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More than money: socioemotional wealth, rurality and small business owner exit intentions

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Abstract

Purpose – We examine how socioemotional wealth (SEW) and rurality influence small-business owners' exit intentions. With over 50% of US small businesses owned by individuals over 55 and most lacking succession plans, understanding how non-financial factors drive exit intention is critical for economic continuity.

Design/methodology/approach – A multinomial logit model was used to analyze the exit intentions of 471 US small business owners. The sample was divided by age cohort to provide further insights into exit intention. The study employed the validated REI scale to measure SEW across four exit strategies.

Findings – Business owners with high SEW were more likely to choose stewardship strategies rather than liquidating or selling to outsiders. Both older and younger rural business owners were less likely to sell their business to outsiders. Female business owners were less likely to sell to family members. Minority business owners were less likely than White business owners to choose liquidation.

Practical implications – Results highlight the urgent need for succession planning education in rural communities. Policymakers and financial advisors could tailor succession resources by SEW score, provide more support for rural owners and design culturally responsive programs for minority owners.

Originality/value – Theoretically, we extend the behavior agency model by establishing SEW as a valid reference point for understanding loss aversion in exit decisions. Methodologically, we validate the REI scale for both family and non-family businesses, providing researchers with a reliable tool to measure SEW across heterogeneous contexts. Empirically, we document novel findings regarding how rurality and race shape exit intentions.

Keywords Exit intention, SEW (socioemotional wealth), Rurality, Race, Small business

Paper type Research article

1. Introduction

Baby Boomer business owners are retiring in record numbers. Over 50% of businesses in the United States have business owners over the age of 55 (United States Census Bureau, 2020), and 10.8 million small businesses have owners who are at least 50 years old (United States Small Business Administration, 2022). These owners will need to determine how and when they will exit their businesses, but research shows that 58%–70% of small business owners have no transition strategy or succession plan (Securian Financial Group, 2015). This mass exit of small business owners, otherwise known as a "silver tsunami", will have a significant economic impact in the United States and specifically, in rural communities that suffer from population

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decline. Rural population decline leads to lower consumer demand, and in turn, to small business closures and lower quality of life, forming a vicious cycle (de Guzman *et al.*, 2020).

The fear of this "silver tsunami" for rural small businesses is not unlike the ever-present worry about the advanced average age of US farmers, which is 58 years (USDA NASS, 2022), and its implications for the next generation of farmers. However, age is not the problem. The problem is the lack of understanding that how one plans to exit their business has implications for the business owner, their business and its long-term strategies and the community where the business is embedded. Exit intentions are often developed in early stages of the firm and influence future decisions and behaviors (DeTienne *et al.*, 2015).

Previous literature has been preoccupied with what factors lead to entrepreneurial exit, and researchers have tended to focus on the exit of the firm rather than business owner exit. Those who have focused on small business owner exit (see Cefis *et al.*, 2022 for a review of literature) have tended to focus on how family businesses exit or on comparisons between family and non-family businesses (Chirico *et al.*, 2020). However, Chirico *et al.* (2020) state that more research is needed on the differing exit choices of family and non-family owners. It is important to study how small business owners plan to exit their businesses, in other words "exit intention" (DeTienne and Wennberg, 2014; Lindblom *et al.*, 2020), because transferring control of a business is a precarious challenge for ownership, management and family. The exit process is significant because it represents a once-in-a-lifetime event that requires business owners to consider financial, strategic, legal and socioemotional issues. The transfer of ownership and management within the family is only one of several options. Every option includes a transfer of corporate control that in many ways defies a purely financially logical decision (Symeonidou *et al.*, 2022; Kammerlander, 2016). In other words, the firm is an asset from which many business owners derive emotional significance that exceeds financial value. Ultimately, the owner's emotional ties to their business affects their exit choices.

