham, 2013). The problem is expected to persist because all organizations and their leaders have life cycles (Brigham et al., 2007) and the exit of the senior leader, particularly non-serial entrepreneurial founders, will continue to be a challenging personal and organizational dynamic with a genuine economic impact (Burlingham, 2013; Peters, 2012). After more than two decades in the M&A marketplace working with SMB owners, Peters (2012) asserted that the single greatest factor that derails the close of a saleable business is believed to be the owner's inability to overcome psychological impediments. Akhter et al. (2013), Sharma, Chrisman, and Chua (2003), Hammer and Khelil (2014), and Iqbal (2015) argued that founder-owners experience unique emotional attachment to their businesses that makes exit psychologically challenging.

Problem Statement

The consistency of the findings by Akhter et al., (2013), Iqbal (2015), Weesie and Teeffelen (2013), Burlingham (2013), and Peters (2012) regarding the psychological challenges of exit do not exist in a vacuum. The literature is also fairly consistent in asserting that entrepreneurs share common characteristics and, while there are a variety of terms used to describe the characteristics, five of the most common include a need for goal achievement (nAch), innovativeness, tolerance for ambiguity, propensity to take risks, and need for control (nCon; Ahmad, 2010; Cunningham & Lischeron, 1991; Furnham & Marks, 2013; Rauch &

Frese, 2000; Shane, Locke, & Collins, 2003; Yusof, Sandhu, & Jain, 2007). In addition, these characteristics exist alongside a set of five measurable behaviors that have been studied and reported in the literature. The behaviors of interest are Role-Identity Fusion/Separation, Openness to Change, Self-Awareness, Work-Life Balance, and Post Exit Resilience.

While several researchers have explored various aspects of organizational exit, including exit typology, role of the founder-owner, why some founders exit and others do not, whether capabilities matter (Detienne & Cardon, 2006; Detienne & Cardon, 2010; Detienne, McKelvie, & Chandler, 2014; Kaplan, Klebanov, & Sorensen, 2012; Wennberg & Detienne, 2014), relationship between entrepreneurship and attachment theory (Waight, 2006), models of SMB-owner attachment (Akhter et al., 2013; Sharma et al., 2003; Iqbal, 2015), impact of Social Emotional Wealth (SEW), and cognitive models of entrepreneurship (Ahkter et al., 2013; Brigham et al., 2007; Hammer & Khelil, 2014), there has been no evident attempt in the extant literature to develop an indicative instrument that identifies the owner's psychological inclination for exiting his business.

Thus, opportunity exists to build a bridge between describing entrepreneurial phenomenon and creating the potential for intervention to address an important business challenge. By identifying and measuring key behaviors that directly bear on an owner's capacity for exit, the hidden is made known and it provides the possibility for proactively addressing the psychological barriers owners commonly face. Ultimately, this could lead to increasing the number of owners who exit successfully, maximizing owner exit satisfaction, and preserving jobs, wealth, and legacy. Hence, this research is intended to begin to close the gap by building on the work of those previously mentioned who have recognized the significance of exit in the lifecycle of both the organization and the owner-manager.

Purpose Statement

Closing the gap involves leveraging the extant literature to develop a model and instrument that is accessible for advisors and their SMB owners. Thus, this quantitative methods study will be conducted for the purpose of testing a psychometric instrument that is the first in a series of scales that will be developed to measure an SMB owner's inclination to successfully exit her business. The ERIF scale leverages existing scales and adapts them in a fit-for-purpose approach. In addition to providing insights for the owners, ERIF and the associated theoretical construct will be useful for a variety of stakeholders who participate in mergers and acquisitions, private equity investors, turn-around consultants, and other advisors to SMB owners.

However, the most direct beneficiaries will be the SMB owners themselves. This instrument and model will be useful to help prepare owners, in advance of their intended exit, to maximize wealth and legacy for shareholders and increase the likelihood of the business succeeding after the owner's exit. Dealmakers, M&A intermediaries, investment bankers, lenders, and professional advisors could use this instrument and model to improve their ability to engage with owners in such a way that they maximize their own return on investment (ROI). The instrument would also provide insights for this stakeholder group to call upon skilled professionals when necessary to address the psychological needs of owners who are less inclined to exit successfully without skilled intervention.

Overall Research Goal

Closing the gap on understanding the exit inclination of owners will be achieved by further understanding the impact of ERIF on exit inclination. An established Role-Identity Fusion (RIF) scale will be modified and fit-for-purpose to the entrepreneurial population with input from subject matter experts (SME). The long-term goal is to build on this initial study and develop a psychometric that is valid and reliable for further understanding how Role-Identity Fusion may interact with other psychological constructs and impinge on or enhance an owner's inclination for exit. Thus, this quantitative study will be designed based on a theoretical framework that offers arguments for the selection of ERIF as a key measure for providing germane insights about an SMB owner's exit inclinations. The question that will guide the study is: Does ERIF significantly predict an owner's inclination to exit his business?

Theoretical Framework

Previous studies have identified common characteristics of successful entrepreneurs including the five most common: (1) a tolerance for ambiguity, (2) propensity for risk, (3) high innovativeness, (4) need for goal achievement (nAch); and (5) desire for control (nCon; Ahmed, 2010; Cunningham & Lischeron, 1991; Rauch & Frese, 2000; Shane, Locke, & Collins, 2003; Yusof et al., 2007), but extant literature is void of a description of how these characteristics (often viewed as strengths) may become weaknesses at the point of entrepreneurial exit and how they shape the self and role identities of the entrepreneur. In addition, while considerable research has been done in an effort to understand the unique attributes of entrepreneurial exit (Detienne & Cardon, 2006; Detienne & Cardon, 2010; Detienne et al., 2014; Kaplan et al., 2012; Wennberg & Detienne, 2014), the role of Social Emotional Wealth, and emotional attachment with regard to exit (Akhter et al. 2013; Waight, 2006), gaps in the exit literature remain. The specific gap this research is designed to address is the psychological component of how ERIF can be measured to provide actionable insights about an SMB owner's inclination for exiting her role as owner.

It would be remiss to exclude commentary about a segment of the literature that challenges the premise that entrepreneurial personality characteristics are related to entrepreneurial success. Gartner (1985, 1988) cited several researchers in support of the argument that entrepreneurs are a diverse and heterogeneous group to such an extent that identifying a few salient personality traits common to the population is a fruitless effort. Rauch and Frese (2000) confronted this issue and cited considerable advances in personality theory that Gartner and those he cited fail to appreciate. In addition, Rauch and Frese (2000) posited that behaviors serve as mediating variables in the expression of characteristics that lead to entrepreneurial success. Indeed, the weight of more recent studies overwhelmingly points to affirming Rauch and Frese's (2000) position. This notion forms the basis for the tactical decision to measure behaviors and not characteristics as indicators of an SMB owner's inclination for exiting his business successfully.

The theoretical construct is depicted well by Rauch and Frese (2000) in their Geissen-Amsterdam Model of business owner success (Figure 1). They apply this model in the low- to mid-market business segment, indicating that larger organizations are less directly impacted by the unique characteristics and behaviors of owners who are active managers (usually in the role of CEO). The basic premise is that personality characteristics are mediated by behaviors and in the case of SMB owners those behaviors are the establishment and pursuit of goals and strategies in the context of both human capital and the environment. The Geissen-Amsterdam Model (GAM) was conceived as a mechanism for describing entrepreneurial success for growing a business. While business exit is a radically different psychological experience for business owners, this model affords a robust opportunity for describing the experience as a change to their normal modus operandi. To understand this concept, it is essential to define exit as used in this study and in light of the GAM.

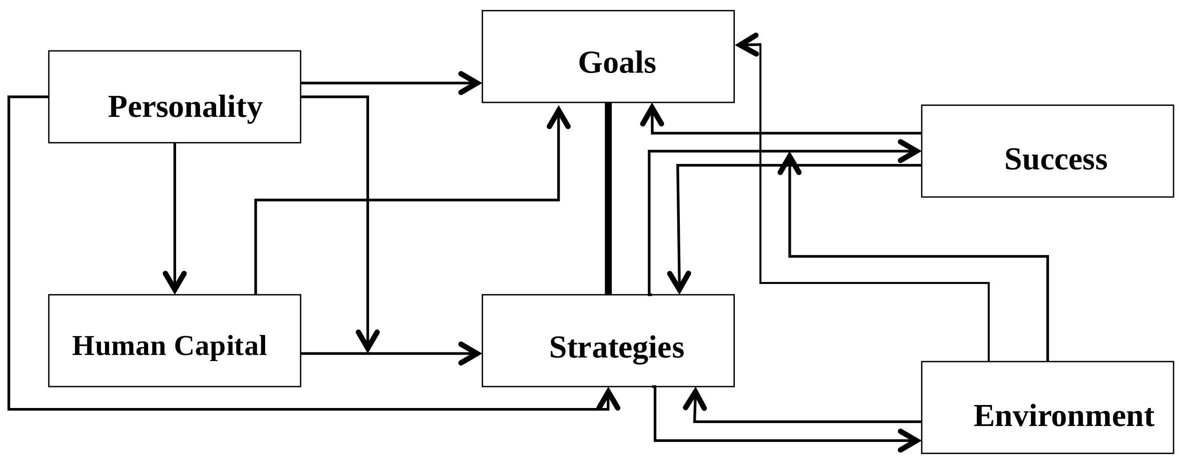


Figure 1. G*eissen-Amsterdam Model (GAM) of business owner success.*

What is Exit?

Researchers consistently note the importance of defining *exit* when it forms the backdrop for entrepreneurial study, and while there are similarities in the definitions, a commonly agreed to definition is absent from the literature. Detienne and Wennberg (2014) acknowledged one challenge of developing a single definition is the variability and multi-level nature of exit as a concept. Wasserman (2003) had the perspective of exit as leadership succession in the organizational lifecycle moving from entrepreneur (Founder-CEO) to a professional CEO (successor CEO). Based on the extant literature and the scope of this research, it is appropriate to view exit as the full or majority transfer of ownership shares and control from the owner to a successor.

However, it is also appropriate to view exit as a liminal process and not an event. Burlingham (2013) supported this assertion and argued that exit is not a moment in time, but rather should be conceived of as a continuum of experience that begins long before the sale or transfer of the business. He posited four main phases: a) exploratory; b) strategic; c) execution; and d) transition. During the exploratory stage SMB, owners ask reflective questions about their identity, desires, and intentions for the business. This is the stage in the Geissen-Amsterdam Model where goals would be reframed so that strategies can be aligned appropriately in the subsequent phases to avoid or minimize psychological effects that may derail the transition (Rauch & Frese, 2000).

However, based on studies by Detienne and Cardon (2006) and US Trust (2015) along with professional experience (Peters, 2012) and qualitative work by Burlingham (2013), it is reasonable to conclude that a vast majority of SMB owners skip the critical exploratory phase and move straight to the strategic or execution phases where they are naturally more comfortable. When this occurs, the associated behaviors are hypothesized to create a disturbance in the GAM system that leads to both cognitive dissonance and a distortion of the relationship between goals and strategies (Figure 2). The concepts of self-determination theory (SDT; Deci & Ryan, 2008; Ryan & Deci, 2000), attachment theory (Bowlby, 2005; Waight, 2006), and cognitive behavioral theory (CBT; Beck, 1991) provide the foundation for a model that would explain the interaction effect of psychological variables on SMB owner exit. (A deeper discussion of these concepts is found later in this chapter.)

If the exploratory phase is skipped or incomplete, later phases of exit will have negative psychological ramifications. These ramifications may first appear in the strategic phase as owners are making tactical decisions related to the type of exit they desire ("die at the desk", generational transfer, sale to strategic buyer, sale to a financial buyer, partial sale, full sale, liquidation, etc.), the options available, the value of their business, tax and legal structures, and other technical mechanics of exiting the business. During this part of the process, owners are experiencing a variety of external and internal forces that impinge upon their psychological capacity to adopt new exit related goals, become fully cognizant of the downstream implications of their decisions, and form a coherent mental model for life beyond their business. Thus, they may be inhibited from developing robust strategies and aligned goals that will lead to their exit success.

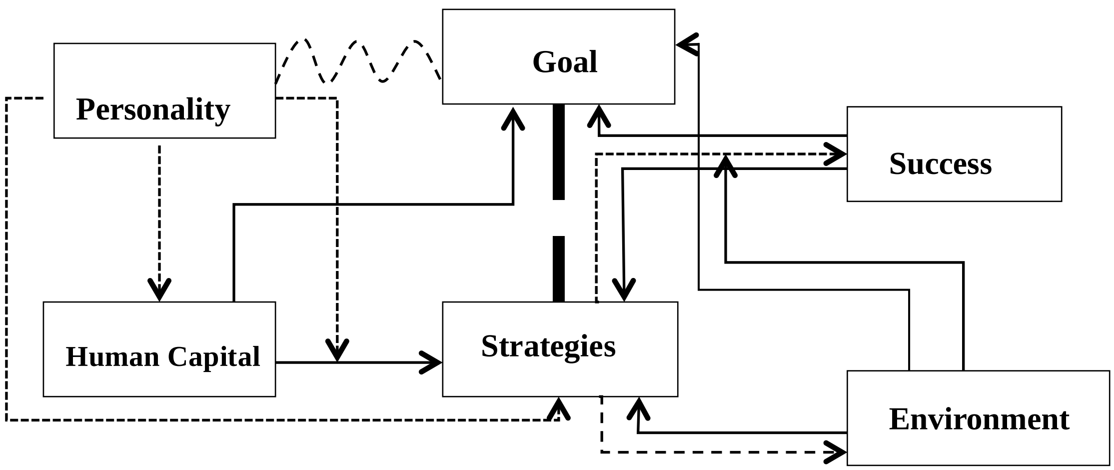


Figure 2: *Hypothesized Geissen-Amsterdam Model (GAM) with Disturbances Resulting From Goal Setting Failure During the Exploratory Phase of Exit. Adapted from Rauch and Frese (2000).*

For the majority of owners who fail to consider their exit strategy until they decide to exit (Detienne & Cardon, 2006), the strategic phase is likely to be hastily engaged precisely because they have not formed robust goals and answered critical, self-reflective, and existential questions (Burlingham, 2013). As a result, these owners limit their exit options and erode the opportunity to maximize their wealth and legacy at best and at worst, some owners will fail to move through the strategic phase altogether. However, due to the absence of hard data, the actual number of owners that experience this dilemma is difficult to measure other than anecdotally through advisor experience. Many exit professionals (M&A intermediaries, investment bankers, consultants, attorneys, and exit planners) lament the dilemma, but few measure or report the number of failed or incomplete transactions (Generational Equity, 2016; Peters, 2012).

Of those owners who move through the strategic phase to the execution phase, there are yet more psychological barriers to overcome. Execution is the process of taking the business to market and completing the transaction (Burlingham, 2013). According to Burlingham's (2013) model, transition happens once the deal is closed, the SMB owner has finalized the transaction details, and she has exited her ownership role. Burlingham's (2013) assertion is that the transaction itself occupies the owner's time, energy, and focus such that this activity is only a prelude to his actual transition when all business activity in his role as owner has ceased. Additional and distinct psychological challenges are expected in cases where an "earn out" period is a transaction contingency and the owner remains active in the business in some capacity other than owner for a period of time post-transaction. A PwC study reported by the Exit Planning Institute (2013) agrees with Burlingham's assertion that the transition phase is challenging for owners who do exit their business through a transaction and 75% regret their exit within 12 months of the close.

Given the complexity of exit as both a technical ("hard" skills) and a psychological ("soft" skills) process, there are no simple explanations for this phenomenon. However, it is important to recognize exit as a process that presents the owner with psychological challenges most non-serial entrepreneurs will face only once. Thus, in many cases, it is appropriate to conceive of business exit as the ultimate liminal experience of an owner's professional career as CEO/Owner (Weesie, 2013). According to researchers at INSEAD (Kets De Vries et al., 2007), an entrepreneur's characteristics, behaviors, and experiences are the core of who they are and how they experience the world. Their attachment and letting go of the business creates profound emotional challenges (Akhter et al., 2013; Burlingham, 2013; Forster-Holt, 2013; Iqbal, 2015; Kets de Vries, 2003; Rouse, 2015; Weesie & Teeffelen, 2013). Understanding the nature of an SMB owner's psychological experience of exit requires exploring the concepts of entrepreneurial characteristics, motivation, cognition, attachment, and behavior.

Entrepreneurial Characteristics

The concept of entrepreneurial characteristics arises from personality theory that dates back to the early 1900s. Allport (1927) was one of the first to propose that a trait is a discrete unit of the personality that can be measured and is common to all people in varying degrees. Since that time, researchers have discerned the need to distinguish between personality traits and personality types. A personality trait can be thought of as a single measurable construct along a dichotomous continuum and multiple traits are measured on multiple continua (McCrae & Costa, 1999). Traits are enduring patterns of habitual behavior, cognition, and emotion that are stable over time, are expressed differently in different individuals, and are resistant to change. McCrae and Costa's (1999) Five Factor Model (FFM) is an example of an instrument that measures traits.

The typology approach to personality is the concept of using traits to place people into discrete groups based on trait patterns. Myers-Briggs Type Indicator is an example of an instrument and model that uses Jungian theory to group people into types based on a set of four dichotomous scales (Introversion-Extroversion, Sensing-Intuition, Feeling-Thinking, & Judging-Perceiving; Schaubhut, Herk, & Thompson, 2009). However, there is considerable debate over the usefulness of types and the concept of stability remains undetermined. Waight (2006) argued that entrepreneurial typology is not supported by current research and that considering personality attributes as trait-like characteristics is more appropriate. Where a trait is thought to be a persistent enduring pattern that is less open for change, a characteristic is a distinguishing trait that is malleable and adapts over time as people respond to their environments. However, characteristic adaptations will remain consistent with a person's personality traits even as the patterns of cognition, behaviors, and emotions evolve over time (Costa & McCrae, 1999). Based on this understanding, it is appropriate to conceptualize entrepreneurial characteristics as a distinct group of common traits that co-occur and are expressed to greater degrees in the entrepreneurial population than in other populations.

