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Small business owner persistence: Do personal characteristics matter?

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ABSTRACT

Recent research suggests that (1) business failure rates are lower than previously thought and (2) business owners exit businesses for myriad reasons besides performance. Despite these findings, relatively little is known about whether personal characteristics (i.e. expectations, competencies, education) of small firm owners influence their likelihood to persist with business ownership. Given this gap, the present study investigates the relationship between owner characteristics and persistence intentions. Framed by threshold theory, we theorize and test whether owner growth expectations, satisfaction, education, competencies, and financial investment influence their persistence intentions. Results indicate that owner future growth expectations for the business, their opportunity recognition abilities, and their satisfaction with the business significantly impact persistence intentions. Implications of study findings are discussed.

Introduction

Why do some business owners profess greater personal commitment to their businesses than others? Similarly, why do other owners indicate greater reluctance to sell or close their businesses than others? And, finally, why do some owners work harder in their businesses than others?

Answering these questions would help scholars better comprehend the complex relationship between owner persistence intentions, owner exit decisions, and business failure (DeTienne & Cardon, 2012). However, while business failure and owner exit decisions have been extensively examined in the literature, relatively little research has been conducted on owner persistence intentions (Holland & Shepherd, 2013). Failure research finds that businesses terminate primarily due to a lack of adequate planning or poor operating skills on the part of the firm's owner (Chen, 2015). Specifically, little business planning, inadequate financial resources, and limited market knowledge or inadequate response to issues such as competition, rapid growth, financial management, and acute problems cause business failure (Tocher & Rutherford, 2009; Wennberg, Wiklund, DeTienne, & Cardon, 2010). Further, the literature contends that most of this failure could be avoided if owners were simply better prepared and more knowledgeable (Aldrich & Martinez, 2001; Williams Jr., Manley, Aaron, & Daniel, 2018). Failure research thus implies that business owners often simply lack the skillset needed to launch and operate successful firms (Holland & Garrett, 2015), leading to as many as 90% of all businesses failing (Kessler, 2014).

Conversely, research on business ownership exit finds that failure rates are not as high as previously thought because many businesses that are simply closed, sold, combined with other businesses, and restructured into different ownership forms are often misclassified as "failed" businesses (Small Business Facts, 2012; Wagner, 2013). Supporting the above notion, scholarly research finds that individuals make exit decisions for myriad reasons not related to planning or operations (e.g. Hsu, Wiklund, Anderson, & Coffey, 2016). For example, many owners exit smoothly operating and profitable businesses for reasons such as

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work-life balance, pursuit of better or different opportunities, retirement, cashing out, and risk avoidance (e.g. Justo, DeTienne, & Sieger, 2015). Further, owners vary greatly in their level of persistence, causing some owners to persist when others would exit (DeTienne, 2010). Given this, it appears that owner discretionary behavior has a great deal to do with whether or not a business should be counted as a failure and this discretionary behavior is often not related to the owner's planning and operational proficiencies (Burke, Fitzroy, & Nolan, 2008). Additionally, it seems that the exit literature suggests that while owners' persistence levels vary, many business exit decisions are misclassified as failures which should instead be classified as discretionary exits by owners considering many factors such as opportunity cost and life stage (Wagner, 2013). That said, understanding the owner characteristics and-persistence intentions relationship would help scholars determine what types of owners are more likely to fail due to planning and operational weaknesses and what owners are likely to exit for opportunity cost and lifestyle reasons (DeTienne & Cardon, 2012; Holland & Garrett, 2015). Unfortunately however, this discretionary persistence behavior is not well understood in the scholarly literature.

Given this perplexing gap, we empirically examine the relationship between small firm owner characteristics and persistence intentions. Framed by threshold theory and using a sample of 380 small manufacturing businesses, we theorize and test the notion that owner growth expectations, satisfaction, education, competencies, and personal financial investment will be positively associated with persistence intentions. Our study contributes to the literature by being one of the first studies of the owner characteristics/persistence intentions relationship. As such, study findings will start to shed light on what types of business owners are likely to fail, persist, and voluntarily exit.

Theoretical Framework

Threshold theory

Threshold theory asserts that owners have a cognitive performance threshold which they constantly compare to their firm's actual financial performance, using this comparison to make decisions about the firm's future (Gimeno, Folta, Cooper, & Woo, 1997). The theory thus asserts that all owners have different performance thresholds and they will often use the performance threshold/actual performance comparison to make the persist/exit decision (DeTienne & Chirico, 2013). As such, owners will likely persist if performance is above the threshold and are likely to exit if performance is below the threshold (Zellweger, Nason, Nordqvist, & Brush, 2013). Importantly however, legitimacy research suggests that the performance threshold and the owner persist/exit decisions arising from it are highly dependent upon whether the owner feels key stakeholders have granted the owner's firm legitimacy (Nagy, Rutherford, Truong, & Pollack, 2017). Research suggests that small firms must first be granted legitimacy by critical stakeholders before they will gain consistent access to resources needed to survive and grow (Rutherford, Buller, & Stebbins, 2009). As such, owners who do not feel they have been granted legitimacy by critical stakeholders they deem necessary for future survival and growth may be more likely to exit regardless of current or potential financial performance (Mitteness, Baucus, & Norton, 2013). Since stakeholders have many options regarding which firms to legitimize and not legitimize, key stakeholders (i.e. large investors, significant customers) often control specific market segments because legitimized firms will expect to survive and non-legitimized firms will expect to fail (Peake & D'Souza, 2015). Hence, owner performance thresholds and associated persistence/exit decisions may be as dependent upon whether critical stakeholders have deemed the firm legitimate as they are on pure financial performance (Mitteness et al., 2013; Nagy et al., 2017). Such a perspective provides an alternative explanation for the prevailing belief in the literature that owners exit firms due primarily to the firm's financial performance and therefore helps explain why owners with high performing firms may exit and owners with low performing firms may persist (Brauer, 2006; Peake & D'Souza, 2015). Notably, an owner's performance threshold is built up over time through a combination of a variety of personal characteristics (i.e. growth expectations, satisfaction, and education) which change and adapt (DeTienne & Cardon, 2012).