It is understood that rural economic activity cannot be separated from social contexts (Wigren-Kristoferson *et al.*, 2022). Small businesses are embedded in their communities, which allows them access to resources but can also serve as a barrier to opportunities. At the exit stage, embeddedness has been shown to be tied to the family, the business location and social connections, which can affect a business owner's exit strategy (Bird and Wennberg, 2016). In fact, Yoo *et al.* (2014) have shown that embeddedness may limit rationality, which may in turn lead to strategies that are not necessarily profit maximizing. Community embeddedness, social ties and transgenerational control are factors associated with socioemotional wealth (SEW).

We base our study on the behavior agency model (BAM) by Wiseman and Gomez-Mejia (1998). BAM is an underpinning conceptual framework for SEW preservation and suggests that SEW is an important stock that business owners want to retain even if it results in decreases financial returns. SEW is a concept that refers to the non-financial aspects of business ownership that provide emotional and psychological value to family members, such as identity, control and legacy (Zellweger and Astrachan, 2008; Zellweger *et al.*, 2013; Miller and Le Breton-Miller, 2014). SEW is an important consideration in the context of business owner exit intention because it can influence their decision-making process. Yet, the level of SEW may not be the same across every family business as family businesses are heterogenous (Gómez-Mejía and Herrero, 2022) and, for that matter, so are non-family businesses. Research has shown that business owners with high levels of SEW were less likely to exit by either closing or selling their businesses, even when facing financial difficulties or poor business performance. Rural business owners, in particular, may be reluctant to sell their businesses to "newcomers" in their communities. This occurs because business owners may prioritize the preservation of SEW over financial gain or business success (Miller *et al.*, 2011; Miller and Le Breton-Miller, 2014; Chirico *et al.*, 2020; Symeonidou *et al.*, 2022). However, most of this research uses family ownership as a proxy for SEW.

Our study makes four significant contributions to the literature on small business owner exit intention, advancing both theory and empirical measurement. First, we advance BAM by demonstrating that SEW, not just financial performance, can serve as a reference point triggering loss aversion behavior in exit decisions. While prior research used BAM to explain family business exit behavior under financial distress (Chirico *et al.*, 2020), we extend the theory to show its predictions hold when affective endowment is the primary frame of reference. Second, we address the critical measurement gap in SEW research by validating the REI scale developed by Hauck *et al.* (2016) among US family *and* non-family small businesses. This is the first empirical validation in this context. There are scant empirical replication and validation of SEW scales in the family business literature (Hauck *et al.*, 2016; Gómez-Mejía and Herrero, 2022), and little evidence that SEW is indeed higher in family businesses than in non-family businesses.

Third, we use the REI scale to examine the effect of SEW on the exit intentions of small business owners. This represents the first study to use any validated SEW scale (FIBER, REI, SEWi) to empirically model exit intention. Other researchers have used family ownership and/or control as a proxy for SEW which is inadequate for capturing SEW's influence on exit strategies (Hauck *et al.*, 2016; Swab *et al.*, 2020). Fourth, we use a unique dataset of small, privately held US businesses, which provides a diverse sample of small business owners. Notably, we provide the first examination of how race influences exit intention, a variable absent from prior research. Most research on business owner exit has used publicly traded firms or privately held firms in the European context (Chirico *et al.*, 2020; Viljamaa *et al.*, 2024). There is also little research on the exit intentions of rural small business owners in the United States outside of agriculture. Brauer (2006) called for more research on business owner exit that focused on privately held small- and medium-sized firms, and Nordqvist *et al.* (2013) discussed the need for research on exit intentions.

We used three multinomial logit models to identify the predictors associated with four common exit options utilized by small business owners in the United States. The exit intention outcomes include: (1) giving the business to family, (2) selling the business to family, (3) selling the business to outsiders or (4) liquidating the business. We first modeled the entire sample of 471 small business owners and then split the sample into two age cohorts (age 55 and over and 54 and under). We found that *family* and *non-family* business owners can be placed on a continuum of SEW endowment. Younger business owners with high SEW were more likely to choose stewardship exit strategies (give or sell the business to family) rather than sell to outsiders or liquidate their businesses. Rural business owners (both younger and older), compared to their urban business owners, were also less likely to choose selling to outsiders. Unexpectedly, we also found that race and gender played a role in exit intention. Female business owners were less likely to sell to family than male business owners. Racial/ethnic minority business owners were less likely to liquidate their businesses than White business owners.