Wasserman (2003), Detienne et al. (2014), Detienne and Cardon (2012), and Kaplan et al. (2012) provided clear evidence that entrepreneurial characteristics and behaviors are measureable in the SMB owner population. The literature is also fairly consistent in asserting that successful entrepreneurs share common characteristics. Five of the most common include a nAch, innovativeness/creativity, tolerance for ambiguity (TA), propensity to take risks, and nCon (Ahmad, 2010; Cunningham & Lischeron, 1991; Rauch & Frese, 2000; Shane, Locke, & Collins, 2003; Yusof et al., 2007). Considering the number of SMB owners who do not plan for their exit until they make a decision to exit (Detienne & Cardon, 2006), combined with the low number of businesses that actually sell (West, 2015), it is essential to understand how these five characteristics that are strengths when building a business perpetuate behaviors that can become exit weaknesses.

Tolerance for ambiguity (TA). SMB owners - particularly founder/owners – are masters of tolerating ambiguity. TA is the concept of being comfortable with a lack of clarity, uncertainty, and complexity where outcomes are unknown (Ahmad, 2010). As a business grows, each new stage brings its own ambiguous circumstances and a business owner's TA increases as she experiences new levels of success (Ahmad, 2010; Begley & Boyd, 1987; Yusof et al., 2007). However, exit professionals assert that maximizing wealth, legacy, and post-exit satisfaction requires removing ambiguity and intentionally designing strategic outcomes at least two to seven years in advance of the target exit date (Burlingham, 2013; Generational Equity, 2016; Peters, 2012). Thus, the reason overcoming the inclination for TA is required for exit success.

Risk-taking propensity. Furnham and Marks (2013) explored the concept of TA via a literature review spanning more than 30 years. They reported that TA is strongly, positively correlated with a risk-taking propensity. The critical difference between the two traits is that TA involves unknown or uncertain outcomes and risk-taking propensity involves engaging in calculated risks where the potential outcomes are known with a measure of certainty. In addition, the authors highlight several robust quantitative studies that identify both TA and risk-taking propensity as stable, dispositional traits.

Ahmad (2010), Begley and Boyd (1987), Cunningham and Lischeron (1991), Driesen and Zwart (2010), and Yusof, Sandhu, and Jain (2007) added to the body of knowledge about risk-taking propensity specifically in the entrepreneurial population. These studies concur that this trait is an essential psychological feature for resilience among successful entrepreneurs. From the moment they launch a new business or take over an existing business, entrepreneurs put their time, money, reputation, and careers on the line. During the course of their careers as successful CEO/owners, entrepreneurs will take risks and reap the rewards or consequences with each successive experience, reinforcing or challenging their self-belief and schema. With each new level of success, the entrepreneur's comfort with risk is psychologically reinforced and his motivation to eliminate risk diminishes (Beck, 1991; Deci & Ryan, 2008; Ryan & Deci, 2000). In addition, since exit is not a goal the majority of owners consider until they decide to exit (Detienne & Cardon, 2006), it is reasonable to conclude that entrepreneurs do not consider the absence of a plan for their exit as a risk they need to mitigate.

Business owners with advisors consistently report knowing they should plan for their exit, but fail to do so (US Trust, 2015). Both TA and risk-taking propensity traits work against well-intentioned, skilled professionals who employ risk mitigation tactics in an attempt to motivate business owners to plan for their exit (Burlingham, 2013; Generational Equity, 2016;

Peters, 2012). For many business owners, the concept of exit is akin to planning their own funeral and that is not a goal most people have unless there is a trigger event (Burlingham, 2013).

Need for goal achievement (nAch). The concept of nAch was one of the earliest characteristics to be ascribed to entrepreneurs. This characteristic was generally defined in the broader population by McClelland et al. in the 1950s as nAch and posited to be positively correlated with entrepreneurial activity (Collins, Hanges, & Locke, 2004; Rauch & Frese, 2000). The nAch is defined as a pattern of cognition, affect, and behavior that drives a person to focus on business tasks that result in accomplishing a desired result (McClelland, 1965).

In Rauch and Frese’s (2000) GAM (Figure 1), goals are expressed as a variable that is directly related to strategy and directly influenced by personality (including nAch), human capital, the environment, and success. Collins, Hanges, and Locke (2004) cited the work by Holland (1985) and McClelland (1965) that informs the nature of nAch as an entrepreneurial characteristic. Holland’s work focused on understanding the relationship between personality and career choice, arguing that personality mediates the types of careers individuals choose. McClelland (1965) built on his earlier work and posited that people high in nAch are drawn to entrepreneurial work environments that give them greater control over outcomes, offer direct and immediate performance feedback, and allow for moderate levels of risk.

The nAch appears to operate much like risk-taking propensity in entrepreneurial decision-making about exit planning. In order for an entrepreneur’s nAch to be activated, the goal must be one that the entrepreneur views as significant. However, as has been previously stated, the vast majority of entrepreneurs do not view exit as a goal they must achieve. In terms of the GAM, the failure to view exit as worthy of nAch efforts is hypothesized to result in a disturbance in the system (Figure 2) that may be related to the interaction of nAch with TA, risk taking, and their need for control.

Need for Control (nCON). Ahmad (2010) characterized successful owners as having an internal loci of control, meaning they both desire to and believe they can control the events and outcomes in their lives. This internal loci of control is a distinguishing feature when compared to junior and senior level managers, the general population, and unsuccessful entrepreneurs who have an external loci of control and believe that life is more serendipitous or the result of things done to them by others. According to Ahmed (1985), McClelland (1965) demonstrated a relationship between control orientation and entrepreneurship. Wasserman's (2003) study evaluated the relationship between an entrepreneur's nCon and shareholder value, finding that entrepreneurs who held onto control (CEO and Board roles) led firms that had approximately half the shareholder value of those who let go of control (neither CEO nor Board roles). Wasserman (2012) found that despite asserting a value for wealth, an entrepreneur's nCON leads him to act contrary to optimizing his own financial interests.

Innovativeness. **A**ccording to Ahmad (2010), innovativeness is a hallmark of successful entrepreneurs. Yusof et al. (2007) asserted that innovativeness is the propensity to identify, interpret, and act upon business opportunities in new and unique ways. Innovativeness is also tied to the concept of openness to change (Xu & Tuttle, 2012) and a willingness to try new things (Craig & Ginter, 1975; Leavitt & Walton, 1975). While a commonly agreed to definition of innovativeness is lacking in the literature, it is clear that innovativeness is recognized as a personality trait that is stable over time (Ahmad, 2010; Hurt, Joseph, & Cook, 2004; Yusof, 2007) and as a behavior that may be more malleable (Goldsmith, 1991; Kirton, 1976; Leavitt & Walton, 1975; Xu & Tuttle, 2012) than other behaviors.

Pallister and Foxall (1998) cited Rogers and Shoemaker's (1971) assertion that innovativeness is a measurable, normally distributed, uni-dimensional construct. Thus, both the trait and behavior of innovativeness play an important role in understanding the dynamics of entrepreneurial engagement (or lack thereof) with the exit phase of their career. This is due in part to the reality that entrepreneurs view exit as an event and not a multi-year process (Burlingham, 2013). To understand the effects of these characteristics it is essential to examine entrepreneurial exit dynamics from the perspectives of emotion, cognition, attachment and behavior.

Emotion, Cognition, Attachment, and Behavior

Despite the sum of the whole being greater than the parts, even the five common characteristics taken together are insufficient for explaining what often appears to be irrational behavior in entrepreneurs who are confronted with the concept of exit. As has been stated earlier, exiting a business is a profoundly emotional experience and this emotion is inferred to have a direct impact on an SMB owner's inclination to exit (Akhter et al., 2013; Burlingham, 2013; Forster-Holt, 2013; Iqbal, 2015; Kets de Vries, 2003; Rouse, 2015; Weesie & Teeffelen, 2013). Rauch & Frese (2000) identified behaviors as mediating variables between personality (entrepreneurial characteristics) and success, but their model posited these behaviors in light of growing a business. Further exploration is required to fully understand GAM dynamics in the context of exit motivation, attachment, emotion, cognition, and behavior.

A search of the extant literature, conversations with experienced exit professionals, and personal professional experience led to the identification of five behaviors of interest. These behaviors (Role Identity Fusion, Openness to Change, Self-Awareness, Work-Life Balance, & Post-Exit Resilience) are all constructs that have been described in both the popular and academic literature (Table 1). After extensive review and evaluation, it was determined that while all five of these behaviors are salient to an owner's exit inclination, two of the five (Role Identity Fusion & Openness to Change) are expected to be more difficult to evaluate without a measurement tool and they are conceptualized as the primary behaviors salient for understanding an owner's psychological inclination for exit. Hence, this study will be designed to leverage existing research on measuring RIF and adapt the instrument to address the unique attributes of the entrepreneurial context. While the causal model is broader than this single construct, the current study is the first step in the development of a robust set of psychometric scales that will measure and describe the psychological inclinations of owners toward exit.

Thus, the new Entrepreneurial Role Identity Fusion (ERIF) scale is conceptualized to measure and describe an essential behavior that has a direct impact on an owner's inclination for exit. While the extant literature is limited on the subject, Burlingham (2013), Peters (2009, 2012), Sharma et al. (2001), Lansberg (1988), & Van Teeffelen (2012) pointed to the psychological attributes of the owner being the primary contributing factor to failed SMB owner exit. Burlingham (2013) and Noble and Walker (1997) asserted that the failure to exit phenomenon arises because owners fail to complete psychological tasks that are required during the exploratory phase. This failure is compounded as owners unsuccessfully engage in the strategic, execution, and/or transition phases.

Applying the ERIF scale early in the process will provide objective and salient insights that can enhance an owner's experience of the exploratory process. However, for the ERIF instrument and the broader transition model to be useful, it will require owners to be curious enough to accept an invitation to take the assessment. Thus, the question remains, what cognitive, emotional and behavioral barriers exist for owners who know they should engage in exit exploration, but fail to do so?

Insights are found in psychological theories of motivation, attachment, and cognitive behavioral paradigms. Ryan and Deci (2000) and Deci and Ryan (2008) are proponents of the self determination theory of motivation (SDT). They argued that there is a foundational set of psychological needs that must be met for psychological health and effective functioning. The theory holds that various external forces and interpersonal contexts effect intrinsic and extrinsic motivations. SDT research is applicable to the concept of SMB owner exits and may explain, in part, why so many SMB owners fail to plan for their exit. Owners are intrinsically motivated to launch, build, and grow a business, but exit is antithetical to the natural wiring of most non-serial entrepreneurs. On the other hand, serial entrepreneurs who do view exit as a goal they need to achieve would be characterized as being intrinsically motivated to exit their role and harvest the fruits of their labor (Driesen & Zwart, 2006; Kets de Vries, 2003; Rauch & Frese, 2000; Waight, 2006).

Kets de Vries (1985, 1996) asserted that entrepreneurial motivation, self-concept, and behavior stems from the entrepreneur’s need to resolve psychological tension (dissonance) arising from unmet needs earlier in life, with childhood and parental relationships being significant contributing factors. As a population, entrepreneurs are driven to satiate unmet needs for self-worth, self-efficacy, competency, autonomy, and relatedness that were thwarted during early childhood, through adolescence, and into adulthood (Ahmad, 2010; Kets de Vries, 1985, 1996). These insights afford a plausible understanding of why the primary source of an owner’s intrinsic motivation appears to be related to deep psychological processes that are antithetical to integrating exit as a goal. Exiting means that the primary means through which an owner has met her psychological needs for autonomy, self-efficacy, and relatedness will be eliminated (or greatly reduced) and must be replaced beyond her transition to satiate the need for healthy psychological functioning.

Yet, this lack of intrinsic motivation for exit conflicts with the best practices asserted by advisors. In fact, the most common exit-related tactics SMB owners encounter are from advisors who attempt to move owners to action using extrinsic motivation efforts (risk mitigation, strategic planning, and maximizing value at exit) in a manner that is incongruent with entrepreneurial characteristics. To compound the issue, experience with owners has demonstrated that when advisors attempt to employ extrinsic motivational effort contrary to the owner's natural inclination, the advisor inadvertently increases resistance. This professional experience is congruent with and can be understood via SDT.

In fact, according to SDT, extrinsic motivation is insufficient for meeting foundational psychological needs and can lead to dissonance when the intrinsic forces are not satiated. In the case of exit, advisor attempts at extrinsic motivation will only be successful if the owner adopts exit as his own goal by internalizing and incorporating a value for exit into his own mental model. SDT is compatible with the experiential findings of Burlingham (2013), Peters (2012), and other advisors who lament that profit motive (wealth accumulation), risk mitigation, and strategic planning are important considerations for maximizing exit, but these motivations are insufficient for moving owners to take action and plan accordingly. Detienne et al. (2014) and Detienne and Cardon (2010) also contributed to the exit literature using Fauchart and Gruber's (2011) social identity theory (SIT) to explore SMB owner motivation. Their findings are largely congruent with SDT and with the professional experience of advisors.

Beyond motivation, Waight (2006) provides a robust exploration of 91 journal articles that employed various personality inventories including Five Factor Model (FFM), 16PF, MBTI, nACH, Locus of Control (LoC), DiSC, and others to understand the characteristics of owners. The findings provide support for the argument that there are significant differences between entrepreneurial personality and personality traits in the general population. However, according to Waight (2006), the research to date falls short of identifying a distinct entrepreneurial type and he instead puts forth the concept of "trait-like" characteristics as opposed to entrepreneurial personality types. The assertion is that an entrepreneur's trait-like characteristics are enduring patterns of thoughts, feelings, and actions that can be expressed to lessor or greater degrees over the entrepreneurial life cycle (McCrae & Costa, 1999; Waight, 2006).

Using attachment theory as a mechanism for understanding these trait-like characteristics, Waight (2006) explored the emotional relationship an owner has with her business. The 2006 study demonstrated that business ownership does involve emotional attachment and is significantly correlated with three attachment styles: a) positive model-of-self attachment style; b) dismissing attachment style; and c) secure attachment style. Each of these attachment styles has implications not only for the nature of an owner's emotional view of exit, but for his entrepreneurial intentions to exit.

Entrepreneurial Intentions

Owners of SMBs who are successful at building their businesses are not always successful at exiting (Burlingham, 2013; Detienne et al., 2014; Peters, 2009, 2012; West 2015). Wasserman (2003) studied this topic using tech start-ups as the "Mediterranean Fruit Fly" of the organizational life cycle and had similar findings to Detienne et al. (2014) on the significance of an owner's intentions for the type of exit she desires as articulated during start-up and later goal attainment phases. Detienne et al. (2014) found that those with documented exit intentions at start-up are more likely to achieve their goal. Yet, little is known about the psychological profile of owners who design exit as a goal at start-up and those who do not.

In an attempt to normalize exit as a natural part of the organizational life cycle, Forster-Holt (2013) offered the concept of entrepreneurs as “end-epreneurs.” She examined the impact of both subjective and objective factors that impact exit, finding that subjective factors (generational cohort and the belief they can control their exit using a phased approach) do impact exit, but she did not find support for objective factors (company profitability or barriers to exit) influencing exit success. These findings are congruent with those of Ryan and Deci (2000) and Deci and Ryan’s (2008) SDT model and Waight’s (2006) application of attachment theory and motivation to exit as previously described.

While each of these theories present important contributions for understanding the exit intentions of SMB owners, gaps in understanding the implications of an owner’s psychological impediments to exit remain. Researchers, owners, advisors, and intermediaries all report that exit is a profoundly emotional experience (Burlingham, 2013; Peters, 2009; Weesie, 2013), and although business owners have repeatedly reported knowing the importance of having a succession plan in place, 61% fail to take action (US Trust, 2015). According to Detienne and Cardon (2006), 50% of all SMB owners do not start to plan until they make the decision to exit. The popular literature also concurs with the research assertions that the vast majorities of business owners fail to plan for their exit (Burlingham, 2013) and thus fail to exit (West, 2015).

When consulting with professional advisors to SMB owners, a common refrain is that they feel as though they need a “degree in psychology” to understand how to help owners plan for exit because the owners’ lack of prudent action to preserve their own financial self-interests is irrational and confounding (Detienne & Cardon, 2006; Peters, 2012; Wasserman, 2012). In order to assess these psychological challenges, the concept of exit should be considered as a series of phases and not simply a single event. That raises the issue of exit as a liminal experience where an owner must move through a series of phases to ultimately achieve his exit.

The Role of Liminality

Liminality is the concept of a person being in an "in-between" state while moving from a past reality to a future reality (Ibarra, 2007; Weesie, 2013). This liminal space is characterized by a period of letting go of the old "self" and creating the new "self." Ibarra (2007) asserted that the transition from a past identity to a present in the context of a voluntary career change necessarily involves an early exploration phase where possible new selves are evaluated. During the trial period the new self is tentative and adjustments are made, as the conflicts between old and new identities are resolved.

Nicholson and Carroll (2013) explored the concept of identity transition from a qualitative perspective and speak to the liminal phase of moving from the past self to a future self as the "undoing of identity" in relation to power roles. Weesie (2013) asserted a series of stages that are congruent with Noble and Walker's (1997) model of identity transition in relation to a major role transition. Weesie (2013) specifically examined these concepts through the lens of a business owner. In addition to the more academic qualitative and quantitative research findings on the role of liminality, Burlingham (2013) conducted a non-academic case study approach and arrives at the same conclusion. The role of liminality is fundamental to successful shifts from an existing self that, for business owners, is often defined by their role as owner to a future self after they exit their business.

Both the popular and scientific literature concur that exiting a power-based role such as that of owner results in significant and often emotional psychological shifts in a person's self-concept. Further, researchers and authors asserted that these shifts occur through a liminal phase that is comprised of various stages of transformation. Two compatible models, one from the academic literature (Noble & Walker, 1997) and one from the popular literature (Burlingham, 2012) share similarities that provide keen insights about the stages a business owner undergoes during her ultimate liminal shift in self-concept from her role as owner to a future self after her exit (Figure 3).