Therefore, threshold theory provides a foundation for the notion that owner characteristics influence performance intentions because such characteristics combine to create the performance threshold which guides the persist/exit decision (DeTienne & Chirico, 2013). Importantly, several owner characteristics combine to form the acceptable performance threshold in an owner's mind (DeTienne, 2010). As such, an owner with high growth expectations that is operating a firm which is profitable, but no longer growing, is likely to exit while a different owner operating a similarly profitable firm with less growth expectations will be much less likely to voluntarily exit (Gimeno et al., 1997). However, if the owner with high growth expectations operating the profitable low growth firm is also highly satisfied with the firm for several other reasons (i.e. legitimization by key stakeholders, lifestyle, freedom, business location, effort required) that owner may be moderately persistent (Nagy et al., 2017; Peake & D'Souza, 2015). Hence, owner characteristics are the building blocks of performance thresholds that influence persistence intentions (Zellweger et al., 2013). Thus, an examination of owner characteristics and persistence intentions is needed to articulate what characteristics may be critical pieces of owner performance thresholds and what characteristics may not be as influential on such thresholds (DeTienne & Chirico, 2013). Given this, we next define persistence, compare it with exit, and outline several important owner characteristics that previous literature suggests are persistence indicators.

Persistence

Persistence has been defined as the continuation of effortful action despite failures, impediments, or threats, either real or imagined (Gimeno et al., 1997). As such, the decision to continue may be affected by the evaluation of positive alternatives and thus owner persistence may be considered as the decision to continue with a venture given different motivational forces (Holland & Shepherd, 2013). Owner persistence is logically related to owner exit, defined as "the process by which the founders of privately held firms leave the firm they helped create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm" (DeTienne, 2010, p. 203). While owners may exit their businesses for myriad reasons, differences in persistence levels of owners should impact business exit (Holland & Garrett, 2015).

Although scholars generally agree that business owners are, on average, very persistent in pursuing the interests of their firms (Digan, Kerrick, Cumberland, & Garrett, 2017), there is considerable variance in the level of persistence demonstrated by individual owners (Justo et al., 2015). Some owners dedicate their whole lives to the pursuit of ensuring the success of their businesses, involving themselves so intensely in their firms that their evaluations of self-worth become very closely tied to their businesses performance (Oswald, Muse, & Rutherford, 2009). Conversely, other owners may be considerably less committed to their firms for reasons such as other career alternatives (e.g. Burke et al., 2008), work life balance issues (e.g. Justo et al., 2015), and changing market dynamics (e.g. Hsu et al., 2016). Further, some owners may be more concerned with outcomes associated with business ownership such as financial rewards, respect, or lifestyle instead of owning a specific business (Holland & Garrett, 2015), making such owners more likely to jump to another business when a more attractive alternative is discovered (Wennberg et al., 2010). Still other owners may view business ownership as a temporary state, preferring to return to a corporate existence as soon as the opportunity presents itself (DeTienne, 2010). The level of adversity faced by owners also has an impact on the persistence decision with persistence being more likely during periods of less adversity and less likely during periods of high adversity (Gibson, 2010; Pett & Wolff, 2016).

Despite high level interest in the topic, previous research has rarely assessed persistence in terms of effort and commitment of small business owners. Rather, seminal research by Gimeno et al. (1997) assessed persistence as the simple percentage of businesses discontinued during a given time period, which implicitly assumes each firm which discontinued did so due to a lack of owner persistence (Baum & Locke, 2004). Other studies (e.g. DeTienne, Shepherd, & De Castro, 2008; Holland & Garrett, 2015) have used conjoint experiments which present owners with scenarios and asks them to indicate their persistence intentions given a contrived situation. While such studies are very interesting and informative, they are only relevant to the point that the contrived scenarios actually happen to the studied owners (Cardon & Kirk, 2015). Importantly however, research also suggests owner commitment and effort are significant persistence indicators (Baum & Locke, 2004; Digan et al., 2017; Pett & Wolff, 2016). Supporting this perspective, small business research finds that owners who take jobs outside the firms they own (suggesting less effort and commitment to their firms) are significantly more likely to exit their firms (Wennberg et al., 2010). Further, research indicates that organizational commitment is negatively related to turnover (e.g. Cannon & Herda, 2016). Notably, the negative relationship between commitment and turnover is likely even more applicable to small business owners given the financial constraints they typically face (Rutherford, Tocher, Pollack, & Coombes, 2016). Finally, research indicates that owners who carefully integrate goal setting, strategic planning, and financial analysis are more committed to business outcomes than owners who fail to integrate such activities (Williams Jr. et al., 2018). Given the above, we assess persistence via owner commitment and effort. As such, we next outline characteristics which previous literature suggests are positively associated with owner persistence prior to testing the owner characteristics persistence intentions relationship.