2. Literature and hypotheses

2.1 Behavioral agency theory and exit intentions

While researchers have studied exit strategies, a single theory or perspective that would guide model development does not exist (DeTienne *et al.*, 2015). We base our study on the BAM (Wiseman and Gomez-Mejia, 1998), an underpinning theory for SEW, that suggests that business owner decision-making is focused on balancing the potential gains and losses in the stock of affective endowment (Gomez-Mejia *et al.*, 2007). An assumption of BAM is that an owner's risk preferences are shown through their strategic choices which have implications for both the business owner and the firm (Wiseman and Gomez-Mejia, 1998). Underlying these risk preferences to balance gains and losses is the business owner's loss aversion, where a loss averse business owner makes choices to avoid losses rather than limit the size of the loss. This is different from a risk averse business owner who prefers lower risk options at the expense of financial returns.

Chirico *et al.* (2020) used BAM to study firm exit using financial distress as the reference point. They used ownership structure (family vs non-family) and proposed that family businesses were more likely to choose stewardship strategies (continuation and merger) than harvesting strategies (selling and liquidation). They found that, even under financial distress, family businesses were more apt to continue and less likely to sell or liquidate than non-family businesses.

BAM suggests that SEW is an important stock that business owners want to preserve even if it results in suboptimal decisions from a financial perspective. This desire to preserve (or avoid losing) their SEW endowment may cause business owners to choose exit strategies that do not maximize financial returns. We extend BAM by positioning SEW as the salient reference point for small business owners when contemplating exit strategies. In other words, exit threatens SEW preservation, which can trigger loss-aversion behavior. We also extend its applicability by demonstrating that BAM's predictions hold when SEW rather than financial wealth is the primary reference point for exit intention.

2.2 Measuring socioemotional wealth

Family business researchers have suggested that SEW is a distinguishing characteristic of family businesses (Gomez-Mejia *et al.*, 2007; Berrone *et al.*, 2012; Cennamo *et al.*, 2012; Zellweger *et al.*, 2013; Chua *et al.*, 2015; Hauck *et al.*, 2016). SEW has been referred to as the emotional utility derived by the business-owning family from the business. It has also been defined as the non-economic goals of the family business. SEW, which was based on prospect and behavioral agency theories, has been used as the foundational concept for the divergence between the strategic management decisions made by family business owners compared to non-family business owners (Gomez-Mejia *et al.*, 2011; Brigham and Payne, 2019).

Berrone *et al.* (2012) developed a 27-item scale with five dimensions of SEW and labeled their scale FIBER: Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members and Renewal of family bonds of the firm through dynastic succession. Bratnicka-Mysliwiec *et al.* (2019) used the FIBER measure in their study of Polish family firms to determine the association between SEW and competitive advantage, and Gast *et al.* (2018) used the scale in their study of Swiss small- and medium-sized family businesses to investigate innovativeness. Although several researchers have used Berrone *et al.*'s (2012) FIBER scale, it has not been used to study exit intention.

Debicki *et al.* (2016) developed a socioemotional wealth importance scale (SEWi) comprised of nine items and three dimensions (e.g. family prominence, family continuity and family enrichment). The SEWi scale was validated using a small sample of US and Polish small- and medium-sized family firms. Their scale has been used to measure firm performance (Alonso-Dos-Santons and Llanos-Contreras, 2019) and family firm benefits (Llanos-Contreras *et al.*, 2020) but has not been used to study exit strategies or exit intentions.