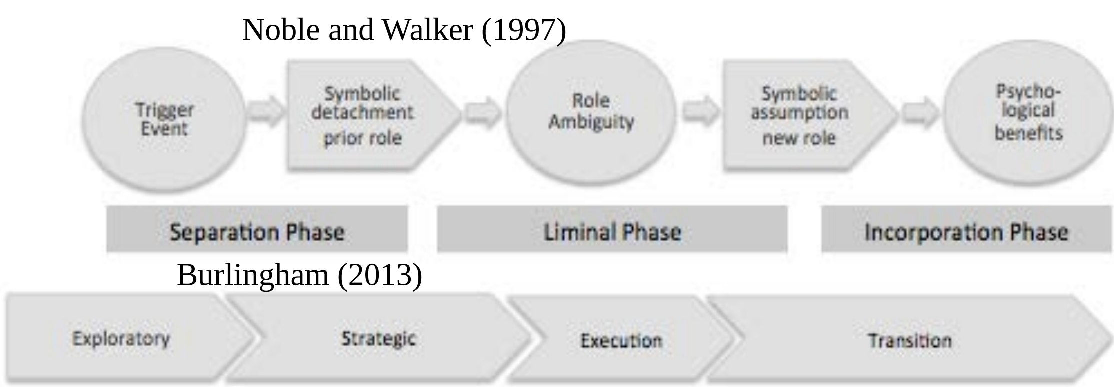


Figure 3. C*omparison of Exit Phases Noble and Walker (1997) and Burlingham (2013).*

The critical difference is found in Burlingham's (2013) emphasis that psychological exploration prior to a trigger event is critical for achieving what Noble and Walker (1997) refer to as psychological benefits. Evidence for Burlingham's assertion is found in work by Ibarra (2007) that supports the concept of exploration being a precursor to successfully moving through a liminal phase to incorporation of the new identity. Ibarra's (2007) model of identity transitions begins with an exploration of possible future selves as a mechanism for letting go of the existing identity in order to embrace change through a process of meaning making to arrive at a new self-concept. A critical criterion for Ibarra's (2007) study was that the career change was voluntary. Hence, there are limitations for applying Ibarra's (2007) model to business owner exit as most extant literature concurs that owner exit is not completely voluntary in that it often requires a trigger event before owners explore the concept or take action toward exit (Detienne & Cardon, 2006; Kets De Vries, 2003; Weesie, 2013). While Ibarra's (2007) work has limitations, it is nonetheless informative for understanding the liminal experience of owners.

This is true, especially in light of Hoang and Gimeno's (2010) argument that, in the case of business owners, their self-identity is strongly related to their role as owner and that the nature of the role-identity relationship exists in the context of a high rate of business exit failure. Ibarra's (2007) assertion that meaning making and a paradigm shift in mental models are essential goals of the liminal phase is supported by Kets De Vries (1999), Weesie (2013), Noble and Walker (1997), and Burlingham (2013). Failure to successfully navigate the liminal period results in psychological deficits that arise due to inadequate symbolic detachment (Noble & Walker, 1997) during the exploratory and strategic phases (Burlingham, 2013). While predictive studies are absent on the matter, retrospective case studies (Burlingham, 2013; Kets De Vries, 2003; Peters, 2012; Weesie, 2013) support the notion that deficits in the exploratory phase (failure to set and commit to exit goals) have a detrimental impact on the exit transaction (execution phase) and the owner's long-term post-exit satisfaction (PwC, 2014). Examining the paradigms of liminality against the framework of Rauch and Frese's (2000) GAM provides support for exploring the concepts of RIF and OtC as variables that have a direct and potentially profound impact on exit success and goal setting.

Self-Determination Theory of Motivation (SDT)

Goal setting and commitment deficits during the liminal phase may be explored through the lens of motivation. SDT as described by Ryan and Deci (2000, 2008) is the psychological phenomenon of how and why the innate needs for competency, autonomy, and relatedness drive motivation and goal pursuit. The model is concerned with a continuum of motivation (amotivation, extrinsic motivation, and intrinsic motivation), the regulatory mechanism (none, external, introjected, identified, integrated, and intrinsic), and the locus of causality (impersonal, external, somewhat external, somewhat internal, and internal) that moves from non-self-determined to self-determined.

Intrinsic motivation stems from an individual's enjoyment of the activities they would do without regard to external consequences. For most entrepreneurs, their quest for satiating the innate psychological needs of autonomy, competency, and relatedness through intrinsic motivation means running, growing, and leading their businesses. This intrinsic motivation would be considered SDT behavior with an internal locus of causality and intrinsic regulation. An interpretation of the findings in a variety of studies cited previously in this paper could lead to the belief that a large segment of entrepreneurs is more inclined to experience amotivation or extrinsic motivation when confronted with the reality that all owners will exit.

SDT argues that psychological health and well being stems from meeting innate needs of competency, autonomy, and relatedness; dissonance or dysfunction arises when one or more of these needs are not met (Deci & Ryan, 2000; Ryan & Deci, 2008). For entrepreneurs, it stands to reason that if the business has been the primary vehicle through which they have expressed the five common personality characteristics and successfully derived their autonomy, competency, and relatedness needs and exit is not an intrinsically motivated goal, they will experience considerable dissonance. While it is possible that extrinsic regulation can lead to internalization and integrated regulation via the entrepreneur's giving personal meaning to the exit goal and valence to the acquired regulation, this requires the entrepreneur to do so freely.

Excessive external regulation has been shown to increase resistance to goal adoption in a variety of research populations from school-age children to adults and across diverse cultures (Ryan & Deci, 2008). The concept of the locus of motivation is particularly germane to this study as it relates directly to entrepreneurial experience related to exit. Entrepreneurs are exposed to a variety of advisors who rely on silos of knowledge and expertise to externally motivate the owner to exit planning action. Based on the low rate of success, this external loci of motivation appears largely inadequate. However, advisors take this approach due (in part) to the fact that they (M&A intermediaries, private equity, investment bankers, wealth managers, exit planners, CPAs, attorneys, consultants, etc.) live in the silo of their own disciplines, are paid for strategy and execution, rely on expert knowledge and competency, and often have vested financial interests in the owner exiting.

An alternative that is congruent with the common characteristics of owners and SDT is for advisors to help owners self-discover. This can be accomplished by fostering opportunities for the owner to make his own meaning of the exit concept, thereby adopting the goal as his own, and integrating it into his schema leading to internalized extrinsic motivation for exit. According to SDT, the locus of causality for internalized extrinsic motivation is internal. Thus, the need for control exhibited by owners is satiated and they are able to adopt exit as a goal they choose to achieve.

Cognitive Behavioral Model (CBT)

However, SDT alone is insufficient to fully appreciate the nature of an owner's cognitive, emotional, and behavioral response to the "business exit" stimuli. The response is part of a bigger picture of how owners make meaning and develop schema of their world, business, and self. Originally articulated by Beck (1976), CBT is a useful approach for understanding the nature of an owner's response to exit. The basic premise of the construct is that a person's thoughts (cognitions) are both the source of the problem and the source of the solution. By changing cognitions in one or more of three primary schemata (self, other, world), the identified problem will dissipate. The behavioral component of the model posits that in the process of changing behavior, cognitions will be impacted and change will result. Alternatively, by changing cognitions, behaviors will be impacted and change will result.

In the case of entrepreneurs their schema of self may be partially described by the degree of their RIF and openness to change as a continuum from Adaption to Innovation (AI). According to Hutchinson and Skinner (2007), self-monitoring and self-consciousness (aspects of self-awareness) are significantly and positively correlated with the AI construct. According to Beck's (1976) description, self-reflection and self-awareness are critical for effectively using cognitive techniques to enhance functioning. In order to internalize and integrate extrinsic motivation that is required for adopting exit as a goal, owners must have the capacity to make new meaning by reframing their schemata of self, other, and/or world.

Weesie (2013) described the owner's self-identity as strongly tied to her role and says it is the critical reason owners fail to exit. Swann and Burhmester (2015) described RIF as the concept of a self-identity being tied to a role and have done studies on a variety of demographic segments, but not on entrepreneurs. In addition, the existing research has not considered the interplay of RIF and AI. Understanding how these behaviors do or do not relate to one another in the context of exit could provide critical insights for understanding the cognitive behavioral process of meaning-making owners experience with regard to exit.

An argument could be made for incorporating modalities such as emotionally focused theories as opposed to CBT since exit is a profoundly emotional experience. While CBT focuses on cognitions and behaviors it also considers affect and emotion, but it approaches emotions with an emphasis on thinking. Recognizing that any number of potential modalities could suit a theoretical framework for the ITS, it is incumbent upon the researcher to define the modality that most closely matches the needs of the population it will serve. There will never be a single "right way" of approaching change, but for the purposes of this research the incorporation of CBT is congruent with the other aspects of the model, it is well established in the literature, and it affords an effective lens through which to apply the ITS psychometric for meaningful impact with the target population.

Significance of the Study

As has been evidenced in this paper, exit is an emotionally and psychologically challenging experience for a business owner and there are few tools available to provide actionable insights for increasing owner exit success. Successful privately held businesses that experience a failed exit often experience negative economic impact for owners, shareholders, employees, vendors, and other stakeholders that could be avoided. Using quantitative research methodology to develop a psychometric that assesses RIF and AI will provide rich and actionable insights that could increase the number of successful owner exits with sustainably transitioned businesses.

Viewing exit as a process and not a single event affords the opportunity to proactively assist owners with increasing their own readiness for exit, particularly in the exploratory phase.

In order to do so, it is critical to know where and how to start to address an owner's psychological challenges. Once these challenges are identified, skilled consultants and advisors are able to apply their limited resources in a fit-for-purpose manner that maximizes the potential for favorable outcomes. The ITS instrument will be designed to address essential behavioral constructs (RIF, AI, SA, WLB, and PER) that research suggests impinge on an owner's inclination to successfully exit his business.

Thus, this study offers three significant contributions:

1. Enhancing academic understanding of entrepreneurial exit by leveraging existing research to develop a robust psychometric that provides measurable insights for advisors to SMB owners.
2. Providing an objective measure that an owner can use to gain personal insight as she attempts to make sense of the exit experience.
3. Offering an accessible, easily administered mechanism for differentiating owners who are more likely to successfully exit their business with little or no psychological intervention from those who are more likely to face emotional and psychological challenges that impinge on their ability to close the deal.

Together these contributions present an opportunity for increasing the number of successful exits, enhancing owners' post-exit satisfaction, preserving jobs, and maximizing wealth and legacy.

Definitions

Entrepreneur: the literature is void of a single commonly agreed to definition. For the purposes of this paper, the term entrepreneur is used interchangeably with business owner, owner, owner-manager, and CEO/owner. An entrepreneur is one who operates a business, provides risk capital and/or intellectual property, assumes responsibility for key business decisions, and has ultimate responsibility for top and bottom line performance.

Inclination for Transition Scale (ITS): A developing instrument designed to measure an SMB-owner's inclination for exit. It will be composed of two primary behaviors (Entrepreneurial Role-Identity Fusion/separation & Entrepreneurial Openness to Change) and three secondary behaviors (Self-Awareness, Work-Life Balance, & Post-Exit Resilience).

Role–Identity Fusion: is defined as the concept of an individual exhibiting permeable boundaries between his individual self and a particular role leading to blurred boundaries that increase the likelihood of the role identity (in this case, "owner") influencing the self-identity. (Gomez et al., 2011; Jimenez et al., 2011; Murnieks & Mosakowski, 2007; Olson-Buchanan & Boswell, 2006; Ruderman & Ernst, 2010; Stryker & Burke, 2000; Swann & Buhrmester, 2015; Vesalainen & Pihkala, 1999). Role-Identity Separation is the concept of having robust and appropriate boundaries between the individual self and the self as owner such that little or no dissonance is experienced as the self operates within and between roles.

Openness to Change: the concept of being open to new experiences and ways of being, and possessing an ability to incorporate new meaning in one's life (Goldsmith, 1991; Goldsmith & Foxall, 2003; Hurt, Joseph, & Cook, 1977; Hutchinson & Skinner, 2007; Kangasharju & Hyrsky, 1998; Roehrich, 2004; Xu & Tuttle, 2012).

Self-Awareness: is defined as the ability to monitor one's thoughts, feelings, and emotions and mindfully respond to the world (Eichstaedt & Silvia, 2003; Goleman & Boyatzis, 2002; Hutchinson & Skinner, 2007; Morin, 2011; Ruderman & Ernst, 2010; Silvia & Duval, 2001; Stock, 2001).

Work–Life Balance: is a measure of the owner's ability to appropriately prioritize between the demands and requirements of owning and managing a business and maintaining a meaningful personal life separate from the business (Gröpel, 2005; Handler, 1994; Hayman, 2005; Jennings & McDougald, 2007; Olson-Buchanan & Boswell, 2006; Rincy & Panchanatham, 2010; Rose et al., 2006). This dimension is hypothesized to be related to the satiation of psychological factors related to motivation (autonomy, competency, and relatedness) and the degree to which these factors are met through the business (Rauch & Frese, 2000; Ryan & Deci, 2008).

Post-Exit Resilience: is defined as the owner's inclination for establishing a meaningful life of purpose and significance after she exits her role as owner (Cavelty, Kaufmann, & Kristensen, 2015; Coutu, 2002; Dmovsek, Ortqvist, & Wincent, 2010; Hedner, Abouzeedan, & Klofsten, 2011; Jackson & Watkin, 2004; Powell & Baker, 2011; Powell & Baker, 2012; Sonnefeld, 1988).

Summary

The balance of this paper will provide an understanding of scale development, research design, results, and discussion. Chapter 2 (Scale Development) includes the fit-for-purpose logic of developing the ERIF scale questionnaire, scoring, and an overview of how this scale fills a gap in the existing body of knowledge. Chapter 3 (Research Design) describes the quantitative methodology including participant selection, data collection, and data analysis. Chapter 4 (Results) provides insights into the quantitative analysis and Chapter 5 (Discussion) explores the study findings and implications for future research.

Chapter 2: Literature Review

Scale Development

Solving the challenge of making an entrepreneur's inner world known is salient for increasing exit success. Any attempt at solving this challenge must start by acknowledging the complexity and nuance of human behavior requires careful identification of the constructs used to inform intervention approaches and decision-making. The following scales are cognizant of those implications, align with the theoretical framework, and are fit-for-purpose with regard to the desired outcomes of this research effort.

Scale Selection

Prior research as outlined in Chapter 1 has provided essential insights into various aspects of entrepreneurial exit. In addition, a compelling argument exists for the development of a psychometric that is valid and reliable for measuring an SMB owner's inclination for exit. A thorough review of the literature and evaluation of the possible behaviors that could be measured resulted in the selection of five behavioral attributes: Role-Identity Fusion/Separation (RIF/RIS), Openness to Change (OtC), Self-Awareness (SA), Work-Life Balance (WLB), and post-exit resilience (PER). The undergirding theory for the selection of the initial behaviors was based on a combination of the understanding developed by Ryan and Deci's (2000) model of SDT, Ibarra's (2007) model of identity transitions, Noble and Walker's (1997) concept of exit as a liminal transition, Burlingham's (2013) work with owners, consulting with advisors to business owners, and personal experience consulting directly with business owners and advisors.

Each of these five behaviors offer insights that are useful for assisting owners with a unique and pivotal stage of their entrepreneurial and organizational life cycles. While each behavioral construct offers important insights, given the demands inherent in undertaking psychometric development, reduction of complexity was a prioritized guiding principle of the research effort. Therefore, after further examination of the extant literature, two of the five behaviors (RIF & OtC) were identified as the primary behaviors that provide the most salient, actionable insights. The remaining three behaviors (SA, WLB, and PER) are considered secondary behaviors that inform potential levers for change.

Together, these five behaviors will provide a robust model for understanding the behavioral inclination of business owners with respect to significant organizational transitions such as exiting their role of owner (Figure 4). Future studies may investigate whether interventions focused on increasing SA, WLB, and PER will lead to changes in RIF and OtC. However, this study is strictly focused on the development of fit-for-purpose scale for Entrepreneurial RIF (ERIF). Entrepreneurial OtC (EOtC) will be the focus of a subsequent study.

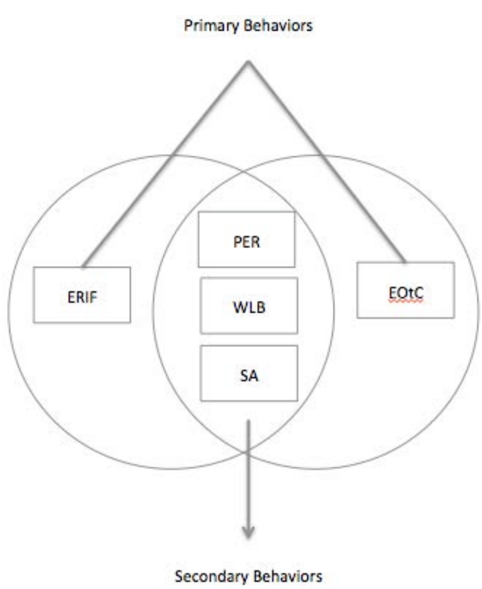


Figure 4. H*ypothesized Inclination for Transition Model Primary and Secondary Behavior Relationship.*

Primary Behaviors

Primary and secondary behaviors in this model are distinguished based on the understanding that ERIF and EOtC are behaviors that have inherent trait-like personality characteristics (Gomez et al., 2011; Jimenez et al., 2011; Murnieks & Mosakowski, 2007; Swann & Buhrmester, 2015; Xu & Tuttle, 2012) that are more difficult to change, but are particularly germane for informing owner exit inclination. In addition, ERIF and EOtC constructs are discrete and do not measure the same behaviors, they are hypothesized to have an interaction effect. In addition, this model indicates that secondary behaviors are expected to have an interaction effect with both ERIF and EOtC.

Role-Identity Fusion (RIF) / Separation (RIS). Byrnes (2010) asserted that founding entrepreneurs with a significant ownership share and management responsibility frequently have a heightened psychological connection to the firm. This is often expressed via their identity as an owner. Stryker and Burke (2000) stated that people engage in entrepreneurial activity as a means of gratifying psychosocial and emotional needs in their development as described in their structure identity theory (SIT). SIT posits that social structures influence and shape identities and identities influence the process of self-verification that reinforces the social structures. In the case of entrepreneurs, the theory would support the argument that expression of characteristics in the role as SMB owner becomes self-reinforcing.

Over time, the lines between an entrepreneur’s social self-identity (non-owner roles) and their role-identity self as owner become blurred and may become fused. Gomez et al. (2011), Swann et al. (2012), and Swann et al. (2009) posited that Identity Fusion leads to extreme behaviors in an effort to satisfy an emotional need. Hoang and Gimeno (2010) argued that the role-identity of owners is a long-term self-concept that can lead to Identity Fusion. They further posited that owners gain a sense of significance from their roles as owners. Swann and Buhrmester (2015) defined four aspects of Role-Identity Fusion: a) agentic-personal-self principle (non-fused); b) identity-synergy principle; c) relational ties principle; and d) irrevocability principle. Their research focuses on the impact of identity fusion and group behavior to provide insights into the psychological mechanism at work in highly fused people.