Future Expectations and Persistence

Research indicates a significant relationship between owner expectations and persistence intentions (Dutta & Thornhill, 2014; Rita, Priyanto, Andadari, & Haryanto, 2018). Specifically, it has been argued that the decision to persist "is primarily determined by assessing the desirability of the potential outcomes of the opportunity and the probability of achieving those outcomes" (Holland & Shepherd, 2013, p. 334). Empirical research provides support for the above assertion as studies find that expected financial success leads to both business owner effort and continued business ownership (e.g., Renko, Kroeck, & Bullough, 2012). Similarly, owners who have positive perceptions of the operating environment are more likely to persist with firm operation (DeTienne et al., 2008). Finally, a series of studies comparing entrepreneurial aspirations against expected financial and non-financial rewards found a consistent relationship between expected outcomes and persistence intentions (Holland & Garrett, 2015). Given these results, it appears that owners will be more likely to persist if they expect their efforts to lead to desired outcomes and will be less motivated to persist in business ownership as such expectations weaken. As such, we posit that owner future expectations of rewards will enhance persistence intentions and thus advance the following:

Hypothesis 1. Owner future expectations will enhance persistence intentions such that the more rewards the owner expects to receive, the more likely the owner will be to persist with business ownership.

Satisfaction and Persistence

Several lines of research indicate a positive association between owner satisfaction and persistence intentions. First, organizational behavior research has found that satisfied employees have much lower turnover intentions (Rubenstein, Eberly, Lee, & Mitchell, 2015) and higher organizational commitment (Harrison, Newman, & Roth, 2006). By extension, it is likely that satisfied owners will be more committed to their firms and less likely to sell or close their businesses. Similarly, research finds strong evidence that satisfaction reduces employee absenteeism (Schaumberg & Flynn, 2017) suggesting that satisfied owners will work more and thus have higher persistence intentions. Further, family business research finds that owner satisfaction resulting from meeting expectations and reaching profitability goals enhances persistence intentions (Oswald et al., 2009). Finally, social capital research indicates that business owners who are satisfied with their networking groups are more committed to their firms (Pollack, Coy, Green, & Davis, 2015), acquire more resources (Davidsson & Honig, 2003), and are better able to adapt their firms for long term success (Stam & Elfring, 2008). Given the above findings, we posit that owner satisfaction is positively associated with persistence intentions and thus advance the following:

Hypothesis 2. Owner satisfaction will enhance persistence intentions such that the more satisfied the owner, the more likely the owner will be to persist with business ownership.

Education and Persistence

Research suggests a strong positive association between education and owner persistence intentions. For example, educated owners tend to choose more effective business strategies, often gravitating towards a combination of high innovation and low risk (Sonfield & Lussier, 2014). Additionally, owner education has been found to enhance human capital, which in turn leads to increased likelihood of starting and operating a high performing new venture (DeTienne & Cardon, 2012). Similarly, studies find that educated business owners are more likely to possess enhanced critical thinking skills, which help them better navigate the challenges associated with operating a business in an increasingly complex environment (Tocher & Rutherford, 2009). Further, educated business owners are better able to develop social capital (e.g. Davidsson & Honig, 2003) and acquire tangible resources (Greve, 2009), which should make them more likely than less educated owners to persist with business ownership (e.g. Lechner, Dowling, & Welpe, 2006). Supporting the above notion, better educated owners were found to be much less likely to close their businesses than less educated owners (Coleman, Cotei, & Farhat, 2013). Finally, seminal research suggests that education likely enhances owner persistence intentions as studies found that owner formal education enhanced firm performance, decreased owner exit, and increased owner commitment (Cooper, Folta, Gimeno-Gascon, & Woo, 1992; Gimeno et al., 1997). The above suggests that educated owners will be more likely to persist with business ownership and thus we advance the following:

Hypothesis 3. Owner education will enhance persistence intentions such that the more educated the owner, the more likely the owner will be to persist with business ownership.

Competencies and Persistence

Owner competencies (i.e. self-efficacy, opportunity recognition ability, managerial skill) are defined here as high order proficiencies which afford owners the chance to successfully operate their businesses (Man, Lau, & Chan, 2002). These competencies can be classified as personal or general in nature (Baum, Locke, & Smith, 2001), meaning that they relate more to the competencies of the owner than to the business and can thus be applied to different settings as opposed to being limited to a specific business (Frey & Rupert, 2013). Research suggests that owner competencies will enhance persistence intentions. For example, studies find that owner self-efficacy is positively associated with persistence intentions and perceived success (Cardon & Kirk, 2015; Gibson, 2010) while seminal research found that competencies such as managerial skill, political savvy, and opportunity recognition ability enhance owners chances to operate high performing firms (Chandler & Jansen, 1992). Such competencies are also positively associated with owner satisfaction (Shane, Locke, & Collins, 2003) and owners' chances to establish innovative firms (Mohsin, Halim, Ahmad, & Farhana, 2017). Given these findings along with the logical argument that competent owners are more likely to operate successful firms that are more desirable to own, we posit that owner competencies will enhance persistence intentions. As such, the following is advanced:

Hypothesis 4. Owner competencies will enhance persistence intentions such that the more competencies the owner possesses, the more likely the owner will be to persist with business ownership.