Hauck *et al.* (2016) validated the FIBER scale and developed a shorter version of the scale that consists of nine items within three dimensions. The three dimensions are: Renewal of family bonds through dynastic succession, Emotional attachment and Identification of family members with the firm. Using the REI scale, Hauck *et al.* (2016) analyzed a sample of 216 German family-owned and -managed firms. The REI scale closely follows the definition of SEW by Gomez-Mejia *et al.* (2007, p. 106) of "identity, the ability to exercise family influence, and the perpetuation of the family dynasty". Hauck *et al.* (2016) called for researchers to revalidate and replicate their scale across more heterogeneous firms and different countries. Gómez-Mejía and Herrero (2022) replicated the FIBER and REI scales with Spanish family firms and concurred that the REI scale was a reliable construct for SEW. Umans *et al.* (2019) used the *R* (renewal of family bonds through dynastic succession) portion of the REI scale to assess family firms' intentions for transgenerational succession with Belgian family businesses. However, no other studies have used the REI scale to measure the exit intentions of small business owners.

Other researchers have argued that SEW or the affective utility a business owner derives from owning a firm may also be found in non-family businesses (Miller *et al.*, 2011; Miller and

Le Breton-Miller, 2014; Kammerlander, 2022). Indeed, Brigham and Payne (2019) underscored that SEW could and would be applied to non-family businesses in the future, and thus, SEW as a construct must be better understood. For example, non-family small business owners often work to preserve their personal financial condition and social status, identify strongly with their businesses and derive intense emotional satisfaction from them. These non-financial motivations of non-family small business owners are related to ownership control, identity attachment, risk framing and decision-making, similar to those of family small business owners (Calabrò *et al.*, 2025). However, one would expect that SEW preservation would be higher in family firms than in non-family firms (Gomez-Mejia *et al.*, 2007; Berrone *et al.*, 2012; Reina *et al.*, 2023). Yet, there is scant empirical validation of SEW in the family business literature (Hauck *et al.*, 2016; Brigham and Payne, 2019; Gómez-Mejía and Herrero, 2022), and little empirical evidence that SEW is indeed higher in family businesses compared to non-family businesses. Thus, we empirically test whether family businesses have higher SEW than non-family businesses and propose the following hypothesis (H1):

H1. Family business owners have higher SEW than non-family business owners.

We use the REI scale by Hauck *et al.* (2016) because it captures the stock of affect (SEW) the owner may derive from controlling the firm (Prügl, 2019). Table 1 provides the dimensions and nine items contained in the scale. The second column in Table 1 details the original REI scale shown to family business owners in the survey. Non-family business owners were shown modified items where, instead of *family business and family members*, respondents saw either *business* or *employees*. The third column details the modifications for each item made to the scale for non-family business owners. For example, the text for family businesses in the original REI scale stated, "*Continuing the family legacy and tradition is an important goal for*

Table 1. REI scale (Hauck *et al.*, 2016) and modified items for non-family businesses

REI	Family business items[a]	Non-family business items
Renewal of family bonds through dynastic succession		
R1	Continuing the family legacy and tradition is an important goal for my family business	Continuing the business' legacy and tradition is an important goal for my business
R2	Family owners are less likely to evaluate their investment on a short-term basis	Owners are less likely to evaluate their investment in the business on a short-term basis
R3	Successful business transfer to the next generation is an important goal for family members	Successful business transfer to the next generation is an important goal for my business
Emotional attachment		
E1	In my family business, the emotional bonds between family members are very strong	In my business, the emotional bonds among owners and employees are very strong
E2	Strong emotional ties between family members help us maintain a positive self-concept	Strong emotional ties among owners and employees help us maintain a positive self-concept
E3	In my family business, family members feel warmth for each other	In my business, owners and employees feel warmth for each other
Identification of family members with the firm		
I1	Family members have a strong sense of belonging to my family business	Owners and employees have a strong sense of belonging to my business
I2	My family business has a great deal of personal meaning for family members	My business has a great deal of personal meaning for its owners and employees
I3	Family members are proud to tell others that we are part of the family business	Owners and employees are proud to tell others that they are part of the business