Specifically, the identity-synergy principle is the concept that the group (in the case of SMB owners, their firm) benefits from the RIF due to the extreme behaviors that highly fused people are willing to exhibit (Swann & Buhrmester, 2005). SMB owners who put their reputation, financial security, significance, and career on the line will take risks that others do not. They will drive through barriers and obstacles at all costs while tolerating considerable levels of ambiguity and, as a result, they exhibit extreme pro-group (firm) behaviors. The relational-ties principle posits that strongly fused people are concerned with both the larger organization and the individual members. Identity Fusion increases as a person's emotional needs are met through his alignment with the firm and with the individuals in the firm, leading to a self-reinforcing loop, hence the irrevocability principle (Swann & Buhrmester, 2005). Murnieks and Mosakowski (2007) argued that a person's self-concept as entrepreneur is mitigated if she is able to maintain several different schemata of self. However, they noted that maintaining several distinct schemata of self is related to diminished entrepreneurial competency.

Byrnes (2010) studied the closely related concept of the CEO/owner's sense of self at the point of exiting his role and concluded that most CEO/owners failed to put forth the time and effort required to address the personal role-identity transition issues. Instead, they opted to focus on the strategic and execution aspects of the transaction. Byrnes also found that an entrepreneur's lack of self-awareness prior to exit led to a diminished sense of self and dissatisfaction with her new role post-exit. Owners who sold their company and were retained as employees post-transaction experienced considerable personal and role-identity dissonance and a loss of a sense of significance.

However, the third finding by Byrnes (2010) was that owners in the sample population were universally able to transcend the challenges of the first two findings. It should be noted that Byrnes' (2010) study did not include owners who either had failed exits or should be considering exit (due to age, health, or other factors) and were not. The ability to measure ERIF would provide an objective means for owners and advisors to proactively address this phenomenon so that the owners experience less dissonance during the liminal phase.

Questions that will be used for the ERIF scale have been adapted from Jimenez et al.'s (2011) Dynamic Identity Fusion Index (DIFI) in collaboration with Dr. Swann, the pioneering researcher of RIF. Dr. Swann aided in adapting DIFI questions for application to the entrepreneurial exit context (Swann, 2016). Initial content validity for this scale is based on findings from prior applications of the scale to other contexts and Dr. Swann's expertise with RIF.

Openness to Change (OtC). The concept of OtC encompasses user adoption, life innovativeness, consumer innovativeness, and problem-solving styles. Roehrich (2004) posited two main categories for the operationalization of innovativeness measures. The first he refers to as Life Innovativeness (LI) Scales and the second he calls Adoptive Innovativeness Scales. The distinguishing attribute is that LI goes beyond adoption of new products to areas of personal being and doing. Thus, the focus of this study will be on scales that are considered LI in nature.

Early OtC researchers include Leavitt and Walton (1975), Kirton (1976), and Hurt et al. (1977). This body of knowledge has led to the ability to measure innovativeness as a construct for evaluating a person's openness and attraction to newness (products, experiences, insights, etc.). Hutchinson and Skinner (2007) examined the relationship between OtC, SA, and cognitive style, finding that OtC is significantly positively correlated with self-monitoring and self-consciousness. They also found that OtC is significantly negatively correlated with social anxiety.

Kirton's (1976) Adaption-Innovation Inventory is the most thoroughly researched of the LI scales, but it is a propriety model. In response, Xu and Tuttle (2012) offer a robust, non-proprietary model they call the Adaption-Innovation at Work (AIW) scale. The AIW scale is measured along a continuum ranging from "Adaptors" to "Innovators" and includes three sub-dimensions: Approach to Efficiency (AE), Rule Governance (RG), and Sufficiency of Originality (SO). Individuals who are more reflective of the adaptive style prefer the "tried and true," relying on what has worked in the past and focusing on change that improves upon what is. On the other end of the continuum are individuals who prefer to innovate new ideas, push out the boundaries, and initiate changes based on new ways of doing things.

This construct presents an interesting paradigm for business owners who are by their very nature drawn toward innovativeness when starting and growing their businesses, but whose strengths may become limitations and/or weaknesses for exit. Wasserman's (2006) study offers an interesting paradigm about owners behaving irrationally and against their own stated financial desires and best interests. For some owners, a need to hold on to authoritative power trumps their desire for wealth accumulation and this dilemma may be directly related to their lack of adoption of exit as a goal. To evaluate OtC for owners in the context of their business transition, an additional dimension that evaluates their openness to changes in their role related to their autonomy and their leadership as owners will be added to the scale.

Adding these domain-specific questions is congruent with findings by Goldsmith and Foxall (2003) who explored the concept of innovativeness from a product adoption perspective. Their findings demonstrated that consumer innovativeness may be domain-specific and consumers who are innovative in one product domain may not be innovative in another product domain. For entrepreneurs a dichotomy between knowing they should plan for exit and failing to do so, as well as competing values of wealth accumulation and control, are indicators that the AI entrepreneurs experience in the domain of growing a business may be radically different than their AI in the domain of business transition.

An additional point worth mentioning that was flagged by Goldsmith and Foxall (2003) related to terminology difficulties that arise from the non-specific and varied use of the terms “innovative,” “innovativeness,” “innovation,” and “innovator.” The challenge of terminology is particularly germane to this paper where “innovativeness” is both a characteristic of entrepreneurial personality and is used in the definition of the AIW scale. This model reconciles the dilemma by acknowledging entrepreneurial innovativeness as a persistent characteristic of entrepreneurs that leads to the expression of certain OtC behaviors that may impinge upon their ability to successfully exit the role of owner.

Secondary Behaviors

According to the extant literature on the SA, WLB, and PER constructs, the secondary behaviors are not trait-like and are more malleable (Cavelty, Kaufmann, & Kristensen, 2015; Coutu, 2002; Dmovsek, Ortqvist, & Wincent, 2010; Goleman & Boyatzis, 2002; Gröpel, 2005; Hutchinson & Skinner, 2007; Olson-Buchanan & Boswell, 2006; Powell & Baker, 2012; Rincy

& Panchanatham, 2010; Rose et al., 2006; Sonnefeld, 1988; Silvia & Duval, 2001; Stock, 2001). Thus, secondary behaviors are hypothesized to be targets for intervention to ameliorate the challenges that ERIF and EOtC present for a range of entrepreneurial behaviors related to exit, goal setting, and a host of other activities. Three secondary behaviors (self-awareness, work-life balance, and post-exit resilience) were selected for incorporation into the model based on the interaction effects these behaviors are predicted to have with ERIF and EOTC. Furthermore, these three behaviors are conceptualized as targets for change due to their malleability.

Self-Awareness (SA). When attempting to help an owner change his schema of self, it is helpful to understand his level of self-awareness. SA is the capacity of a person to monitor her thoughts, feelings, and emotions to mindfully respond to the world, and this construct has been well described in the literature as a central facet of psychological well being and self-efficacy (Goleman, 1998; Goleman & Boyatzkis, 2002; Stock, 2001). SA is a cognitive resource that can assist a person as he perseveres through liminal states (Ashley & Reiter-Palmon, 2012; Beck, 1991; Killjan, 2012; Pyszczynski and Greenberg, 1987) by attenuating the negative affect that can result from prolonged exposure to stressful stimuli (Beck, 1991; Benbassat and Baumal, 2005). An aspect of Beck's (1967) cognitive behavioral therapy (CBT) model includes a goal of increasing a person's self-awareness as a means of attenuating depression and other affective disorders. This same paradigm could be helpful and applicable to addressing the challenge of ERIF.

In light of the nature of SMB owner exit as a profoundly emotional experience, understanding an owner's level of SA would provide critical insight for evaluating the psychological resources that help an owner successfully navigate the exit process. However, Silvia and Duval's (2002) work on Objective Self-awareness Theory (OST) builds on earlier

OST studies and their work highlights the difficulty of directly measuring SA. Specifically, simply by asking a person if she is self-aware alters her attention to self. Hence, designing a construct that indirectly measures SA is a necessity. The OtC construct provides a mechanism for addressing this challenge (Xu & Tuttle, 2012).

Morin (2011) provided a comprehensive review of the SA literature and summarizes the overall body of work as the process of reconciling discrepancy between the real and ideal selves. One of the most salient aspects of Morin's work is the notion of avoidance of SA. Akin to the concept of the "fight or flight" response, Morin argued that individuals who experience a large discrepancy between the ideal and real self, anticipate or experience a negative outcome, and have a low rate of progress are inclined toward flight or avoidance of SA. The fight response would occur when the discrepancy between the real and ideal self is small, a positive outcome is experienced or expected, and progress is made at a high rate. People who focus on the real self experience increased SA and change the self to resolve the discrepancy. People who focus on the ideal self will change the standard to resolve the discrepancy.

Morin's (2011) insights are particularly salient to the liminal experience of SMB owners at the point of exit. Considering the nature of entrepreneurial exit as a profoundly emotional process, it would be reasonable to conclude that those with increased self-awareness would have lower discrepancy between their real and ideal selves leading to either reframe their ideal or real self-concept to resolve the dissonance. However, SMB owners with larger discrepancies between the real and ideal selves are more likely to engage in avoidant or self-sabotaging behaviors that could derail the deal process.

In addition to Morin's review, Ashley and Reiter-Palmon (2012) noted that there are gaps in existing scales, particularly with respect to the nature of SA in a leadership context. They posited that effective leadership requires a dimension of SA most constructs do not capture. After carefully considering the SA literature it was determined that while SA is a critical construct that impinges on an owner's inclination for exit, relevant aspects could be captured through the lenses of ERIF and EOtC. Xu and Tuttle (2012) demonstrated that self-monitoring and self-reflection are awareness-related behaviors that are captured in the EOtC inventory. These behaviors are important components for intentionally altering a problem-solving style and degree of ERIF.

Work-Life Balance (WLB). WLB is conceptualized to be a means through which SA can be increased, RIF can be decreased, and problem-solving style can be explored. Olson-Buchanan and Boswell (2006) described the nature of work roles and non-work ("life") roles ranging from fully segmented and boundary rich to fully blurred and boundary-less. Gröpel (2005) argued that work-life balance is a multi-dimensional construct involving multiple domains (work, family, non-family/non-work relationships, social activities, motivations, etc.) and not simply a dichotomy between work and family. People who have a life skewed toward work tend to experience greater dissonance due to increased relational conflict (Gröpel, 2005). Kets deVries, Carlock, and Florent-Treacy (2007) argued that business owners often blur the lines between their work and non-work domains.

An important feature of the WLB question is the nature of the term "work." Historically, a person would be considered to be "at work" when he was physically in their place of business. More recently, the role of technology has been implicated as a culprit for the rise of increasingly permeable boundaries between work and life (Jennings & McDougald, 2007; Olson-Buchanan & Boswell, 2006; Rose et al., 2006), but for SMB owners the challenge extends beyond the role of technology. Kets de Vries, Carlock, and Florent-Treacy (2007) argued that SMB owners may be physically present in their non-work domains, but simultaneously be cognitively focused on work. Due to the often all-consuming nature of business ownership, the degree of work-life balance is an important consideration when evaluating the psychological capacity of an owner to exit her business.

Conversely, SMB owners who have a rich balance between their work and non-work lives maintain boundaries that allow them to be fully present and engaged in each domain. As a result, they are able to find fulfillment and satisfaction in each domain (Gröpel, 2005; Olson-Buchanan & Boswell, 2006; Rose et al., 2006). SMB owners with strong WLB are expected to experience lower dissonance with the exit process than those whose balance is strongly skewed toward work. The loss of the dominant life domain (work as owner) is expected to create greater dissonance and may lead to avoidance of exit (Gröpel, 2005; Olson-Buchanan & Boswell, 2006). Future studies may consider the nature of WLB as an aspect of entrepreneurial exit, but extant literature is currently absent on the matter.

However, research on RIF and psychological barriers to exit lends credence to the argument that owners with high RIF are likely to have a WLB strongly skewed toward work (Weesie, 2006). In addition, the GAM offered by Rauch and Frese (2000) and the SDT offered by Ryan and Deci (2000, 2008) suggest that when the psychological needs are satiated primarily through the role, WLB will be strongly skewed toward work. Thus, the incorporation of WLB in this model as a secondary behavior is warranted. In addition, using WLB in combination with SA provides a rich opportunity to increase PER.

Post-Exit Resilience (PER). According to Cavelty, Kaufmann, and Kristensen (2015), the number of studies on resilience has increased by 700% since 2003. They posited that resilience is characterized by "…a temporality that combines the present with the future, but also actively deals with insecurities of the past...". Drnovsek, Ortqvist, and Wincent (2010) argued that an entrepreneur's ability to cope with complexity, ambiguity, and overloads are resilience attributes that help him survive in his role. Hedner, Abouzeedan, and Klofsten (2011) quote Kets de Vries and Shields' (2005) working paper that asserted entrepreneurial resilience is an essential trait for entrepreneurs. They further argued that entrepreneurial resilience can be increased through the establishment of a trusted network of mentors and advisors, through the acceptance of change as a constant reality, and by avoiding catastrophic thinking.

Achieving a life of significance and satisfaction after exiting the CEO/owner role is largely dependent on the level of resilience an entrepreneur has developed along with the new meaning she has made of her schema of self. Jackson and Watkin (2004) built on Aaron Beck's work between 1942 and 1967, Seligman's work from the 1970s, Goleman's 1998 work, and Albert Ellis' work that led to the development of the Penn Resilience Programme (PRP). This body of knowledge provides several key insights about the nature of successful resilience efforts relating the cognitive behavioral responses of individuals to the challenges they face. The PRP was designed to develop resilience by focusing on seven skills: a) emotion regulation; b) impulse control; c) causal analysis; d) self-efficacy; e) realistic optimism; f) empathy; and g) reaching out. Incorporating PRP with CBT techniques focused on building PER is also likely to improve SA according to Jackson and Watkin (2004). Future studies may consider the interplay of building PER, SA, and WLB as a function of preparing an owner to exit his business.

Other Existing Instruments

Following identification of the five behaviors of interest, additional literature review was conducted to identify existing valid and reliable instruments for measuring the constructs. This process led to refinement and crystallization of the research model and resulted in narrowing the scale development to two scales, ERIF and EOtC. While all five scales are useful for the theoretical model and valuable for understanding the nature of an owner's inclination for exiting her business, insights about SA, WLB, and PER can be gained through objective means other than their inclusion as separate scales. ERIF and EOtC, on the other hand, are much more difficult to objectively measure without the use of a valid and reliable instrument. Additional considerations that impacted the decision to reduce the psychometric from five to two scales included the desire to reduce research complexity and the existence of other instruments that could be used in conjunction with the ITS if necessary to solve the business challenges. In addition, a strong argument has been made for ERIF and EOtC as primary behaviors that act as critical indicators of an owner's inclination to exit successfully.

The ERIF scale is complicated as there is some question as to whether the existing 1-factor RIF model posited by Gomez et al. (2011), Swann et al. (2012), and Swann et al. (2009) can be directly applied in the entrepreneurial population. Based on the foregoing discussion ERIF may be more accurately described as a 2-factor model that includes the degree of Identity Fusion and a Significance dimension. Thus, both a 1-factor and a 2-factor model will be explored. Hence, further reducing complexity was necessary given the constraints inherent in dissertation research and the decision to focus on the ERIF instrument as the first step in a broader causal model was made. Data for OtC will be gathered for future analysis, but is not considered as part of this research.

Additional possible constructs included the exit typology tool developed by Detienne et al. (2014) that identifies three primary exit types: a) Harvest; b) Financial Stewardship; and c) Voluntary Cessation. Kaplan et al. (2012) identified CEO characteristics and abilities in general, but they did not specifically examine how those characteristics and abilities are experienced or expressed during exit. Goleman and Boyatzis (2002) have developed a construct that uses Goleman's (1998) earlier work on Emotional Intelligence (EI) to measure the emotional dynamics of leadership, including SA. While Goleman's work and instrument have come under scrutiny from Waterhouse (2006), Matthews, Roberts, and Zeider (2004), and others, the rebuttal by Chermis et al. (2006) provides sound arguments for accepting EI. In addition to acknowledging the iterative nature of theory development, Chermis et al. (2006) provides a substantive argument for Goleman's EI construct, for its measurability, and for the concept of emotional intelligence as distinct from personality or cognitive intelligence. Despite the strength of these arguments, due to the ongoing debate, and in light of other robust measures, emotional intelligence as a whole construct has been intentionally omitted from this research design.

Despite the exclusion of EI scales from this study, there are EI studies that are worth mentioning. Stock (2001) completed a study on the role of EI in CEO succession including an inventory that provided insights with regard to the impact of SA on the process of exit. Eichstaedt and Silvia (2003) developed an instrument that measures SA based on the theory of Objective Self-Awareness. Morin's (2011) comprehensive literature review on SA included a review of nine measurement techniques, but none that are directly related to the liminal experience of owners.

While these existing instruments could be applied to the research question at hand, there are considerable limitations and challenges in doing so. Specifically, administering separate instruments would be cumbersome and time-consuming for the sample population as well as costly for the researcher. Interpretation of separate instruments would also necessitate evaluating the correlations between the instruments and the strengths and weaknesses of each model may lead to increased error. In addition, the ultimate goal of this research is to provide meaningful information that can be applied efficiently to solve an important business problem. Thus, the research goal is best accomplished through the development of a single fit-for-purpose instrument that measures ERIF and the selection of an additional instrument for establishing discriminant validity.

In order to establish discriminant validity, it is necessary to select an existing instrument with established reliability and validity. The Everything DiSC instrument is a well studied psychometric that is valid and reliable, and has established correlations with NEO-PI-3, the California Psychological Inventory (CPI), Myers-Briggs Type Indicator (MBTI), and 16PF (Baum and Scullard, 2015). Xu and Tuttle (2012) established correlations between the AIW and NEO-PI-R in their analysis. Both DiSC and NEO-PI are appropriate options for this research design. DiSC was selected over NEO-PI for three reasons: a) it is less cumbersome to administer; b) it is a cost-effective instrument the researcher is trained to use; and c) the instrument may be used in the future in conjunction with the ITS as part of the model for addressing the business challenge of owner exit inclination.

DiSC is based on the personality theory developed by Harvard psychologist William Moulton Marsten in 1928. Since that time, there has been considerable research stemming from Marsten's theory and several assessment tools have been developed. Wiley's Everything DiSC is without a doubt the most advanced instrument to be developed based on Marsten's theory with more than 45 million assessments completed since 1978 (Wiley, 2015). Wiley researchers Scullard and Baum (2015) developed a circumplex model composed of the two discreet dimensions (outward pace and agreeableness) and four quadrants (Dominance, influence, Steadiness, and Conscientiousness) that align with Marsten's theory. Using this initial understanding they developed eight scales (D, Di, i, iS, S, SC, C, and CD) that result in twelve

DiSC styles. Scullard and Baum (2015) analyzed their model using other well-studied measures to establish reliability and validity across multiple populations in the United States and abroad.