Owner Personal Investment and Persistence

Owner personal investment in the business is also expected to enhance persistence intentions. Specifically, research finds that a high level of personal investment is positively associated with persistence intentions, particularly for underperforming firms (DeTienne et al., 2008). This somewhat counter intuitive finding is actually consistent with self-justification theory in that attitudes may be biased to justify past behavior, leading owners to feel that their reputations depend on the success or failure of their business (De Clercq & Voronov, 2009). Persisting in operating an underperforming firm is also aligned with the escalation of commitment phenomena (Staw, 1981), in that owners may find themselves in a situation where the more they invest in a business, the less willing they are to give up on a business (Stam & Elfring, 2008). Conversely, research also finds that firms with high owner equity percentages experienced fewer financial difficulties during their early years (Tost, 2011) suggesting that owners will persist because a firm with fewer financial difficulties is more desirable to continue owning (Oswald et al., 2009). Finally, large owner investment also likely enhances owner persistence intentions because a high personal financial stake in the business likely motivates an owner to work harder for a longer time period to justify the investment (Cardon & Kirk, 2015). Since research indicates that large owner financial investments enhance persistence regardless of firm performance, we advance the following:

Hypothesis 5. Owner personal investment will enhance persistence intentions such that the higher the owner's personal investment, the more likely the owner will be to persist with business ownership.

Method

Data was gathered from a sample of small manufacturing businesses in Harris County, Texas. All of the firms sampled were listed in either the Dun & Bradstreet Regional Directory-Houston, the Directory of Texas Manufacturers, or the State of Texas Sales Tax Files. Firms were eligible for sample inclusion from each of the sources if they were located in Harris County, were privately and independently owned, and had fewer than 500 employees. This process resulted in a total of 1,891 firms being selected for sample inclusion. The survey was sent out twice and then followed up by a reminder to all potential participants.

Of the 1,891 firms that were sent a survey, 109 were returned as undeliverable and could not be contacted by telephone, 34 of the businesses indicated they had an established policy of not participating in studies, 23 of the businesses were later found to be located outside Harris County, 16 of the businesses were no longer in operation, 10 businesses were discovered to be branches of larger corporations, and one firm failed to meet the pre-established criterion of having less than 500 employees. Of the 1,698 firms eligible to respond, potentially usable responses (i.e., responses with at least some potentially usable data) were returned by 369 of the businesses, resulting in a 21.73%response rate. Of these 369 potentially useable responses, the number of responses containing a complete set of variables necessary for current analyses ranged from 280 to 283 depending on the dependent variable being analyzed.

Persistence Intentions

Owner commitment, owner willingness to sell or close the business, and owner effort were each measured as proxies of persistence intentions. These three measures are acceptable metrics of the construct and should serve as strong indicators of persistence intentions (Holland & Garrett, 2015). Commitment was assessed by 6 items similar to those used by Kanning & Hill (2013). Cronbach's alpha for the items used was .75, which is considered acceptable by conventional standards (Cohen, Cohen, West, & Aiken, 2003). To measure owner willingness to sell or close a business, the respondents were asked to indicate whether they would sell or close their business if annual sales were changing at 8 different rates ranging from decreasing 75% annually, decreasing 50% annually, decreasing 25% annually, decreasing 10% annually, increasing 10% annually, increasing 25% annually, increasing 50% annually, and increasing 75% annually. The highest level of change in sales at which the respondent indicated they would be willing to voluntarily sell or close their business (i.e. sales increasing 50% annually) was used as a proxy for willingness to sell/close. Effort level was measured as the average hours per week worked on the business by the owner. The respondent was asked to provide the average hours per week worked on the business over the past year to help control for the effects of seasonal demand.

Owner Characteristics

The five owner characteristics of future expectations, satisfaction, education level, competency, and personal investment were assessed in this study. Future expectation was measured as the percentage change between expected future annual sales and current annual sales. Satisfaction was measured by asking respondents to assess their satisfaction with the profitability, growth, and productivity of the business by indicating their feelings on a five point Likert-type scale ranging from very satisfied to very dissatisfied. The three satisfaction measures were combined to form one overall measure of satisfaction. The Cronbach's alpha for the three satisfaction measures was .71, which is considered acceptable by conventional standards (Cohen et al., 2003). Education level was measured as the highest degree earned by the respondent ranging from high school or GED to doctorate. Opportunity recognition (Cronbach's alpha = .71), political savvy (Cronbach's alpha = .59), and managerial skills (Cronbach's alpha = .75) competencies were assessed via items similar to measures used by Mitchelmore & Rowley (2013). Personal financial investment was measured as the owner's total equity in the business. Further details on specific items used for each measure are contained in the Appendix.

Control Variables

Firm size, firm age, owner gender, owner minority status, and owner annual compensation from the business were all controlled for in the study. Firm size was measured as the composite of the standardized scores for the number of full-time equivalent employees of the business and the total assets of the business. Firm age was measured as the number of years since the business had its first sale. Gender was dummy coded with 1 = male and 2 = female. Minority status was also dummy coded with 1 = minority owner and 0 = non-minority owner. Total annual owner's compensation was measured in categories with 1 = less than \$10,000, 2 = between \$10,000 and \$24,999, 3 = between \$25,000 and \$49,999, 4 = between 50,000 and \$74,999, 5 = between \$75,000 and \$124,999, 6 = between \$125,000 and \$249,999, 7 = between \$250,000 and \$999,999, and 8 = more than \$1,000,000.

Results

The means, standard deviations, and correlation coefficients of the variables used in this study are presented in Table 1. The criteria used to select firms for inclusion into the sample provided considerable diversity within the total sample on key characteristic variables. Notably, firm size was a composite measure of full time equivalent employees (mean = 23.65) and total assets (mean = \$1,502,548).