Note(s) [a]Measured on a 7-point Likert scale from (1) strongly disagree to (7) strongly agree
Source(s): Authors' own work

my family business." Our modification for non-family businesses stated, "*Continuing the business' legacy and tradition is an important goal for my business*." According to Gómez-Mejía and Herrero (2022), the ability to measure the level of SEW across family and non-family businesses would elucidate the lack of consensus in the literature, particularly around owner exit strategies (Chirico *et al.*, 2020; King *et al.*, 2021).

2.3 Socioemotional wealth and exit intentions

Succession is one of the most researched topics in family business literature (Benavides-Velasco *et al.*, 2013), yet whether the firm is a family business or not, how an owner expects to exit their business is an important strategic decision (DeTienne and Chirico, 2013) with local economic development implications. We answer the call by Ryan and Power (2012) and Wolfe and Patel (2019) that more research needs to be done on the factors that impact the exit strategies of small business owners.

In our study, we focused specifically on how the current business owner expects to exit the business. We used DeTienne's (2010) definition of owner exit as "the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, to some degree, from the primary ownership and decision-making structure of the firm." DeTienne and Cardon (2012) were among the first researchers to examine *why, when and how* owners make the decision to exit, beyond focusing solely on firm performance. They used threshold theory and SEW as a framework, but did not empirically test SEW in their model.

In their conceptual study, DeTienne and Chirico (2013) operationalized owner exit with three exit strategies: intrafamily succession, business sale and business liquidation. They proxied SEW through reduced threshold performance in family firms to investigate how these factors influenced owner exit strategies and found no relationship. DeTienne *et al.* and others (Zellweger and Astrachan, 2008; Miller *et al.*, 2011; Chirico *et al.*, 2020) proposed that family business owners with higher SEW were more likely to choose intra-family succession and less likely to choose business sale or liquidation (Salvato *et al.*, 2010). Kaciak *et al.* (2020) found that high SEW, proxied by social networks, led small business owners (family and non-family) in the European Union to choose stewardship-based exit strategies. Thus, previous research suggests that business owners seek to protect their endowment of SEW and thus may select exit strategies based on non-financial motives. However, these previous studies use proxies such as ownership structure for SEW and do not use SEW scales as an empirical measure. Thus, we test whether higher SEW will lead business owners to choose stewardship strategies and propose the following hypothesis (H2):

H2. Business owners with higher SEW will be less likely to choose the options of selling the business to outsiders and liquidating the business, rather than choosing the option of giving the business to family, when compared to those with lower SEW.

2.4 Rural business owner embeddedness

Business owners are embedded in their communities through various social, institutional and spatial contexts. Rural entrepreneurs, especially, are embedded in their communities as these contexts are characterized by shared values and interdependence (Korsgaard *et al.*, 2021, 2022). Rural small business embeddedness refers to the close ties and connections that rural small business owners have within their communities. It highlights the importance of local networks, social capital and relationships in the success and sustainability of small businesses operating in rural areas. Rural business owner embeddedness provides these owners with access to local resources and community support. This access to local resources is often owner-specific and cannot be easily transferred to non-family members. Community embeddedness, social ties and transgenerational control are factors associated with SEW.

Rural small business owners are, on average, older than urban small business owners (Templin *et al.*, 2020). Thus, they face the impending issue of how and when to transfer their business. The recruitment and retention of small businesses in rural areas have broad-reaching implications not only for the businesses themselves but also for the communities where they are located (Artz, 2017; Templin *et al.*, 2020; Yu and Artz, 2018). Small businesses located in rural communities face barriers such as limited financing options, fewer options for infrastructure, a lack of skilled employees, limited access to markets and other limiting factors (Woods, 2023). The power of business succession lies not solely with the business owner and their family, but the community can also contribute by highlighting how important succession is, providing resources to rural small business owners and lessening barriers such as monetary barriers, which could limit transition opportunities (Templin *et al.*, 2020).