Summary

Scale selection is a critical aspect of psychometric development. Earlier research and the literature review resulted in an initial identification of five constructs that could be useful for providing insights that foster increased ability to help owners exit successfully. After careful consideration, it was deemed prudent to reduce the psychometric to the two scales that measure primary behaviors and are most salient for the study of business owner exit inclination. Selection was based on distinctions found at the operational definition level of each construct.

Based on the extant literature, RIF and OtC were found to be more trait-like and therefore less malleable than SA, WLB, and PER. This operational distinction was the most germane factor for the overall ITS model design. Therefore, ERIF and Entrepreneurial EOtC are the two scales that will form the basis of the long-term model and ERIF will form the basis of this initial research effort. An added benefit of this move toward simplification is that it will afford opportunity to present the ERIF and EOtC scales visually in a two-by-two matrix for succinctly communicating implications for owners and their advisors (Figure 5).

Chapter 3: Research Design

"All Models Are Wrong, Some Models Are Useful" (George E. Box)

This quantitative study was designed to advance development of the RIF psychometric instrument in a fit-for-purpose approach to the entrepreneurial population. The design leveraged existing research on RIF that was adapted assess the inclination of an owner to exit his business. The goal was to understand the underlying factor structure of the adapted instrument and its application in the entrepreneurial population.

Assumptions

Several assumptions were made in the development of this study including:

1. ERIF is a trait-like behavior that is normally distributed in the entrepreneurial population.
2. Business owners responded truthfully to the questions in both the demographic survey and the ERIF scale.
3. Business owners who own and operate businesses in the United States share similar characteristics and behaviors that are found in a normally distributed entrepreneurial population as described in the extant literature.
4. Serial entrepreneurs are expected to experience ERIF development differently than non-serial entrepreneurs.
5. Owners that behave purely as shareholders are more likely to view the business from a transactional posture.
6. Representations made by RIF researchers from which this construct is adapted have been truthful and accurate in their reporting.
7. Identity Fusion is a psychological phenomenon that is measurable in the entrepreneurial population.

Limitations

Creswell (2014) stated limitations exist in the design, implementation, and analysis aspects that potentially weaken a study. Three limitations have been identified for this study:

1. Concerns with the generalizability to other cultures will be limited due to the homogeneity of the sample being predominantly influenced by American culture.
2. Concerns with the generalizability to business owners in the low market (< $1M in AR) and upper market (> $500M AR) will be limited as they were excluded from the sample.
3. Concerns with the relationship of ERIF to comorbid psychopathology exist. Kets de Vries (1996, 1985) describes a "dark side" to the personality of many entrepreneurs stemming from psychopathology that predisposes them to a variety of Axis I and Axis II disorders. Admittedly, psychopathology may play a role in ERIF, but this study does not assess for the presence or absence of psychopathology and, thus, is limited.

Delimitations

The boundaries of a study are called delimitations (Creswell, 2014) and they set the parameters for what is excluded and what is included in the study. There are several excluded aspects for this study:

1. The study was restricted to businesses that are privately held. Publically held companies experience external forces that impinge on the leadership domain and are substantively dissimilar to those experienced by the owner of a privately held firm.
2. Serial entrepreneurs (people who have exited > 3 businesses) were excluded from the study. Serial entrepreneurs were expected to experience ERIF development differently than non-serial entrepreneurs.

3. Owners of businesses in the low- to mid-market (> $1M ≤ $500M AR) were included. Owners of businesses that are below $1M in annual revenue and are in the lifestyle end of the market are less likely to have a sellable business. Thus, they are expected to face distinctly different exit challenges. Therefore, those with annual revenue less than $1M were excluded through sampling methodology.

Subjects and Methods

Selection Criteria: Participants must be owners with a management role in a low- to mid-market business (between $1M and $500M in AR) and be an active senior manager with responsibility for decision-making at the C-Suite and/or Board level along with top- and bottom-line financial performance responsibility. All owners had businesses that generated greater than or equal to $1M and less than or equal to $500M in annual revenue in the last 12-months.

Recruitment Process: Pitchbook is a technology company in the business exit domain that collects data on businesses for use by M&A, venture capital, private equity, investment banking, and other deal professionals in evaluating companies related to potential transactions. They agreed to provide database access that generated a list of approximately 28,000 business owners across a broad range of industry sectors. The list was screened to ensure the initial criteria were met and to establish the participant pool. The final participant pool contained 6,453 owners in the target demographic. The pool was then be segmented by completeness of information and companies with missing information were put on a back-up list.

Additional research was done to complete the missing information and the companies were added to the target pool until sample size was reached. In addition, business owners known to the researcher personally or via Linked In and other connections were included in the invitation pool. The IRB-approved invitation to participate in the research and the informed consent agreement were emailed to the SMB owners in the target pool. The email contained a link to the website used to gather demographic information and deliver the online assessments.

The inducements for completing all three components (demographic questions, ITS, and DiSC) included a complimentary copy of the study findings, optional webinar attendance to debrief findings, and the opportunity to take the completed instrument. Participants were given the opportunity to be debriefed via the webinar. Direct benefits to the research participants who participated in the debriefing webinar likely varied based on their unique context and needs, but likely included increased awareness of the challenges owners face concerning their ultimate liminal experience in their role as owner. At the conclusion of the webinar, the owners were invited to take the finalized instrument, receive their scores, and participate in an optional, complimentary 15-minute one-to-one debriefing call.

Sample Size: For quantitative research studies, the sample size is dependent on research design and, in this case, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) will be used to evaluate the data (Brown, 2015). Floyd and Widaman (1995) provided a sound case for determining the appropriate sample size despite acknowledging that a standard is non-existent. Citing Steiner (1994) and Gorsuch (1983), Floyd and Widamen (1995) noted agreement that a ratio of between five subjects per variable (5:1) to 20 subjects per variable (20:1) is optimal, but the recommended minimum number of participants for EFA ranged from 100 – 200 according to Field (2013) and Hayes (2009). Floyd and Widaman also cited a contradiction by Gudagnoli and Velicer (1988) who posited that sample sizes as low as 50 could produce reliable results and Jöreskog and Sörborn (1989) who asserted that five to ten participants per variable are a reasonable guideline for factor analysis.

The number of variables (items) in the ERIF construct is 10. Based on the foregoing, the minimum sample size could range from 10 items x 5 subjects/item = 50 subjects to 10 items x 10 subjects per item = 100 subjects. Floyd and Widaman (1995) argued that the "more is better" concept is not an accurate application for factor analysis, but the minimum of 100 participants should be observed. Therefore, the target sample size was $n \geq 100 \leq 300$ and the Kaiser-Meyer-Olkin (KMO) measure was used to assess the sampling adequacy.

Human Subjects and Risk Mitigation: The research design included a psychometric assessment and a questionnaire that gathered both demographic data and study qualification data (annual revenue, gross profit, net profit, industry, and number of employees and age of the firm). The ERIF psychometric construct measures the degree to which an owner's self-identity is fused with his role-identity. ERIF builds on an existing body of knowledge and takes a fit-for-purpose approach using existing scales with proven validity and reliability.

While the ERIF scale is based on prior research, it was modified. Hence the need to ensure validity and reliability can be demonstrated in the fit-for-purpose context of entrepreneurial exit. Since this revised instrument had not been statistically tested for validity and reliability, participants were cautioned against considering the information as business or personal advice or direction. In light of the sensitive personal nature of the questions, cautions were also taken to protect confidentiality that, if breached, could be detrimental to the business and to the business owner.

Participants in this study faced three specific threats: a) exposure of confidential business data leading to negative financial impact, such as a competitor or potential buyer using the information to her advantage; b) potential psychological or emotional harm to the SMB owner if the results of the assessments are made known, thereby causing anxiety, stress, or exacerbating an underlying mental health condition; and c) financial or emotional harm if the participant had received his individual results and used those results to make business or personal decisions. The identified risks were mitigated by: a) a highly secure online provider (Survey Gizmo) that issues a unique identifier code and allows fields that contain identifying information to be maintained only on their secure servers and not downloaded to local devices was used; b) data stored on a laptops and portable data devices was encrypted, passwords were required to access the information, and the portable files did not contain information that could identify individual participants or their firms; c) participants were notified and their consent and acknowledgment documented regarding the data security and confidentiality risks that could potentially arise from their participation; and d) individual results of the assessments were withheld from participants and only aggregated results were reported in this study.

Methods, Measures and Variables: A quantitative methods research design consistent with the American Psychological Association's guidelines (*Standards for Educational and Psychological Testing*, 2014) was used. A developing instrument called the Inclination to Transition Scale (ITS) consists of two scales, ERIF (the subject of this research) and EAI (the subject of future research).

Step 1: The developing ITS assessment (Appendix A) has three components, the ERIF scale that is the subject of this study, a modified AIW scale (EOtC) that will be used in future research, and a demographic survey (Appendix B) were administered to an initial sample population of business owners (n=100) in alignment with psychometric research design protocol offered by Germain (2006).

Step 2: The initial sample data was subjected to exploratory factor analysis (EFA) to evaluate if the findings were congruent with the expected factors based on the work of Gomez et al. (2011) for RIF. In addition, ERIF was analyzed to verify the modifications resulted in the predicted factor structure. Internal consistency was evaluated using Cronbach's alpha (Costello and Osborne, 2005) and other measures appropriate to exploratory structural equation modeling (ESEM). The data was also compared to Jimenez et al. (2015) findings for the instrument designed to measure RIF, called the DIFI.

Step 3: The ERIF scale was evaluated for necessary revisions based on the statistical analysis from step 2. Revisions were not necessary and recruiting continued until the full sample size was achieved.

Step 4: The ITS, demographic survey, and DiSC (Scullard & Baum, 2015) were administered to n = 168 business owners.

Step 5: Data was collected and analyzed using the following SPSS and SPSS AMOS applications: (a) ESEM protocol combines exploratory (EFA) and confirmatory factor analysis (CFA) as described by Germain (2006); (b) Composite reliability was used to establish internal reliability after factors confirmed in the CFA; (c) SEM was conducted to examine the causal relationships between the variables; (d) discriminant validity was evaluated using Chi-Square, ANOVA, and Pearson's r methodology; (e) descriptive statistics including the mean and standard deviation were analyzed using demographic data (Appendix B).

Step 6: The instrument was further refined as indicated by data analysis and results reported.

Content validity*:* ERIF was adapted from an existing RIF instrument that has statistically demonstrated content validity for the intended subjects. By design, RIF adjustments were limited and did substantively deviate from the original such that the existing content validity would be compromised.

Adjustments to the RIF scale were evaluated in consultation with the foremost expert on the subject, Dr. William Swann, PhD (Swann, 2016). The scale was adapted from the verbal portion of the Dynamic Identity Fusion Index (DIFI) developed by Jimenez et al. (2015) with the consent and guidance of Dr. Swann. DIFI was originally designed to measure RIF between an individual and the country as a mechanism for understanding psychological manifestation of extreme pro-group behavior. Wording modifications reflect the concept of Role-Identity Fusion as a psychological behavior in the context of entrepreneurial roles as opposed to fusion with the patriotic role of a citizen with her country.

The OtC subscale that is the subject of future research was adapted from the non-proprietary Adaption-Innovation at Work (AIW) scale that Xu and Tuttle (2012) developed in response to the proprietary version by Kirton Adaption-Innovation Inventory (KAI; Kirton, 1976). These scales were derived from earlier work by Leavitt & Walton (1975) as well as Craig and Ginter (1975) and were originally designed to measure consumer behavior, new product adoption, and openness to change. The modifications to the AIW included changing the score from a 9-point bipolar scale with an Adaption anchor at the low end and an Innovation anchor at the high end to a unipolar 5-point Likert scale and adding six questions designed to measure Leadership Autonomy (LA). The revised scale will be called Entrepreneur Openness to Change (EOtC). Questions that were formerly Innovation anchors are scored from very weak (1) to very strong (5) and questions that were formerly Adaption anchors are reverse score (very weak = 5 and very strong = 1). Participants were asked to rate the degree to which the questions describe how they view their problem-solving style in the context of their role as a business owner using a 5-point Likert scale ranging from very weak to very strong (Appendix A). This scale was administered and the data will be used for future research.

Dependent variables: Variables 1 - 10: ERIF questions 1 – 10; Variable 11: ERIF total score.

Outcome variable: Variable 12: Projected time to exit.

Independent variables: Variable 13: Ownership stake; Variable 14: Ownership role (founder, successor, multi-generational); Variable 15: Age range; Variable 16: Exit stage; Variable 17: Board Governance; and Variable 18: Scores on DiSC.

Control variables: Variable 10: Annual revenue; Variable 21: Number of employees;

Variable 22: Number of prior businesses owned/exited; and Variable 23: Founder status. The control variables were addressed through sampling methodology. Serial entrepreneurs (those who have exited >3 businesses with annual revenue ≥ $1M) will be segmented and not included for the purposes of validating the ERIF scale. However, data from serial entrepreneurs is expected to provide useful comparisons.

Data Collection

The following data collection procedures were used:

1. After securing appropriate consent and acknowledgement forms, participants were directed to the secure Surveygizmo.com website.
2. The quantitative data was stored on Surveygizmo's system.
3. Reaching the target sample sized required using all approved IRB measures including emailing the Pitchbook database list, recruiting owners known personally by the researcher, via Linked IN relationships, and activating professional acquaintances to recruit owners in their professional networks.
4. There was no limit placed on the total number of respondents and all respondents received the same participation benefits.

Analysis

This quantitative study was designed using the following SPSS protocols. The factors in the modified instrument that are the subject of this study were predicted based on factor constructs in the original RIF instrument with scales adapted from prior research by Jimenez et al. (2015) and Costello and Osborne (2005). Additional questions were added in consultation with Dr. Swann (2016) to explore nuances particular to business owners. Therefore, it was appropriate to use ESEM, an approach that is both exploratory and confirmatory in nature. First, Exploratory Factor Analysis (EFA) with maximum likelihood factor extraction methodology was used. The ERIF scale was initially expected to be uni-dimensional as the parent instrument from which it was derived is uni-dimensional (Gomez et al., 2011; Swann, 2016).

However, additional questions were added and that created the potential for a second factor to emerge. Orthogonal rotation was used in light of the emergence of a second factor and in accordance with the original study. Scree plot and Eigenvalue analyses were used to determine the number of factors to be retained.

Confirmatory Factor Analysis (CFA). CFA is designed to identify relationships between a set of variables and to reduce the larger set of variables to a smaller set of common themes (Brown, 2015; Floyd & Widaman, 1995). CFA is an established and accepted method of analyzing data for psychometric instruments in the presence of a priori hypotheses to establish construct validity (Floyd & Widaman, 1995). The instrument in this study is based on existing studies and, therefore, CFA was used subsequent to comparing EFA results with the original study. The factors confirmed via CFA and internal reliability was established using composite reliability and other protocol available in SPSS and SPSS AMOS (Germain, 2006; Shultz et al., 2014; Xu & Tuttle, 2012).

Convergent validity. *C*onvergent validity is evaluated by analyzing the internal relationships of a construct and is established when items that should be related are demonstrated to be statistically related. ERIF convergent validity was established by examining the factor loadings in the CFA analysis and by analyzing the *t*-tests for significance (Shultz et al., 2013; Xu & Tuttle, 2012). The a priori hypotheses for the 1 and 2-factor ERIF construct is depicted in Figures 6 and 7 respectively.

Discriminant Validity. Discriminant validity is established through statistical analysis when items used to measure one construct are uncorrelated with the other constructs (Xu & Tuttle, 2012). Chi-Square and ANOVA were used to examine correlations between ERIF and DiSC. The ERIF subscale was not expected to be correlated with DiSC (Jimenez et al., 2015; Scullard & Baum, 2015; Xu & Tuttle, 2012). In addition, the average variance extracted (AVE) and the average shared variance (ASV) were examined.

Criterion Validity. Criterion validity was evaluated by examining the between-subject differences on ERIF using ANOVA tests. The demographic questions (Appendix B) were used to segment owners into meaningful groups that demonstrated significant differences in ERIF scores. For example, founder owners who have been in the role for ≥ 31 years were expected to demonstrate higher ERIF than non-founder owners who have been in the role for 5 ≤ 10 years. The 2-Factor model was identified and the Significance items demonstrated a significant difference between founders and non-founders.

Conclusion

A critical need exists for SMB owners, their advisors, and other stakeholders in the low- to mid-market. In response, this quantitative study was designed to establish validity and reliability for the ERIF scale of the developing ITS assessment. Bearing in mind the adage that “all models are wrong, but some models are useful” and given the complexity of human psychology, to be useful this model necessitates the selection of a limited number of relevant behaviors. Thus, the ITS instrument has been limited to two primary and three secondary behaviors that have been identified as either fostering or negatively impinging on an SMB owner’s ability to exit his firm on his own terms and in his own timing. A successful outcome from this research was the refinement of the ERIF scale as the first step leading to development of an instrument that is valid, reliable, and useful for providing actionable insights about an SMB owner’s inclination for exit.

Chapter 4: Results

This chapter focuses on the statistical analysis and results of the study. Exploratory Structural Equation Modeling (ESEM) leverages the strengths of both exploratory and confirmatory factor analysis and can be helpful in the presence or absence of a priori hypotheses (Marsh, Morin, Parker, & Kaur, 2014). This study instrument is derived from an existing instrument developed by Gomez et al. (2011) and adapted in consultation with Dr. Swann (Swann, 2016), the leading authority on Role-Identity Fusion (see Appendix C for curriculum vitae). The EFA procedure (Maximum Likelihood extraction with Varimax rotation) used to derive the original RIF instruments is an acceptable strategy for use in the ESEM model. The study instrument was designed with both a priori hypotheses and an exploratory component leading to the conclusion that the ESEM approach was a good fit for analyzing the study data.

Sample Population

Three sources were used to acquire the sample population: Pitchbook, personal recruiting, and a network of relationships. Pitchbook is an online platform that focuses on M&A transactions. Their database returned 6,453 usable contacts (fully 63% lower than was originally predicted) and resulted in a lower response rate than anticipated (n=57). Hence, it was necessary to extend the projected recruiting period from 90 days to 372 days.