To test the hypotheses, multiple regression analysis was used. The results of the analysis are presented in Table 2. The model tested had a significant overall effect, as measured by the F test, on commitment ($p < .001$) and on effort ($p < .01$). The model also had a marginally significant effect on the entrepreneur's willingness to sell or close the business ($p < .10$). Owner compensation was positively related to owner effort ($p < .10$), suggesting that higher compensated owners worked more in their businesses than less compensated owners.

Mixed support was found for the hypotheses. Hypothesis 1, which predicted that owner expectations would be positively associated with persistence intentions was supported. The hypothesis was tested by regressing growth expectations on owner commitment, effort, and willingness to sell/close the firm. Positive associations between expectations/commitment and

Table 1
Means, standard deviations, and correlation coefficients

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Firm Size[a]	.00	2.56														
2. Firm Age	17.88	15.25	.18***													
3. Gender	1.09	.32	-0.11*	.01												
4. Min. Status	.14	.35	-.01	-.16**	-.02											
5. Commitment	4.31	1.75	.40***	.21***	-.20***	-.14**										
6. Commitment	24.43	4.24	.13*	.05	.02	.02	.21***									
7. Sell or Close	-43.82	55.67	-.03	.10†	.07	-.04	-.03	-.16**								
8. Effort	44.91	19.61	.04	.00	.01	.06	.06	.00	-.04							
9. Growth Expect	.76	3.56	-.05	-.09†	.03	.12*	-.19***	-.06	-.10†	.16**						
10. Satisfaction	9.93	2.73	.07	-.01	.01	-.10†	.33***	.40***	-.17***	.01	-.03					
11. Education	2.51	1.21	.18***	-.05	-.14**	.09†	.04	-.08	.05	.06	.11*	-.14**				
12. Manage. Skill	15.37	2.57	.04	.08	.04	.02	.08	.13*	-.04	-.06	.00	.30***	.01			
13. Political Savvy	7.48	1.53	.06	.11*	-.05	-.06	.16**	.13*	.00	.01	-.06	.27***	-.06	.49***		
14. Oppor. Recog.	11.70	2.29	.04	.02	-.04	.11*	.02	.14**	-.04	.16**	.01	.19***	.03	.29***	.32***	
15. Personal Invest	577111	1428623	.61***	.15**	-.11*	-.03	.38***	.11*	.04	-.07	-.05	.10†	.07	.01	.06	.09†

[a]Firm size is a composite measure of standardized scores of full time equivalent employees (mean = 23.65) and total assets (mean = $1,502,548).

Correlations were performed using listwise deletion; N = 280

† Significant at .10

* Significant at .05

** Significant at .01

*** Significant at .001

Table 2
Regression of control and independent variables on proxies for persistence intentions (i.e., commitment, willingness to sell or close the business, and effort)

	Proxies of Persistence Intentions		
	Commitment	**Sell or Close**	**Effort**
	N = 283	**N = 282**	**N = 280**
	Commitment	Sell or Close	Effort
	N = 283	N = 282	N = 280
Firm Size	.09	-.12	.03
Firm Age	.07	.07	-.01
Gender	.01	.08	.05
Minority Status	.07	-.05	.06
Owner's Compensation	.06	.04	.11†
Growth Expectations	.09†	-.11†	.14*
Satisfaction	.34***	-.21**	-.01
Education Level	-.05	.05	.09
Managerial Skill	.01	-.05	-.18**
Political Savvy	.03	.07	.01
Opportunity Recognition Ability	.06	.03	.22***
Personal Investment	-.01	.10	-.13†
F	5.08***	1.70†	2.41**
R^2	.18	.07	.10

Standardized Estimates Reported
† Significant at .10
* Significant at .05
** Significant at .01
*** Significant at .001

expectations/effort, along with a negative association between expectations/willingness to sell or close indicate support for Hypothesis 1. Results find marginal support for the expectations/commitment relationship ($p < .10$), marginal support for the expectations/willingness to close/sell relationship ($p < .10$), and support for the growth expectations/effort relationship ($p < .05$). Such results do indeed suggest that the higher future growth expectations, the more likely owners are to persist with business ownership. In particular, the finding that future growth expectations is strongly associated with effort indicates that either owners adjust their effort levels to match their expectations of future growth or that future expectations are adjusted to match the effort of the owner.

Hypothesis 2, which predicted that owner satisfaction would be positively associated with persistence intentions was partially supported. The hypothesis was tested by regressing satisfaction on owner commitment, effort, and willingness to sell/close the firm. Positive associations between satisfaction/commitment and satisfaction/effort, along with a negative association between satisfaction/willingness to sell or close provide support for Hypothesis 2. Results demonstrate strong support for the satisfaction/commitment relationship ($p < .001$), strong support for the satisfaction/willingness to sell or close relationship ($p < .01$), and no support for the satisfaction/effort relationship ($p > .10$). These results provide partial support for the notion that satisfied owners will be more likely to persist with business ownership. Interestingly, similar to employees, satisfied owners appear to be more committed and less likely to turn over (e.g. Rubenstein et al., 2015). That said, the lack of any significant relationship between owner satisfaction and effort level also suggests that like employees, owners' satisfaction seems to have little influence on effort (e.g. Harrison et al., 2006). Hence, owners may be highly satisfied with owning a firm for many reasons, but this satisfaction may not indicate any willingness on owners' parts to expend more effort on a firm which they are already satisfied to own.