When rural small businesses close without a new owner, a void often remains in the community (Artz, 2017). This void could be in relation to the rural economy, to employment opportunities for local rural people and to resources or services for the community. On the other hand, rural small businesses could struggle to transition due to the rural community in which they are located. The exit strategies available to rural small business owners could be limited due to a decline in the rural population and a lack of resources available in the rural community. Entrepreneurs who decide to locate their small businesses in a rural area can benefit from location-specific capital, such as lower employee wages and social networks (Yu and Artz, 2018). In fact, Templin *et al.* (2020) found that rural small business owners often accumulate substantial social capital in their communities. This social capital is hard to transfer to the incoming owner. Business owners were also reluctant to disclose that their businesses were for sale, fearing how it would affect their suppliers and employees. Businesses in urban areas were more likely to sell than those in rural areas (Kammerlander, 2016; Symeonidou *et al.*, 2022). Thus, we test whether rural business owners are more likely to choose stewardship exit intentions and propose the following hypothesis (H3):

H3. Rural business owners will be less likely to choose the options of selling the business to outsiders and liquidating the business, rather than choosing the option of giving the business to family when compared to their urban counterparts.

3. Data and methods

3.1 Sample

The data used were from a 2019 survey of small business owners. The 20-minute online survey was built in Qualtrics and distributed through Kantar® to small business owners in the United States. The survey was launched on April 24, 2019, and closed when defined quotas were met (35% female and 20% minority based on US business census statistics) on April 30, 2019 [1]. To qualify for the survey, respondents had to own a business. The survey included questions that focused on SEW, family and business functioning, work–family balance, crisis events and exit intentions.

From the cooperative sample of 910 businesses, 35 businesses were not eligible because they were not business owners, leaving 875 qualified business owners. Two "attention check" questions were included in the survey to help enhance the quality of the collected data. The two attention check questions eliminated 364 respondents. The final sample consisted of 511 complete surveys. For this study, a small business was defined as a business with fewer than 100 employees [2]. We culled those that had over 100 employees and non-responses for a study sample of 471 small businesses. The respondents were on average 44 years old, 53% were women and 31% were BIPOC (Black, Indigenous, People of Color). According to the US Small Business Administration, 43% of small businesses were owned by women and 33% were owned by BIPOC owners (United States Small Business Administration, 2022). The businesses in the sample had an average age of 13 years, an average of 15 employees and 60% self-identified as family businesses.

3.2 Measures

3.2.1 Dependent variable. The measures for all variables are shown in Table 2. The dependent variable is the exit intention of small business owners. The dependent variable is defined as the probability that a business owner expects to give the business to family, sell the business to family, sell the business to outsiders or liquidate the business (Wennberg *et al.*, 2010; DeTienne and Cardon, 2012; DeTienne and Chirico, 2013; DeTienne *et al.*, 2015; Cefis *et al.*, 2022). In our study, this categorical variable is operationalized with four outcomes: (1) if *give the business to family* is chosen, (2) if *sell the business to family* is chosen, (3) if *sell the business to outsiders* is chosen or (4) if *liquidate the business* is chosen. The outcome, *give the business to family*, was used as the reference group.

3.2.2 Independent variables. We used the 9-item REI scale developed by Hauck *et al.* (2016) to measure SEW. Business location was classified into two categories: rural area (rural or town with fewer than 10,000 people) and urban area (town or city with more than 10,000 people). These SEW and rural variables were included in the model to test their association with business owner exit intentions.