Additional recruiting occurred as referrals were sought from the researcher’s personal and professional relationships in accordance with IRB approved protocol. The final response rate was 168 individuals that included 35 cases that had to be removed because they did not fit the study criteria. Cases that were removed included 19 incompletes, ten failed invariance tests, and six that were deemed likely to be unreliable in light of the individual selecting mutually exclusive responses to demographic questions. An example of mutually exclusive demographic responses would be a case where the age range claimed (21 – 29 years) and the number of years the owner held the senior role (31+ years) were both selected. The threshold for the invariance test was a maximum of 80% of the answers were the same (i.e., $\geq$ 80% of the responses were "very strong"). All ten cases removed were complete studies that failed the invariance test.

Based on adequacy tests, the final study sample size (n=133) was deemed adequate, but still lower than optimal as discussed below. The sample data was subjected to analysis using appropriate SPSS protocol for the ESEM approach including EFA, CFA, SEM, Cronbach's Alpha, linear regression, bivariate analysis, and descriptive analysis.

Descriptive Analysis

Demographic variables were analyzed to evaluate the characteristics of the sample population. There are several germane findings that are noteworthy including the ratio of males (n=114) to females (n=19), modal age range (46-55 years), and sole owner (n=41) and multi-owner n=92) groups. Table 2 provides additional characteristics about the sample population including size by annual revenue and employees, legacy role (founder, non-founder, generational ownership), prior exits, education, race, and transition interest.

Factor Analysis

Appropriate tests were conducted to determine whether the data set was suitable for Exploratory Factor Analysis (EFA) using all ten ERIF items. A complete data set was used (n=133).and the data was within commonly accepted limits of skewness -.028 (SE = .21) and kurtosis -.08 (SE = .42) +/- 1.96 (Field, 2000, 2009). All ten items demonstrated correlations of $r \geq 0$ .3 with at least one other item indicating that items demonstrated reasonable factorability.

Table 3

Rotated Factor Matrix for Ten Item ERIF EFA Using Maximum Likelihood Extraction and Varimax Rotation

	Factor	
	1	2
RIF1: I am my business	.606	
RIF2: If my business failed, I would be a failure	.445	
RIF3: I have a deep emotional bond with my business	.709	
RIF4: I would do anything for my business	.564	
RIF5: I feel immersed in my business	.543	
RIF6: Being a business owner makes me strong	.487	
RIF7: My business is me	.678	
RIF8: My business is what I do, it does not define me		.536
RIF9: Planning for life beyond my business is empowering		.770
RIF10: I have a sense of significance with or without my business		.687

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is commonly understood to be acceptable at 0.7, good at 0.8, and excellent at 0.9 (Gaskin, 2015). The initial KMO for the sample using all ten items was 0.795. The Maximum Likelihood extraction method with Varimax rotation and eigenvalues ≥ 1 extracted two factors. RIF 1 – 7 loaded on factor 1 and RIF 8 – 10 loaded on factor 2 (Table 3). This two-factor solution is congruent with the a priori hypotheses. Cronbach's alpha for the 10-item data set was $\alpha = .79$. According to Field (2000) and Costello and Osborne (2005), Cronbach's alpha is a measure for evaluating internal reliability. The α coefficient is derived from a calculation that indicates how closely related the scale items are as a group. A coefficient α of ≥ 0.7 is acceptable, ≥ 0.8 is good, and ≥ 0.9 is excellent. Based on the Goodness of Fit test and Cronbach's Alpha, further analysis was indicated.

Analysis of a 1-Factor solution (Table 4) was conducted by removing RIF-9 and RIF-10. Consistent with the ESEM approach, RIF-8 was retained based on the a priori hypothesis. The resulting correlation matrix demonstrated that all eight items have correlations of $r \geq .3$ with at least one other item indicating that the items demonstrated reasonable factorability. KMO increased to .811, Bartlett's Test of Sphericity (Bartlett's) was significant (χ^2 (28) = 259.13, p < .000), and the diagonals on the anti-image correlation matrix were all >.77 indicating that the patterned relationships between the variables increased with the removal of items RIF-9 and RIF-10. Identical analyses were conducted using RIF-1 thru RIF-7 (omitting RIF-8, RIF-9, and RIF-10) and the results indicated that the 7-item model was not as good a fit as the 8-item model. RIF-9 was retained despite the loading being greater than the .7 threshold recommended by Gaskin (2014) due to the parameters of the ESEM approach.

Table 4

Rotated Factor Matrix for Eight Item ERIF EFA Using Maximum Likelihood Extraction

	Factor
	1
RIF1: I am my business	.654
RIF2: If my business failed, I would be a failure	.487
RIF3: I have a deep emotional bond with my business	.693
RIF4: I would do anything for my business	.566
RIF5: I feel immersed in my business	.522
RIF6: Being a business owner makes me strong	.481
RIF7: My business is me	.727
RIF8: My business is what I do, it does not define me	.410

Consistent with the ESEM approach, Confirmatory Factor Analysis (CFA) was conducted on both the 1-Factor and 2-Factor models to assess the factor structure (Marsh et al., 2014). The Chi-square value for the 1-Factor model containing variables RIF 1 – 8 was significant χ^2 (20) = 43.03, *p* = .002, indicating a poor fit between the data and the model. After examining the modification indices error terms were covaried and the model reanalyzed. Field (2013) stated that Goodness of Fit indices are acceptable at .9 and good above .95. Gaskin (2015) stated that PCLOSE is good above .05, SRMR is good below .09, and RMSEA is good below .05. The analysis showed acceptable model fit with AGFI = .94, GFI = .97, CFI = 1.0, PCLOSE = .77, SRMR = .03, and RMSEA = .00. The Chi-Square value for overall model fit was not significant, χ^2 (14) = 13.33, *p* = .501, indicating a good fit between the model and the data.

Model fit indices for the 2-factor model were analyzed using the pattern matrix from the EFA to assign latent variables to each factor. Factor-1 (RIF 1 – 7) was labeled Identity Fusion, Factor-2 (RIF 8-10) was labeled Significance, and the endogenous variables were covaried. The Chi-square for the 2-factor model with all latent variables χ^2(34) = 61.57, *p* = .003 was significant indicating a poor fit between the data and the model. According to Gaskin (2016), modification indices are used to identify items that reflect error in the model. Items that have a high modification index relative to the other items should be considered for modification through covarying the error terms or removing the latent variable from the model.

The determination of which approach to take should be consistent with the a priori model and sound theoretical practices for when it is appropriate to covary error terms. Items may be appropriately covaried when the wording on the scale is similar, as is the case with RIF3 (“I have a deep emotional bond with my business”) and RIF7 (“My business is me”). In addition, items that covary with a common error (e5) term should covary with each other (e3 and e7).

Examination of the modification indices in light of the a priori model and sound practices for co-varying error terms demonstrated that error terms for both RIF3 (e3) and RIF7 (e7) should be co-varied as depicted in Figure 9. RIF-9 was subsequently deleted from Factor 2. EFA findings for RIF-9 were confirmed through the CFA as it covaried widely with other latent variables on both Factor 1 and Factor 2. The presence of such wide covariance violates the ESEM protocol (Field, 2015; Marsh, 2014). Overall model fit of the final model was analyzed and the Chi-square was not significant, χ^2 (29) = 17.67, p = .933 indicating a good model fit for the data. Additional fit indices were assessed (GFI = .97, AGFI = .94, CFI = 1.0, PCLOSE = .83, SRMR = .00, and RMSEA = .00) and the findings indicate a good model fit also exists for the 2-Factor model.

Exploratory Structural Equation Modeling (ESEM)

ESEM was conducted in SPSS AMOS using the data from the CFA for analysis of both a 1-Factor and a 2-Factor model. The 1-Factor model with standardized parameter estimates using the Maximum Likelihood approach is depicted in Figure 8. The Goodness of Fit statistics were not significant: χ^2 (20) = 16.91, p = .659, GFI = .97, AGFI .95, CFI = 1.0, PCLOSE = .90, SRMR = .03 and RMSEA = .00 indicating a good fit for the model. However, examination of the regression weights demonstrated that the hypothesized direct effect of Identity Fusion on Projected Time to Exit was not significant at $p \leq .05$.

The 2-Factor model was subjected to the same SEM analyses and the results χ^2 (29) = 18.58, p = .93, GFI = .97, AGFI .95, CFI = 1.0, PCLOSE = .99, SRMR = .00 and RMSEA =. 00 indicated the data is a good fit for the model. The modification indices did not return any items under the covariances, variances, or regression weights measures. A review of the regression weights from the estimates output indicated that all the parameter estimates are significant (Table 6). The Squared Multiple Correlations were all significant and the Bollen-Stine bootstrap was not significant (p = .623), providing an additional indicator of model adequacy. The bias-corrected indirect effects of Identity Fusion through Significance on Exit Time are significant at the 95% confidence interval (Table 7).

Mediation and Moderation Analyses

Mediation and moderation analyses were conducted on the 2-Factor model to evaluate the effect of the factors on the outcome variable (Projected Time to Exit). Fairchild and Mackinnon (2009) offered a best practices approach to mediation and moderation analysis starting with an a priori model to guide the analysis that includes testing for both mediation and moderation. They asserted that if the a priori model is a mediation model all relevant mediators should be tested. In addition, testing the mediator to see if there is a direct or indirect moderation effect is also recommended. Field (2009, 2013) described a process using the Hayes (Field, 2013) plugin for SPSS to calculate the effect of mediation and moderation using pre-determined process scripts.

Moderation analyses were conducted and the model summary was significant (R = .23, R^2 = .05, MSE = 2.55, F = 2.89, df1 = 3, df2 = 129, p = .04). Moderation effects were not significant (ΔR^2 = .002, F = .25, df1 = 1, df2 = 129, p = .61). Bootstrapping was used to analyze conditional effects of the predictor on the outcome and the results were not significant. Therefore, moderation is not likely to be present in the model.

Based on the 2-Factors that were identified through EFA and then refined through CFA and ESEM, the a priori model in this study is a mediation model involving the predictor (Identity Fusion) having an effect on the outcome variable (Projected Time to Exit) in the presence of a mediator (Significance). The first step is to test whether the predictor significantly predicts the mediator variable using bootstrapping (1,000 samples). In this case the data indicates that

Identity Fusion significantly predicts Significance (R = .34, R^2 = .12, MSE = 2.11, F = 17.42, df1 = 1, df2 = 131, p = .000).

The next step is to examine if the mediator (Significance) and the predictor (Identity Fusion) together are both predictors of the outcome variable (Projected Time to Exit). A review of the model summary demonstrated that there is a significant mediation relationship (R = .23, R^2 = .05, MSE = 2.54, F = 3.57, df1 = 2, df2 = 130, p = .031). However, a closer look at the model demonstrated that the effect of Identity Fusion (β = -.02, p = .64) is not significant. Preacher and Hayes (2004) asserted that when the data presents such a discrepancy between the model summary and the significance of an effect of the predictor or mediator, the total effect must be examined. The model summary for total effect (R = .15, R^2 = .01, MSE = 2.62, F = 1.75, df1 = 1, df2 = 131, p = .188) was not significant. Thus, the data requires further evaluation to make a determination about the significance of the effects in the model.

Preacher and Hayes (2004) argued that significance tests of indirect effects are essential for fully evaluating a mediation model. In the case of simple mediation models (such as that used in this study) they argued that understanding both practical and statistical significance of indirect effects is achievable using a bootstrap approach and examining the confidence intervals. Based on this sample, while the total effect of the model is not significant, a prior hypothesis is that Identity Fusion has a significant indirect effect on Projected Time to Exit, via Significance that warrants further evaluation. This was evaluated using the bootstrapping model recommended by Preacher and Hayes (2004), Hayes (2009), and Field (2013). The data demonstrated a significant indirect effect (β = -.1, BootLLCI = -.15, BootULCI = -.01, CI = 95%). Examining the SPSS SEM output demonstrated that the effect of path ‘a’ from Identity

Fusion to Significance is positive and large (β = .51) and the effect for path 'b' from Significance to Projected Time to Exit is negative and medium (β= -.30).

Bivariate linear regression was conducted to better understand the relationship between variables. The regression equation for Identity Fusion with Projected Time To exit was not significant R^2 = .02, F(1,131) = 2.42, p =.12. However, the regression equation when controlling for Significance was significant R^2 change = .04, F(1,130) = 4.76, p <.05. Therefore, Identity Fusion is a significant predictor of Projected Time to Exit, when controlling for Significance.

Internal Reliability

Gaskin (2013) and Hair et al. (1998) stated that both Cronbach's Alpha (α) and Composite Reliability (CR) are measures of internal reliability. Gaskin (2013) and Dunn et al. (2014) stated extant literature describes discrepancies between the two measures as widely known. Dunn et al. (2014) conducted a meta-analysis of more than 2,000 studies and concluded that the discrepancies were present, but that they are generally minor and have little practical significance in studies of social science. However, they also acknowledge that CR and bootstrapping are marginally more robust measures. All three analyses were conducted on the final 2-Factor model (α = .79, CR = .84, and bootstrapping analysis was significant with the LLCI = .731 and ULCI = .839 at the 95% CI) and the results indicate that internal reliability is present in the model.

Discriminant Validity

Discriminant validity was evaluated using Pearson's *r* to examine the correlation between Wiley's *Everything* DiSC (Scullard & Baum, 2015) and the overall ERIF score for all ten items as well as the total scores using only the items contained in the final 2-factor model (RIF1 – RIF-8, and RIF10). Of the sample population (n=133), 63 individuals completed the DiSC instrument and were included in the discriminant validity analysis. DiSC is a circumplex model that uses angles and vectors to classify an individual's style across four major domains (Dominance, Inspiration, Steadiness, and Conscientiousness) as described earlier in this paper. Consistent with the theory of the ERIF and DiSC instruments, the analysis demonstrated that there is no significant correlation between an individual's score on the ERIF instrument and her DiSC personality style. However, due to the small sample size, this result should be interpreted with caution.

Gaskin (2013) asserted that discriminant validity may also be established by evaluating the relationship between Maximum Shared Squared Variance (MSV) and the Average Variance Extracted (AVE). If the MSV < AVE the model is said to demonstrate discriminant validity; MSV = .36 < AVE = .55. Therefore, discriminant validity is likely present in the model.

Convergent Validity

Gaskin (2013) and Field (2013) stated that the Average Variance Extracted (AVE) is a measure of the degree to which factors that should be related in a model are related. The formula for calculating AVE draws from the factor loadings of the latent variables in the model where L_i = the factor loading for the latent variable item and n = the number of latent variables: $\sum_{i=1}^{n} L_i^2 \ /n$. According to Gaskin (2013) >.5 is adequate to demonstrate convergent validity. The AVE for the 2-Factor model is 0.55, meeting the standard for adequate convergent reliability.

Criterion Validity

Criterion validity was evaluated using the independent samples t-test to compare the ERIF score means between founders and non-founders. The scores from items that were retained as latent variables for Factor 1 (Identity Fusion) and Factor 2 (Significance) were used to compare the two populations. A significant difference was found on the total ERIF score between founders and non-founders as predicted. The difference between means for the Identity Fusion items was significant and the difference between means on the Significance items between founders and non-founders was not significant, as predicted (Table 8).

Conclusion

Data analysis of the sample (n=133) led to the identification of two factors for the ERIF model. Factor 1 (Identity Fusion) contains the items that are most similar to the items on the RIF model developed by Gomez et al. (2011) and modified in consultation with the foremost expert on RIF, Dr. Swann (2016). Factor 2 (Significance) contains items that did not mirror existing items on the RIF scale. The items that loaded on Factor 2 were additional items designed to address nuances related to business ownership. Based on ESEM findings the 2-Factor model has a better fit for the data. Internal reliability, convergent validity, discriminant validity and criterion validity tests provide an indication that the developing instrument meets adequate standards, but there is room for improvement. The implications of these findings will be described further in Chapter 5.

Chapter 5: Discussion

The current study was designed to increase the body of knowledge about low- to mid-market business owners' inclination to successfully exit their businesses as an initial step in the development of a broader causal model. The research question that guided the study was: a) Does the ERIF instrument significantly predict a low- to mid-market business owner's inclination to exit his business? This question was tested using an ESEM approach that demonstrated: a) the 2-Factor CFA model (Factor 1 = Identity Fusion and Factor 2 = Significance) is a better fit for the data than the 1-Factor model (Identity Fusion); b) Identity Fusion is a significant predictor of Projected Time to Exit; c) Significance is a significant predictor of Projected Time to Exit; d) Identity Fusion has a significant indirect effect on Projected Time to Exit when controlling for Significance; and e) the data demonstrated a statistically significant partial mediation effect.

Despite the finding that the Identity Fusion dimension of ERIF significantly predicts a low- to mid-market owner's Projected Time to Exit (an indicator of her exit inclination) there is more work to be done to fully understand the construct. Therefore, these findings should be carefully considered in light of the developmental stage of the overall model. The following discussion will outline the strengths and weaknesses of the study, practical implications, and opportunities for future research.

The Study

An existing RIF instrument developed by Gomez et al. (2011) was adapted in consultation with Dr. Swann (2016) in a fit-for-purpose approach for the entrepreneurial population (ERIF). Three questions were added to the seven existing questions that were modified from the RIF scale of the DIFI (Dynamic Identity Fusion Index) instrument (Appendix

B) in an effort to better understand the psychological construct in the entrepreneurial context. In addition, participants were asked to identify their projected time to exit as an indicator of their exit inclination.

Study Population

Several important demographic findings were noted during data screening, including the normality of the sample with respect to annual revenue. According to the 2012 United States Census, 96% of all businesses are lifestyle businesses that do not reach the $1M annual revenue threshold to enter what is commonly referred to as the lower market. Of the ~28 million businesses in the US today, only 1.12 million cross that threshold and of that group there are slightly more than 100,000 with revenue above $10M annually and only 0.06% ever exceed the $50M threshold. Limiting the study to the 4% of businesses that exceed the $1M threshold was an intentional decision as the extant literature suggests unique personality attributes exist in that population.