Hypothesis 3, which predicted that owner education level would be positively associated with persistence intentions was not supported. The hypothesis was tested by regressing education level on owner commitment, effort, and willingness to sell/close the firm. Positive associations were proposed between education/commitment and education/effort, along with a negative association between education/willingness to sell or close. Interestingly, results find no support for any of the proposed relationships ($p > .10$). While previous research suggests a positive association between education and persistence, that relationship may not have emerged here due to factors such as opportunity cost differences between more educated and less educated owners, performance threshold differences between less educated and more educated owners, and business valuation differences between less educated and more educated owners. In addition, perhaps the relationship between education and persistence is weaker than previous studies suggest.

Hypothesis 4, which predicted that the owner competencies of managerial skill, political savvy, and opportunity recognition ability would be positively associated with persistence intentions was partially supported. The hypothesis was tested by regressing the three competencies on owner commitment, effort, and willingness to sell/close the firm. While no support was found for the competency/commitment and competency/willingness to sell relationships, support was found for the competency/effort relationship as opportunity recognition ability was positively associated with effort ($p < .001$). This observation is however complicated by the fact that political savvy and effort were not significantly related and managerial competency and effort were significantly negatively related ($p < .01$). In other words, owners with high opportunity recognition abilities appear to work more while owners who are highly skilled managers appear to work less. A possible explanation for these contradictory findings may be that it takes more effort to identify opportunities, but owners that are highly skilled managers can use that ability to work less hours. Specifically, it may be that owners who work more hours in their businesses are better at identifying opportunities as a result of their increased contact with suppliers, employees, and customers. Similarly, owners who work more hours in their businesses may also be more attuned to environmental and industrial conditions, giving them another advantage in recognizing opportunities. However, owners who possess greater managerial competence may make more efficient use of their time through proper delegation, allowing them to work fewer hours, perhaps explaining the negative relationship between managerial skill and effort.

Hypothesis 5, which predicted that owner personal investment would be positively associated with persistence intentions was largely not supported. The hypothesis was tested by regressing personal investment on owner commitment, effort, and willingness to sell/close the firm. Our results find no support for the personal investment/commitment or the personal investment/willingness to sell or close relationships and only marginal support for the personal investment/effort relationship ($p < .10$).

In summary, results suggest that owners with higher future expectations, satisfaction levels, and who are skilled at recognizing opportunities will be likely to persist with business ownership. Conversely, investment and education of owners likely has little association with persistence. Such results suggest that optimistic, satisfied, and alert individuals may be more willing to operate businesses for longer time periods, indicating that research may want to investigate how to convince such individuals to undertake small business ownership.

Discussion

Research suggests that a complex relationship exists between owner persistence intentions, owner exit decisions, and business failure (DeTienne & Cardon, 2012). While failure research suggests that business termination primarily results from a lack of planning and operating skills on the part of owners (e.g. Chen, 2015), exit research suggests that owners often voluntarily exit successful businesses for myriad reasons such as work life balance, cashing out, and pursuit of other opportunities (e.g. Justo et al., 2015). Notably

Table 3
Summary of hypotheses and findings

Hypothesis	Findings
Hypothesis 1. Owner future expectations will enhance persistence intentions such that the more rewards the owner expects to receive, the more likely the owner will be to persist with business ownership.	• Marginal support for the expectations/commitment relationship ($p < .10$) • Marginal support for the expectations/willingness to sell or close relationship ($p < .10$) • Support for the growth expectations/effort relationship ($p < .05$)
Hypothesis 2. Owner satisfaction will enhance persistence intentions such that the more satisfied the owner, the more likely the owner will be to persist with business ownership.	• Support for the satisfaction/commitment relationship ($p < .001$) • Support for the satisfaction/willingness to sell or close relationship ($p <.01$) • No support for the satisfaction/effort relationship ($p > .10$)
Hypothesis 3. Owner education will enhance persistence intentions such that the more educated the owner, the more likely the owner will be to persist with business ownership.	• No support for any of the proposed relationships ($p > .10$)
Hypothesis 4. Owner competencies will enhance persistence intentions such that the more competencies the owner possesses, the more likely the owner will be to persist with business ownership.	• No support for the competency/commitment relationship ($p > .10$) • No support for the competency/willingness to sell or close relationships ($p > .10$) • Support for the competency/effort relationship as opportunity recognition ability was positively associated with effort ($p < .001$)
Hypothesis 5. Owner personal investment will enhance persistence intentions such that the higher the owner's personal investment, the more likely the owner will be to persist with business ownership.	• No support for the personal investment/commitment ($p > .10$) • No support for the personal investment/willingness to sell or close relationship ($p > .10$) • Marginal support for the personal investment/effort relationship ($p < .10$)

however, such research has focused little attention on owner persistence intentions, leaving scholars to ponder whether certain individuals are more likely than others to persist with business ownership. Given this gap, the present paper provides one of the first examinations of the relationship between owner characteristics and persistence intentions. Using a sample of 380 small manufacturing firms, we find future expectations, satisfaction, and opportunity recognition abilities to be positively associated with owner persistence intentions, suggesting that optimistic, alert, and satisfied individuals may be more likely to persist with business ownership than comparable others who are less optimistic, alert, and satisfied. As such, study findings have several important implications.