Owner demographics, such as gender and age, have been used as control variables to study business owner exit intentions. Justo and DeTienne (2008) found that gender was a significant predictor of exit intentions, with female business owners less likely to exit their businesses than male business owners. DeTienne and Cardon (2012) also found that age was an important variable in predicting the exit decision-making process, as older business owners were more likely to exit their businesses than younger business owners. Wolfe and Patel (2019) also found that demographic factors, such as the life-cycle stage or age of an individual, affected firm owner exit. Additionally, race and ethnicity may play a role in the exit decision-making process, although we found no studies that used these variables.

Business characteristics, such as business age, legal structure, business income, number of employees and industry, are also essential control variables in the study of business owner exit intention. We also asked business owners whether they considered their businesses to be family businesses. Miller *et al.* (2011) found that family business owners were less likely to sell their businesses, even when they received offers that exceeded their expectations. Similarly,

Table 2. Variable names and measures

Variables	Measures
Dependent variable	
Exit intention	1 = sell to outsiders; 2 = sell to family; 3 = give to family (reference); 4 = liquidate
Independent variables	
SEW	REI scale for socioemotional wealth measured on a 7-point Likert scale from (1) strongly disagree to (7) strongly agree
Rural location	1 = rural area or town less than 10,000 people; 0 = town more than 10,000 people
Family ownership	1 = owner considers businesses as a family business; 0 = otherwise
Female owner	1 = owner is female; 0 = owner is male
BIPOC owner	1 = owner is Black, Indigenous, person of color, or Hispanic; 0 = owner is White
Owner age	Owner age in 2019
Business age	Age of business in 2019
Sole proprietor	1 = business is a sole proprietorship; 0 = other types of legal structure
Ln business income	Log of annual business income in 2018
Employees	Number of full and part-time employees
Wholesale	1 = wholesale trade and food services industry; 0 = otherwise
Production	1 = agriculture, mining, construction, manufacturing; 0 = otherwise
Services	1 = trade professions such as finance, education, healthcare, and entertainment; 0 = otherwise

Source(s): Authors' own work

others have found that family business owners were more likely to use traditional exit strategies, such as passing the business on to family members or retaining partial ownership rather than liquidate (Kammerlander, 2016; Madanoglu *et al.*, 2020). DeTienne and Cardon (2012) found that business age was positively associated with exit intentions. Symeonidou *et al.* (2022) found that businesses with a limited liability structure were more likely to exit than those with a sole proprietorship or partnership structure. Additionally, business income, number of employees and industry have also been connected to business exit strategies, with higher levels of income and employment being less likely to sell than those with lower levels of income and employment (Kammerlander, 2016; Symeonidou *et al.*, 2022).

3.3 Model

We used a multinomial logit model (MNL) to analyze the choice of exit strategy with the outcomes numbered 1–4 indicating selling the business to outsiders, selling the business to family, giving the business to family or liquidating the business. The respondent could choose the outcome that matched how they intended to exit their business. This model is used with discrete dependent variables, such as the one we use, which has four outcomes without natural ordering. The respondents faced the same choice set; thus, the MNL is the appropriate model for this study. We analyzed exit intention across the entire sample and then split the sample by age cohort to better understand how exit intention may differ for business owners closer to retirement. One cohort was comprised of business owners age 55 and over, and the other cohort included business owners age 54 and under.

An assumption associated with the MNL model is the independence of irrelevant alternatives (IIA). This means that our dependent variable “exit intentions” must include all possible alternatives as values (Mehmetoglu and Jakobsen, 2022). We used the seemingly unrelated estimation (*suest*) version of the Hausman test in Stata (StataCorp, 2021) to evaluate the IIA assumption. If we cannot reject the equality of the coefficients across models, then our model can proceed as the IIA assumption will hold (Mehmetoglu and Jakobsen, 2022). Our test results showed (Prob > $chi^2 = 0.75$) that the IIA assumption was not violated. We used the generalized Hosmer–Lemeshow goodness-of-fit test for multinomial logit models by Fagerland and Hosmer (2012). The test statistic $p = 0.92$, which is greater than 0.05, indicates the model is a good fit. We found no multicollinearity present in the model. We conducted various robustness checks with alternative models, such as using a mixed logit, multivariate probit and a nested logit. The results we obtained from these models were similar to the MNL without better performance. We also split the sample between family and non-family businesses, and SEW was statistically significant for both.