The adequate, but not optimal study sample size (n=133) was difficult to achieve and took considerably more time to recruit. Skewness was noted and the data reflected that businesses ≥ $100M annual revenue (n=12, 9%), $1M ≥ $5M (n = 39, 29.3%), and $5M ≤ $19M (n=40, 30.1%) were over represented. This also means that businesses between $40M - $59M (n = 21, 15.8%), $60M - $79M (n=13, 9.8%), and $80M - $99M (n = 3, 2.8%) were all under-represented in the sample. A between-groups means test was conducted in SPSS to assess whether a significant difference between each group existed. No significant differences for scores on the final 2-Factor ERIF model were found for different levels of annual revenue (Table 9). However, it is likely that the sample was also skewed based on the recruitment sources. Many of the businesses came from referrals in the M&A space where owners are often closer to exiting their firm. Future sampling should consider sources in addition to those connected in the M&A space.

Demographic analysis also demonstrated that the study population was 14.3% women ($n = 19$). When compared to the entrepreneurial population at large women make up 35.8% of all privately held businesses (United States Census, 2012). Therefore, women are under-represented in this study and the effects of gender are not being considered. Future research on the effects of gender could add critical insights to the body of knowledge.

The study sample had a normally distributed population by age range, and bivariate analysis demonstrated that age range was significantly positively correlated with an owner's interest in transition $r(131) = .256$, $p = .003$ as well as their perceived exit stage $r(131) = .465$, $p = .000$. However, age was not significantly correlated with the owner's projected time to exit $r(131) = -0.10$, $p = .910$. The practical implication of this insight mirrors research that says owners know they should plan for exit, but they do not until they make a decision to exit (Detienne & Cardon, 2006; PwC, 2014).

However, it does not answer the question of why owners do not plan. An avenue for future research could include evaluation of an owner's perceptions of the time required to plan for his eventual exit and contrast it to the time required to achieve a competitive advantage at exit for maximizing options available to the owner. In addition, questions about how satisfied an owner is with her current role may have led to uncovering important insights. In retrospect, this study could have been more robust by designing these types of questions into the demographic portion and that may have provided a more robust assessment of the owner's perceptions of exit.

ERIF and Exit Inclination

Exit Inclination as conceptualized in this model through Projected Time to Exit is a measure of the owner's perception of his most likely timeframe for exit (1 – 2 years; 3-4 years; 5-6 years; 7-10 years; 11+ years). The ranges were constructed to mirror the typical timeframes required for a well-planned exit from exploratory through transition (3 – 5 years) based on professional experience, industry norms and extant literature (Burlingham, 2013; Generational Equity, 2016; Peters, 2012), but the ranges were also considerate of owners who were younger for whom exit would not be a timely topic. Data was also gathered to identify age range and transition interest.

Bivariate analysis of Projected Time to Exit demonstrated a significant negative correlation r (131) = -.18, p = .04 with the total score on ERIF using the latent variables for the final 2-Factor model. Bootstrapped bivariate analysis of the relationship between the two factors is consistent with the ESEM analyses. Factor 1 (Identity Fusion) and Factor 2 (Significance) have a significant positive correlation r (131) = .403, p = .000, LLCI .257, ULCI .537 at the 95% CI). Assessing the correlation of Projected Time to Exit with each factor in the 2-Factor model demonstrated a significant negative correlation with Significance (Factor 2) r (131) = -.23, p =.01, but the correlation with Identity Fusion (Factor 1) r (131) = -.12, p = .188) was not significant.

The negative correlation of Significance with Projected Time to Exit indicates that owners with lower Significance scores report higher Projected Time to Exit. The complexity of the model becomes apparent when trying to reconcile the non-significant one factor SEM and the non-significant bivariate correlation of Identity Fusion with Projected Time to Exit with a significant indirect effect result in the 2-factor SEM. Preacher and Hayes (2004) argued that when these special cases occur further evaluation is required. The practical implication is that Factor 1 and Factor 2 appear to have some type of interaction that affects the outcome variable indicating that both are necessary to fully understand the construct. However, it is also possible that there are additional unidentified parameters in the model that are confounding or suppressing effects.

To test the effect of Significance and Identity Fusion the existing instrument should be further refined and tested with a larger sample. Specific refinement would necessitate development of the theoretical model to fully describe the construct of Significance. In addition, Floyd and Widamen (1995) and Baron and Kenny (1986) stated that when using latent variables, two is a minimum, but the best practices approach is four or more. Therefore, the two existing latent variables for Significance meet the minimum criteria, but improvement is likely needed. An avenue for future research could be to explore whether the Significance dimension of ERIF is related to the psychological need to satiate one or more of the dimensions of the self-determination theory (SDT) of Motivation (autonomy, competency, and relatedness).

Does ERIF significantly predict a low- to mid-market owner's inclination to exit his business? Based on the results of this study the 2-Factor ERIF Model does predict an owner's inclination to exit their business. While both the predictor variable (Identity Fusion) and the mediator variable (Significance) are predictors of the owner's Projected time to exit (outcome variable). The total effect of the model is not significant. However, P_M and suppression, are present in the model and confounding cannot be ruled out. Hence, a deeper understanding is required.

While it is uncommon for a predictor to have a significant indirect effect and yet the total effect is not significant, Preacher and Hayes (2004) argued that it can and does occur in simple mediation models (note: mediation is a special type of indirect effect). Preacher and Hayes further posited that issue is one reason testing the significance of indirect effects and reviewing underlying assumptions are important steps in mediation analysis. Baron and Kenny (1986) put forth assumptions that must be met for mediation including: (1) the predictor variable (X) must be a significant predictor of the outcome variable (Y); (2) the predictor variable (X) must be a significant predictor of the mediator variable (M); (3) the mediator variable (M) must be a significant predictor of the outcome variable (Y) when controlling for the predictor (X); (4) the outcome variable (Y) does not cause the mediation variable (M); and 5) there should be no measurement error in (M). Perfect mediation is said to have occurred when the effect of X on Y in the presence of M is zero. When significant mediation effects are present, but the effect of X on Y is not equal to zero partial, mediation is said to have occurred.

Figure 10a. Direct Effect Model: X Directly Affects Y
and c = Effect Size

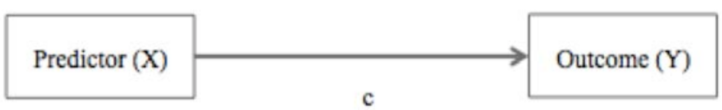
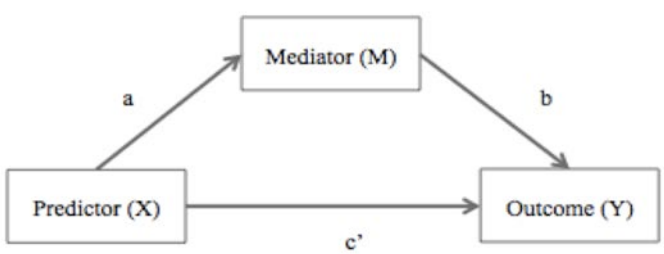


Figure 10b. Mediation Model: X Affects Y Through M
and ab = Effect Size



While Baron and Kenny (1986) asserted that a significant mediation effect is predicated on the presence of an initial direct effect of the predictor (X) on the outcome (Y), Preacher and Hayes

(2004) argued that the presence of a significant $X \rightarrow Y$ effect (Figure 10a) is not a requirement for the presence of a significant indirect effect. MacKinnon et al. (2000) argued that such a situation would indicate the presence of confounding variables (a third variable that is related to X and Y that positively or negatively falsely distorts the relationship) or suppressor variables (a third variable that increases predictive validity of X and/or Y when included in a regression). When suppression is present in the mediation model (Figure 10b) the signs of *a* and *b* may be opposite which would cancel the effect out. The resulting analysis would falsely conclude that mediation is not present.

While Preacher and Hayes (2004) did not consider the issue of suppression or confounding, they did agree with MacKinnon et al. (2000) that when these types of special conditions are present data must be interpreted in a manner consistent with the research model. Preacher and Hayes also asserted that in the presence of a significant indirect effect, absence of a significant total effect and a mediation test that is statistically significant likely indicates that paths 'a' and 'b' may be cancelling each other out. The data in this sample reflects these conditions. Hence, interpreting the effect size and sign are essential. Before moving to evaluate the mediation data further it was important to evaluate the potential for error in the model.

Analysis of the ERIF mediation model required considering the data in light of how a Type I or Type II error could be made. There are at least three ways these errors could occur in this study: First, failing to appreciate the distinction between a significant indirect effect and a non-significant total effect could lead to the researcher committing a Type II error by accepting the null hypothesis ($c - c' = 0$) when it should be rejected because the actual effect is nonzero. A second way is by rejecting the null hypothesis (Type I error) when it is indeed true and the total effect is zero. One way this could occur is through researcher bias by failing to appreciate the totality of the ESEM and mediation results in a manner congruent with the research design. A third way error could occur is overlooking the normality of the population and failing to account for the non-normal sample in the analysis.

The researcher was cognizant of the issue of Type I and Type II errors when reviewing the results. According to Preacher and Hayes (2004), the appropriate approach to resolving the issue of normality that could lead to both Type I and Type II errors is to use bootstrapping. Bootstrapping is a statistical modeling approach used for hypothesis testing and measurement of effect size that does not assume normality; hence it is a non-parametric test. Using the bootstrap approach demonstrated that the indirect effect is significantly different from zero at the 95% confidence interval meaning that the effect of Identity Fusion through Significance on exit inclination likely occurs in the population.

Full appreciation of the result requires a closer look at the relationship between the predictor, mediator and outcome variables. MacKinnon et al. (2000), Preacher and Hayes (2004), and Shrout and Bolger (2003) concurred that researchers should take extra care when examining mediation models that do not follow Baron and Kenny's (1986) standard for a significant $X \rightarrow Y$ effect. Additional analyses including examining partial mediation (P_M), the potential for confounding, and collider bias should be conducted. Collider bias can be ruled out because the predictor and the mediator are significantly positively correlated.

P_M can be estimated from the ratio of the indirect to direct effect of X (Predictor) $\rightarrow Y$ (Outcome), can reveal important details about the model. According to Shrout and Bolger (2003), simple mediation models may be more complex than expected and such nuances can be detected through a large standard error and direct effects > 1 in the P_M analysis, indicating that suppression may be occurring. The data revealed that suppression is a possibility with a significant ratio of indirect to direct effect of the Predictor (Identity Fusion) on the Outcome (Projected Time to Exit; P_M = 1.67, Boot SE = 18.86, LLCI = .3983 ULCI = 344.01 at the 95% confidence interval).

Based on these findings, further research is necessary to determine what, if any, additional factors may be impacting the model. This is particularly salient since the effect of Identity Fusion → Significance (path ‘a’) has a large positive effect size (β = .51) and the path from Significance to Projected Exit Time (path ‘b’) has a medium negative effect size (β= -.30). According to Shrout and Bolger (2003), in such cases partial or complete mediation may be occurring despite a non-significant total effect. This may be attributable to sampling variations that can be exacerbated when a small sample size is used particularly in the presence of effect sizes with opposite signs. While further research is warranted, a likely explanation for the current simple mediation model is that partial mediation is occurring and there may be additional unidentified factors that make the model more complex.

Practical Implications

Understanding the psychological constructs that enhance and impinge on a low- to mid-market business owner’s inclination to successfully exit his role as owner has the potential to improve outcomes for business owners, their families, their advisors, their employees, and others. The results derived from this study provide germane insights into the ability to objectively measure an owner’s inclination to exit their business. Understanding the degree of fusion between the role and self-identities offers the opportunity to save owners, their families, advisors, and employees from the stresses and challenges of a failed transaction by proactively addressing the challenges years before the transition occurs.

In addition, understanding that the effects of both Identity Fusion and Significance are important for elucidating the causal model is an indication that making new meaning (identity) and finding opportunities for satiating the need for significance outside of the role identity will likely enhance the degree of post-transaction satisfaction. Understanding the construct of Significance as it relates to exit inclination may also hold an important insight for improving other types of significant organizational transitions.

Based on the theoretical construct described in this paper, other significant transitions that could be impacted by Identity Fusion and Significance needs of owners are those that threaten their need for control, autonomy, relatedness, competency, and a host of other psychological needs that are satiated in whole or in part through their role as owner. Such transitions may include organizational transformation such as scaling the business, diffusing power into an organization, or constructing new decision-making models that are necessary to achieve organizational scale. The theoretical model and the findings in this study provide an opportunity for both owners and their advisors to derive tangible (and ultimately highly profitable) benefits by including a robust exploratory process for the owner(s) prior to the intended transition(s). Given sufficient time, a proactive approach may increase the number of owners that break through annual revenue barriers, transfer their business to the next generation, and ultimately exit their role as owner.

The new understanding about the effects of ERIF (Role-Identity Fusion and Significance) on an owner's inclination to exit their business increases the understanding that time is a salient factor. This finding aligns with the finding of Burlingham (2013) that owners who are more satisfied engage in a robust exploratory process and they make time a competitive advantage by starting years not months prior to the intended transition. Hence, yet another salient practical implication of this study is - for the first time - owners and their advisors have a concrete place to start the exploration process and include aspects of the emotional and psychological needs of the owner in an objective manner.

Advisors and M&A professionals (Investment Bankers, Private Equity Investors, and others) who are economically incentivized to see closed transactions occur benefit by gaining early, objective insights about the psychological needs of their owner clients. The practical implication of this insight is twofold. First, advisors can more effectively manage their limited resources thereby increasing return on investment. Second, advisors can provide value add services that foster opportunities for owners to address these challenges early in the process.

Perhaps one of the most important practical implications from this study is that low-to-mid-market business owners have a new opportunity for self-discovery that may directly impact their business success. The data about business growth, exit, and change efforts is clear – there are more failures than successes. Yet, the concept of what separates owners that scale, transform, and exit their businesses successfully from those that do not remains a mystery. However, this study takes a meaningful step forward by identifying the relationship between Identity Fusion, Significance, and Exit Inclination.

Limitations

In addition to the limitations discussed in Chapter 3, there are a few additional limitations that should be considered. The primary limitations in this study are related to sampling and the study population. First, the population was difficult to acquire and that may impact the results in ways that are not easily detectable. Specifically, getting participants to agree to the consent document was particularly challenging in this population. Many owners are protective of their privacy and concerned about being exposed. Hence, it is possible that this process was screening out candidates who were substantively different than those who opted in.

In addition, while the sample size was adequate based on the study design, it was skewed toward companies with larger annual revenues. The combination of a non-normally distributed population and the small sample size may impact effect sizes and power. Generalizability may also be impacted by the small sample size. Hence, the results should be interpreted and applied with prudence.

Finally, this study is an initial study of a somewhat complex model. The study is limited to quantitative results. Fully understanding the implications of the ERIF model could be enhanced through further quantitative studies, but it could also benefit from a qualitative component that builds on Burlingham's (2013) earlier work.

Implications for Future Research

This study enhances the extant literature and has opened up new avenues for research. These new avenues hold the promise of important practical implications for business owners, their employees, families, advisors, and M&A professionals. Future research should focus on developing a greater understanding of the construct of Significance and building out the broader causal model. In addition, the construct of time is a salient factor that impinges upon an owner's competitive advantage for exit. Understanding an owner's perception of time in relationship to the broader causal factors would enhance the opportunity for improving business and personal outcomes.

A research priority should be to better define the construct of Significance. There are currently two questions for measuring Significance, and while this meets the minimum number of latent variables according to Preacher and Hayes (2004) a fuller understanding would enhance targeted intervention opportunities. An essential feature of this study is that the additional questions for ERIF that were not present in RIF all loaded on the second factor (Significance) that is an indication that the RIF construct is measurable in this population, but the interaction effect with Significance is an important effect. Therefore, research focused on a deeper understanding of the interaction is warranted.

A specific area of focus could include aspects of job satisfaction for owners. For example, "*Does current job satisfaction impact the owner's need for significance or degree of role-identity fusion?*" This study did not investigate an owner's current role satisfaction as an aspect of his desire to exit the business, nor did it explore the relationship of current satisfaction as a function of perceptions on projected time to exit. While these may be difficult aspects to test quantitatively, a mixed methods approach may yield important insights.

In addition, as the overall ITS model develops, the researcher should consider how the Significance dimension may be related to the motivational drivers (autonomy, relatedness, and competency) as Deci and Ryan (2000) described or the Personality dimension of Rauch and Frese's (2000) GAM. Both of these constructs are incorporated into the theoretical framework of this study. Understanding whether there is a direct correlation between the need for Significance and the motivational drivers Deci and Ryan (2000) identified or the Personality dimension of Rauch and Frese's (2000) GAM could not only enhance academic understanding, but it may also provide an opportunity for effecting change with owners throughout the business lifecycle. Both avenues provide excellent opportunities for future research.

Finally, the concept of change is critical to any type of transition (be that scaling a business, selling a business, or engaging in a succession event) and an owner's openness to change and decision-making styles may also be impacted by both Identity and Significance.

Based on the theoretical model, owners who are both highly fused to their role and have a low openness to change would be much less likely to succeed at transitions than an owner that had good role-identity separation and a moderate to high openness to change. Understanding the relationship between the two constructs is yet another robust opportunity based on this initial study. Finally, this study did not consider contextual factors such as the owner's physical or financial health or how those aspects could impact Identity, Significance, and exit inclination. For example, research about the effects of gender or generational differences would provide timely insights given the increasing number of woman owned businesses and the increasing rate of generational successions. Any one of the untested variables described in this section (as well as other unidentified variables) may be related to the issue of suppression that was detected in the current study. Further research could seek to increase understanding from both quantitative and qualitative perspectives.

Conclusion

This initial study and model were designed to enhance understanding of the psychological inclinations of business owners with regard to transition. The encouraging study results indicate further research leading to a valid and reliable multi-scale instrument is warranted. At present there is evidence for acceptable reliability and validity. Based on the results of the CFA, ESEM, and mediation analysis there is support for the Identity Fusion construct acting as a predictor of Projected Time to Exit and for indirect effects through Significance on Projected Time to Exit. Future research and development should explore the implications of Identity Fusion and Significance in a broader causal model.

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Appendix A

ERIF Assessment Questions and Scoring

Entrepreneurial Role Identity Fusion (ERIF) Scale

This scale is adaption from Gomez et al., (2011).

Instructions: Rate the degree to which the following questions describe how you view yourself in the context of your role as a business owner using a 5-point Likert scale ranging from very weak to very strong.

Scoring: The scoring is shown here for research development purposes only, it will not be visible to the participants. Participants will only see the descriptions (very weak to very strong).