Perhaps the key implication of our study is that personal characteristics of the business owner are an important factor that influences the discretionary persist/exit decision. Our study suggests that owners who expect their firms to do well, are satisfied with operating their firms and who have a strong ability to recognize opportunities are more likely to persist with operating a business which could either be exited or kept in operation. Importantly, exit research indicates that many owners make a discretionary decision to either continue operating or stop operating firms which are viable entities (e.g. Hsu et al., 2016). Our paper complements the exit literature by suggesting that the decision to persist, as well as the decision to exit, is often likely based on factors other than owner planning and operational proficiencies (e.g. Holland & Garrett, 2015; Nagy et al., 2017). As such, our findings suggest that research on the owner characteristics persistence intentions relationship should continue. While our study suggests that optimistic, alert, and satisfied owners may be more likely to persist with business operations, it also raises many interesting new research questions. For example, what additional personal characteristics influence owner persistence? Do past experiences, functional background, personality, and particular orientations influence that decision too? Similarly, do persistent owners operate more profitable firms than firms owned by less persistent owners? And, does the owner characteristics/persistence intentions remain consistent over time or is it more intense during startup, legitimacy attainment, or growth? Future research will help answer these questions and further enhance scholarly understanding of the owner characteristics/persistence intentions relationship.

Next, study findings suggest that failure research must acknowledge the role of owner characteristics in the discretionary exit decision and clearly define the definition of business failure. Notably, failure research often classifies firms that are closed, sold, combined with other businesses, and restructured into different ownership forms as failed businesses (Wagner, 2013). Additionally, failure research implicitly counts voluntarily discontinued firms as failed firms (Holland & Shepherd, 2013). These common practices lead to the press, business advisory agencies, politicians, and society citing exaggerated failure rates (Hsu et al., 2016). If such entities subscribe to a grossly exaggerated business failure rate percentage, it will in turn almost certainly discourage individuals (particularly persistent individuals with viable market offerings) from starting businesses (Gibson, 2010), costing society the economic impact of viable firms which are never launched (Tocher, Oswald, & Hall, 2015). Given this, future research needs to properly define business failure as firms which are forced out of the market by economic forces and recalculate the business failure percentage based on that definition (Justo et al., 2015).

Notably, media reports have cited the business failure percentage as high as 90%, despite any substantial evidence to back up that claim (Kessler, 2014). Other more reputable studies find that over 60% of businesses fail within their first six years of operations (Small Business Facts, 2012). While we do not dispute that business failure rates are high, we simply assert that a more accurate failure percentage is needed and that research should acknowledge the possibility that owner characteristics likely influence the discretionary exit/persist decision (Pett & Wolff, 2016; Rita et al., 2018). Identifying an accurate failure rate and acknowledging that owner characteristics influence that rate will help scholars (1) identify owners which will be more likely to exit viable firms and (2) reduce the likelihood that potential business owners with viable market offerings will be discouraged from starting firms.

Third, our study implies that discretionary business exit could be decreased by simply getting optimistic, satisfied, and alert individuals to take on business ownership and discouraging others from undertaking the daunting process. Given study findings that optimistic, satisfied, and alert individuals are more likely to continue operating businesses, it follows that if such individuals were encouraged to start businesses and others were discouraged, discretionary exit could potentially be decreased (Williams Jr. et al., 2018). We certainly acknowledge that market forces, business acumen, and access to critical resources determine which business owners will eventually be successful (Stam & Elfring, 2008). That said, research findings that experienced business owners are more likely to persist with business ownership (Schenkel, D'Souza, Cornwall, & Matthews, 2015) as well as findings suggesting that it takes businesses an average of 8 years to reach consistent profitability and 12 years to be fully legitimized (Rutherford et al., 2016) suggest that owner persistence is critically important to business survival and success. And, given our study findings that optimistic, satisfied, and alert owners are more persistent, it seems that encouraging such individuals to undertake business ownership in the first place would enhance persistence and in turn decrease discretionary exit.

However, our study also begs the question of is it advisable to encourage persistent individuals to undertake business ownership? While an increased number of persistent owners may decrease discretionary exit, it is not clear if owner persistence influences firm profitability. Thus it is not clear if encouraging persistent individuals to undertake ownership will help the economy. On one hand, it seems reasonable that persistent business owners would gain valuable experience, helping their firms achieve high performance levels. On the other hand, it is possible that owner persistence simply helps firms remain operational and has no aggregate influence on firm performance. Hence, future research should examine the owner persistence/firm performance relationship.

Similarly, our research leads one to wonder if business support entities such as the SBDC should attempt to rescue viable businesses by finding more persistent owners to operate them. Exit research suggests that many owners make discretionary decisions to stop operating profitable enterprises for a variety of reasons (e.g. Justo et al., 2015). Further, failure research suggests that getting a business through its first years of operations is highly critical to its survival (e.g. Wagner, 2013). Given this, perhaps business support agencies such as small business development centers should work to connect highly persistent individuals with existing businesses to operate instead of helping them start new ones. Regardless of the accuracy of the statistics, all research indicates that business startup is a highly risky proposition (Hsu et al., 2016), yet local, state, federal, and foreign governments pour tons of resources into helping individuals start new firms (Small Business Facts, 2012). Perhaps a much better use of some of those resources would be to identify optimistic, satisfied, and alert individuals and link them up with businesses to operate that would otherwise be closed by other less persistent owners. While future research is needed to investigate the above quandary, it is at least worth considering if whether business support entities should consider using some resources to match persistent individuals up with viable businesses to operate.