Sample questions:

#	Question	Very weak	Weak	Somewhat	Strong	Very strong
1	I am my business	5	4	3	2	1
2	If my business failed, I would be a failure	5	4	3	2	1
3	I have a deep emotional bond with my business	5	4	3	2	1
4	I would do anything for my business	5	4	3	2	1
5	I feel immersed in my business	5	4	3	2	1
6	Being a business owner makes me strong	5	4	3	2	1
7	My business is me	5	4	3	2	1
8	My business is what I do, it does not define who I am	1	2	3	4	5
9	Planning for life beyond my business is empowering	1	2	3	4	5
10	I have a sense of significance with or without my business	1	2	3	4	5

Dynamic Identity Fusion Index (DIFI) verbal portion by Gomez et al., (2011)

The verbal portion is composed of seven Likert-scale questions using a 7-point scale ranging from "0" (strongly disagree) to "6" (strongly agree). See Jimenz et al. (2015) for reliability and validity information.

#	Question	Strongly Disagree						Strongly Agree
1	I am one with my group	0	1	2	3	4	5	6
2	I feel immersed in my group	0	1	2	3	4	5	6
3	I have a deep emotional bond with my group	0	1	2	3	4	5	6
4	My group is me	0	1	2	3	4	5	6
5	I'll do for my group more than any of the other group members would do	0	1	2	3	4	5	6
6	I am strong because of my group	0	1	2	3	4	5	6
7	I make my group strong	0	1	2	3	4	5	6

Appendix B

Demographic Survey Questions

1. First Name

2. Last Name

3. Email address

4. Gender: a. Male b. Female c: Decline to state

5. Education level:

   a. No high school b. High School c. Undergraduate degree

   d. Master's Degree e. Doctoral Degree f. Other: (fill in)

   g. Decline to state

6. For at least 3 out of the last 5 years, the annual revenue for my business has been:

   a. Less than $1M b. $1M ≥ $5M c. $5M ≥ $29M

   d. $30M ≥ $59M e. $60M ≥ $79M f. $80M ≥ $99M

   g. $100M ≥ $500M

7. What is your ownership and management role?

   a. I am the sole owner and I am the CEO

   b. I am the sole owner, but I do not have an active management role

   c. There are multiple owners and I am the CEO

   d. There are multiple owners and I do not have an active management role

   e. Other: (fill in)

8. My legacy role in the business's ownership succession is:

   a. Founder

   b. Second generation owner

c. Third generation owner

d. Fourth generation owner

e. Fifth+ generation owner

f. Other: (fill in)

9. The total number of employees in my business is:

a. 9 or less b. 10 – 100 c. 101 – 250 d. 251 – 499

a. 500 – 749 f. 750 – 999 g. 1,000 or greater

10. What is the most likely timeframe for your exit?

a. 1-3 years b. 3-5 years c. 5-7 years d. 7-10 years e. 10+ years

11. I have held the senior leadership role in this company for:

a. <5 years b. 6 – 10 years c. 11 – 20 years d. 21 – 30

e. 31+ years

12. How many years has it been since you were in a subordinate/employee role?

a. I've never been in an subordinate/employee role

b. 1 – 5 years c. 6 - 15 years d. 16 – 30 years e. 31+ years

13. Which best describes your firm?

a. Our org structure does not include a board

b. We have a formal or informal advisory board

c. We have a formal board – family and/or friends hold the majority of seats

d. We have a formal board of professionals (non-family/friends) that hold the majority of seats

e. We have both a formal profession and advisory board

f. Other: (fill in)

14. What aspect of succession/exit process best describes you today?

a. None: I’m not even considering exit
b. Early exploration: I’m just beginning to think about it
c. Exploration: I’m actively engaged in considering my options and preparing to move toward developing an exit strategy
d. Strategic: I’m actively engaged in getting my business ready to sell and implementing an exit plan
e. Execution: I’m actively engaged in the transaction process for selling my business
f. Transition: My business has been sold within the last 12 months and I have exited
g. Other: (explain)

15. My age range is

a. 21 – 29 b. 30 – 45 c. 46 – 55 d. 56 – 70 e. 71+

16. Total number of previous businesses with revenue ≥$1M/year and 1 to 999 employees that you have exited as owner or CEO:

a. 0 b. 1 c. 2 d. 3 e. 4+

17. My race/ethnicity is:

a. African American b. Asian/Pacific Islander c. Hispanic/Latino
d. Caucasian e. Native American f. Other ____________
g. Decline to state

17. My faith/spiritual background is:

a. Agnostic b. Atheist c. Buddhist d. Catholic
d. Christian (Evangelical) e. Hinduism f. Islam
g. Other: ___________ h. None i. Decline to State

Appendix F

Tables and Figures

Table 1

Summary of Research Studies by Behavior of Interest

Personality Characteristic	Research Study
Role-Identity Fusion (Separation) RIF (RIS)	Gomez et al. (2011); Jimenez et al. (2011); Murnieks & Mosakowski (2007); Olson-Buchanan & Boswell (2006); Ruderman & Ernst (2010); Stryker & Burke, (2000); Swann & Buhrmester (2015); Vesalainen & Pihkala (1999)
Openness to Change (OtC) (aka: Adaption-Innovation)	Goldsmith (1991); Goldsmith & Foxall (2003); Hurt, Joseph, & Cook (2004); Hutchinson & Skinner (2007); Kangasharju & Hyrsky (1998); Roehrich (2004); Xu & Tuttle (2012)
Self – Awareness (SA)	Goleman & Boyatzis (2002); Hutchinson & Skinner (2007); Ruderman & Ernst (2010); Silvia & Duval (2001); Stock (2001)
Work-Life Balance (WLB)	Gröpel, P, (2005); Handler (1994); Hayman (2005); Jennings & McDougald (2007); Olson-Buchanan & Boswell (2006); Rincy & Panchanatham (2010); Rose et al. (2006)
Post-Exit Resilience (PER)	Cavelty, Kaufmann, & Kristensen (2015); Coutu (2002); Dmovsek, Ortqvist, & Wincent (2010); Hedner, Abouzeedan, & Klofsten (2011); Jackson & Watkin (2004); Powell & Baker (2011); Powell & Baker (2012); Sonnefeld, J.(1988)

Table 2

Frequency Analysis for the Study Sample (n=133)

Annual Revenue	**$1M ≥ $5M**	**$5M ≥ $19M**	**$20M ≥ $39M**	**$40M ≥ $59M**	**$60M ≥ $79M**	**$80M ≥ $99M**	**$100M ≥ $500M**
Frequency	39	40	21	13	3	5	12
Percent	29.3	30.1	15.8	9.8	2.3	3.8	9.0
Number of Employees	**1 ≤ 9**	**10 – 100**	**101 – 250**	**251 – 499**	**500 – 749**	**750 – 999**	**≥1000**
Frequency	9	82	21	15	1	1	4
Percent	6.8	61.7	15.8	11.3	.8	.8	3.0
Education	**High School**	**Some College**	**Bachelor**	**Master**	**Doctorate**	**Decline to State**	
Frequency	10	57	49	12	0	5	
Percent	7.5	42.9	36.8	9.0	0	3.8	
Tenure as Owner	**< 5 Years**	**6 – 10 Years**	**11 – 20 Years**	**21 – 30 Years**	**31+ Years**		
Frequency	13	30	45	25	20		
Percent	9.8	22.6	33.8	18.8	15.0		
Number of Prior Exits	**0**	**1**	**2**	**3**	**4+**		
Frequency	100	18	8	7	0		
Percent	50.4	24.3	12.6	5.4	0		
Legacy Role	**Founder**	**G_2**	**G_3**	**G_4**	**G_5**		
Frequency	106	19	8	0	0		
Percent	79.7	14.3	6.0	0	0		

Table 5

Modification Indices for 2-Factor Initial Solution

	Modification Index	Par Change
e6 < -- > e7	8.492	.170
e5 < -- > e7	4.152	-.114
e3 < -- > e7	4.012	-.091
e3 < -- > e5	5.634	.109
e3 < -- > e4	9.906	.170
e1 < -- > e7	5.391	.139

Table 6

Regression Weights 2-Factor SEM

	Estimate	SE	CR	P
Significance < -- Identity Fusion	.505	.128	3.946	***
RIF1 < -- Identity Fusion	.881	.137	6.425	***
RIF2 < -- Identity Fusion	.852	.179	4.773	***
RIF3 < -- Identity Fusion	0652	.127	5.127	***
RIF4 < -- Identity Fusion	.654	.158	4.157	***
RIF5 < -- Identity Fusion	.486	.130	3.745	***
RIF6 < -- Identity Fusion	.510	.115	4.453	***
RIF7 < -- Identity Fusion	1.000			
RIF8 < -- Significance	1.000			
RIF10 < -- Significance	.940	.235	4.006	***
Exit Time < -- Significance	-.792	.311	-2.55	.011

Table 7

Bias Corrected Indirect Effects Using a Confidence Interval of 95%

Parameter	Estimate	Lower	Upper	P
Significance ←Identity Fusion	.501	.242	.872	.002
RIF1 ← Identity Fusion	.885	.650	1.272	.002
RIF2 ← Identity Fusion	.866	.541	1.246	.002
RIF3 ← Identity Fusion	.728	.445	1.183	.002
RIF4 ← Identity Fusion	.744	.366	1.374	.002
RIF5 ← Identity Fusion	.560	.283	1.148	.002
RIF6 ← Identity Fusion	.520	.271	.833	.002
RIF7 ← Identity Fusion	1.000			
RIF8 ← Significance	1.000			
RIF10 ← Significance	.922	.415	1.767	.002
Exit Time ← Significance	-.787	-1.672	-.158	.020

Table 8

Independent Samples t-Test Comparing Means Between Founders and Non-Founders

Equal Variance Assumptions		Levene's Test		t-test for Equality of Means						
		F	Sig.	t	df	Sig (2-tailed)	Mean difference	Std. Error Difference	95% Confidence interval of the difference	
									Lower	Upper
Identity Fusion 2 Factor Model	Assumed	.305	.582	-2.333	123	.021	-1.663	.713	-3.075	-.252
	Not assumed			-2.531	38.588	.016	-1.663	.657	-2.993	-.334
SIG 2 Factor Model	Assumed	.173	.678	-1.857	123	.066	-.644	.347	-1.330	.042
	Not assumed			-1.968	37.356	.057	-.644	.327	-1.307	.019

Table 9

ANOVA Table for Between Group Means Test

			Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Annual Revenue	Between groups	(Combined)	67.645	20	3.382	.995	.474
ERIF		Linearity	1.482	1	1.482	.436	.510
		Deviation from Linearity	66.163	19	3.482	1.025	.439
	Within Groups		380.611	112	3.398		
	Total		448.256	132			

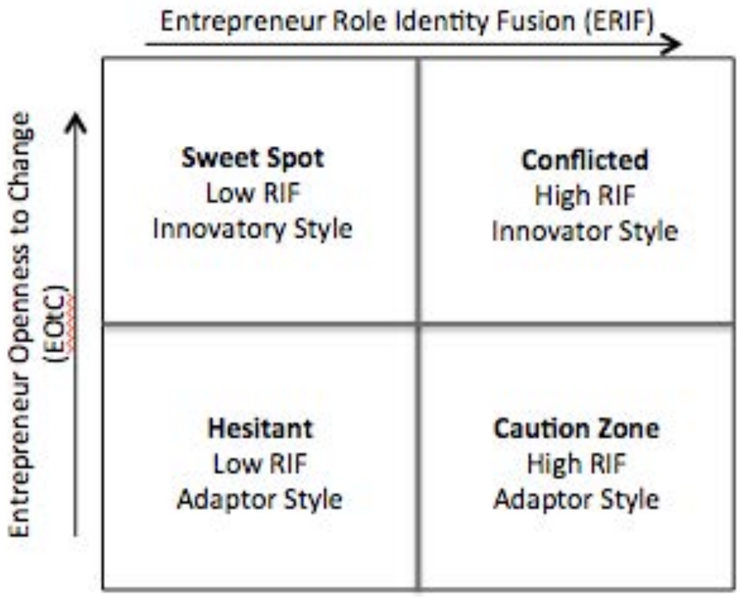

Figure 5. H*ypothesized ERIF / EOtC Relationship to Owner Exit Inclination*

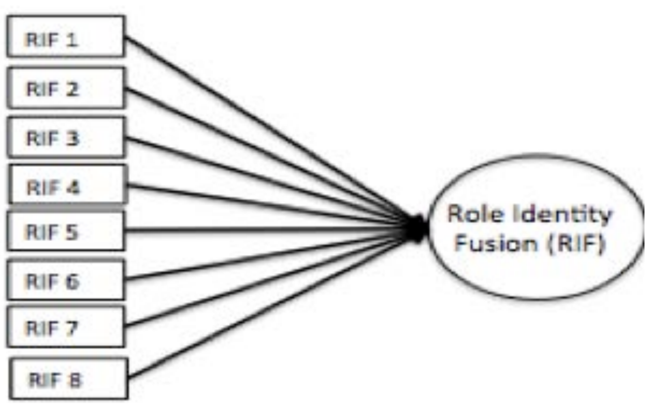

Figure 6. H*ypothesized 1-Factor Construct for the ERIF Model*

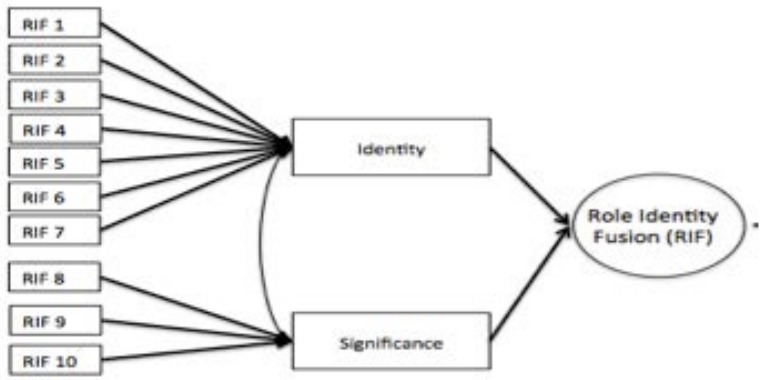

Figure 7. H*ypothesized 2-Factor Construct for the ERIF Model*

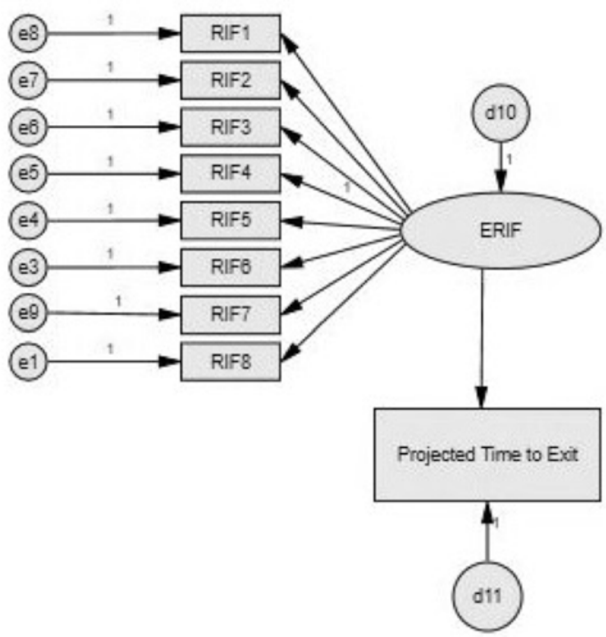

Figure 8. S*tructural Equation Model (SEM) 1 Factor*

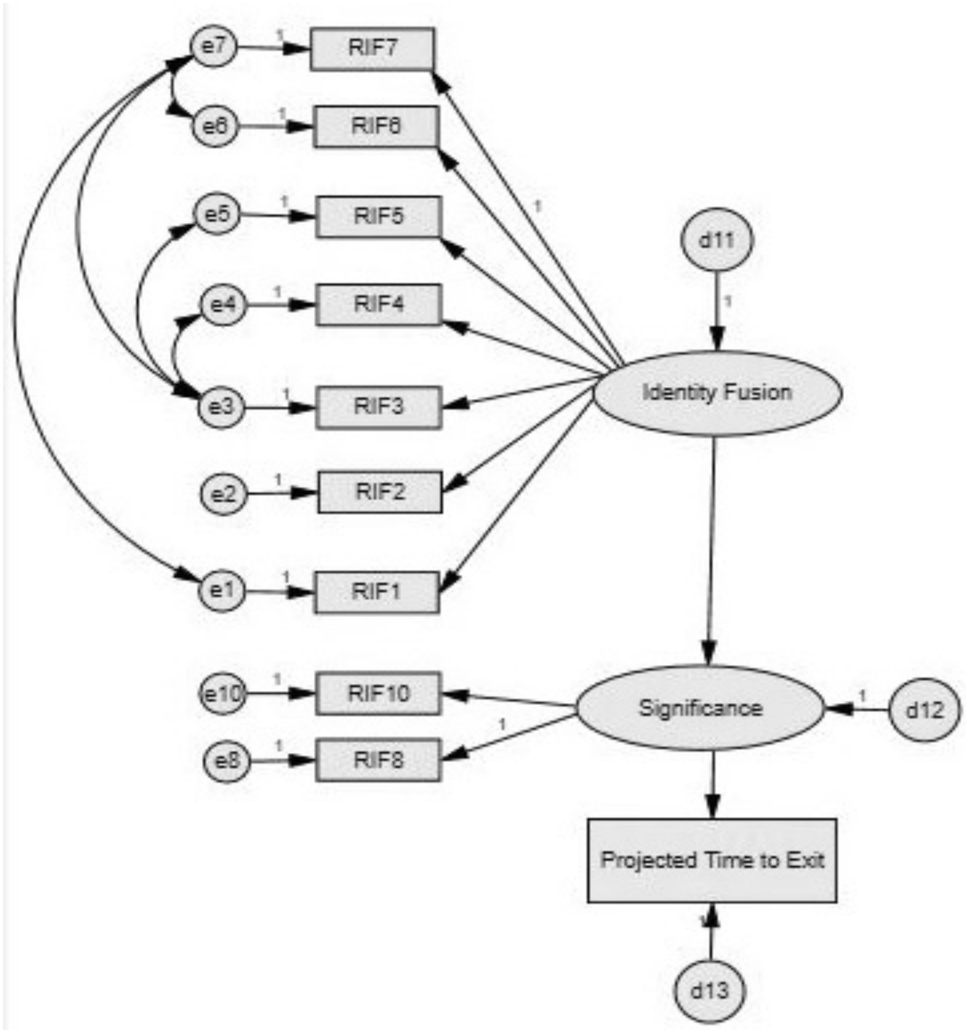

Figure 9. S*EM 2-Factor Model*