Future Research

The present study highlights many interesting areas for research. First and foremost, our study's finding that a positive association exists between personal characteristics and owner persistence suggests that such research should continue. Both validation studies of our findings and examinations of the relationship between additional personal characteristics (i.e. functional background, past experience, personality) and persistence intentions are needed.

Next, as discussed extensively above, research needs to be conducted to identify a more accurate business failure rate. Current research suggests that over 60% of businesses fail within 6 years (Small Business Facts, 2012), but such estimates categorize business formation transitions (i.e. proprietorship to an LLC) as a failed business and a new startup business instead of an existing business making a legal transition. Such studies also implicitly count discretionary owner exit decisions as failures instead of discretionary exits (Hsu et al., 2016), exaggerating the failure rates and potentially discouraging potential new venture founders (Tocher et al., 2015). Hence, it is critical to both scholars and the economy that research identify a more accurate business failure rate.

Further, while the finding that owner characteristics are positively associated with persistence intentions discovered here is interesting and informative, future research is needed to determine if persistent owners operate profitable ventures. Opportunity recognition research suggesting that experienced entrepreneurs are more likely to persist with venture formation supports the notion that a persistent owner would gain valuable experience through his/her years of ownership persistence, increasing his/her firm's performance levels (Schenkel et al., 2015), but again, future studies are needed to validate such a proposition.

Finally, future research should consider examining the owner characteristics persistence/intentions relationship with time series data. While this study examined and found evidence for a positive association between owner characteristics and persistence intentions, future studies that examined a continuous set of firms in varying industries over several years could answer some very intriguing questions. For instance, do owners' persistence intentions remain constant or do they tend to vary throughout stages of firm ownership? Do owner characteristics have varying influence on persistence intentions in different industries? While we studied the owner characteristics/persistence intentions relationship in the manufacturing industry, it may be far easier to persist in industries like the service industry and more difficult to persist in others such as the biomedical industry. Similarly, there may be a critical persistence threshold whereby if an owner persists for a certain number of years or a certain point in profitability their chances of persisting for many more years increases dramatically (Rutherford et al., 2016; Schenkel et al., 2015). While the present study's findings are interesting and informative, answering the above questions in future studies would greatly clarify scholarly understanding of the owner characteristics/persistence intentions relationship.

Limitations

Like all studies, this one has limitations. A first study limitation is that owner persistence intentions was measured at a single point in time. As noted above, time series data would have helped determine a causal relationship between owner characteristics and persistence intentions. Studying small firm owners in the manufacturing industry represents another limitation. Hence, we are not able to say if our findings can be generalized to a more broad population of firms. Given that manufacturing is a difficult industry in which to survive, it follows that if the owner characteristics/persistence intentions relationship exists in manufacturing, it likely exists in many other industries such as service and retail that are far easier in which to maintain operations. However, future studies of the owner characteristics/persistence intentions relationship in a multiple industry sample are desirable.

Another limitation of the study is that persistence intentions were not directly measured in this study. Rather, three proxy measures of persistence intentions (commitment, willingness to sell or close, and effort) were used. While persistence may be able to be measured more directly and other proxies of persistence may exist, we decided not to combine the three proxies of persistence intentions into a single measure because each captures a somewhat distinct aspect of persistence intentions. For example, while an owner may feel a great deal of commitment to a business, she may also realize that she may have to sell or close the business due to financial performance issues. Similarly, an owner may be very committed to continue business ownership, but through experience may have found ways to decrease his/her effort. Data collection using self-report survey responses from owners is also a study limitation. Objective metrics are preferable in any study. While it is a notable limitation, self-report data has been found to be reliable when gathered from firm owners (Nayyar, 1992; Tan & Litschert, 1994). Further, data collection on the two main study variables of owner characteristics and owner persistence intentions are typically collected via self-report surveys, as few other methods exist to gather such information (e.g. DeTienne, 2010).

That said, since single source data gathering introduces the chance of common method variance (CMV), we conducted Lindell and Whitney's (2001) marker test to check that CMV did not influence study findings. This test requires identification of a marker variable that in theory should not be related to the variables of interest and then partialling out the correlation of the marker and the variables of interest. If the interest variables are still correlated after accounting for the marker variable, it can be concluded that CMV did not account for study results (Lindell & Whitney, 2001). We conducted this test by partialling out the influence of gender and then testing that owner characteristic and persistence intentions were still significantly correlated. Gender was chosen because there does not appear to be any reason why it would be theoretically related to either the personal characteristics examined or an individual's persistence intentions (e.g. Batchelor, 2015). Results indicated that the significant correlations between owner characteristics and persistence intentions (i.e. future expectations, opportunity recognition ability, and satisfaction on persistence intentions) were still significantly correlated after partialling out gender. Hence, while self-report data remains a limitation, we did not find evidence that CMV effected study results (Lindell & Whitney, 2001). Despite these limitations, we assert that since our study is one of the first examinations of the owner characteristics persistence intentions relationship, its findings are noteworthy and thus future research should continue to examine the topic.

Conclusion

The main finding of the present study is that personal characteristics are a key factor that influence owner persistence intentions. The positive association between owner characteristics discovered in this paper in conjunction with the complementary nature of such findings to the exit literature's findings that myriad personal factors influence owners' decisions to continue operating their firms provide significant evidence of such an assertion. Given this, it appears that researchers should continue examining the owner characteristics/persistence intentions relationship. We certainly acknowledge that countless factors affect an owner's decision to either exit or persist with firm ownership. However, study results suggest that personal owner characteristics are an important variable whose influence upon the persist/exit decision should be better understood.

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