4. Results

4.1 Validating the REI scale

Testing the reliability of the REI scale provided the expected results shown in Table 3 (refer to Table 1 for item definitions). Scale reliability was tested by computing the Cronbach’s alpha and the Raykov’s reliability coefficient (RRC), which is seen as more accurate (Mehmetoglu and Jakobsen, 2022). The items for emotional attachment (E) and identity (I) proved to be highly reliable for family *and* non-family businesses with Cronbach’s alphas and RRCs greater than 0.70. Results for the items related to renewal of family bonds (R) were mixed for the family business group, with a Cronbach’s alpha of 0.54 and RRC of 0.61. However, the RRC for non-family businesses (0.76) exceeded the required 0.70 threshold. The item for R2 (family owners are less likely to evaluate their investment on a short-term basis) seemed not to be a good fit for family businesses, but the modified version for non-family businesses was reliable. This result concurs with the study by Gómez-Mejía and Herrero (2022) which found that item R2 had the weakest loading when it was tested on family businesses. However, our results

Table 3. REI and REI individual items for family and non-family businesses (N = 471)

Item	Family businesses (n = 283) Mean (St. D.)	Non-family businesses (n = 188) Mean (St. D.)	All small businesses (N = 471) Mean (St. D.)
REI scale***	5.57 (1.01)	4.42 (1.40)	5.11 (1.31)
Cronbach's alpha	0.89	0.92	0.92
RRC[a]	0.88	0.93	0.92
(R) Renewal of family bonds through dynastic succession			
R1***	6.01 (1.62)	4.54 (1.93)	5.43 (1.91)
R2	4.46 (1.77)	4.28 (1.62)	4.38 (1.71)
R3***	5.38 (1.67)	4.29 (1.87)	4.95 (1.85)
Cronbach's alpha	0.54	0.70	0.63
RRC	0.61	0.76	0.71
(E) Emotional attachment			
E1***	5.70 (1.36)	4.57 (1.66)	5.25 (1.56)
E2***	5.72 (1.34)	4.82 (1.67)	5.36 (1.54)
E3***	5.76 (1.28)	4.70 (1.65)	5.34 (1.53)
Cronbach's alpha	0.88	0.87	0.89
RRC	0.89	0.87	0.89
(I) Identification of family members with the firm			
I1***	5.86 (1.27)	4.52 (1.80)	5.33 (1.64)
I2***	5.86 (1.25)	4.52 (1.78)	5.33 (1.62)
I3***	6.01 (1.16)	4.54 (1.81)	5.43 (1.62)
Cronbach's alpha	0.88	0.94	0.93
RRC	0.87	0.94	0.93

Note(s): *** denotes statistically significant at the 0.001 level, [a]Raykov's reliability coefficient (RRC)
Source(s): Authors' data

indicate that the REI scale was reliable for both family (RRC = 0.88) and non-family businesses (RRC = 0.93), and the total sample (RRC = 0.92).

As hypothesized (H1), we found that family businesses do have, on average, higher REI scores and, thus, higher SEW than non-family businesses. Family business owners scored higher not only on the REI scale in total but also on every individual item in the scale. All but one of the items were statistically significantly different between the two groups. However, the reliability of the modified REI scale for non-family businesses empirically confirms what previous literature has hypothesized but not tested (Miller *et al.*, 2011; Miller and Le Breton-Miller, 2014) that non-family businesses do exhibit SEW.

4.2 Descriptive statistics

Descriptive statistics by owner exit intentions are shown in Table 4. Business owners who chose selling or giving to family as an exit strategy had higher SEW scores and were more likely to be family businesses than those who chose selling to outsiders or liquidation. Owners who chose to liquidate were more likely to be older, female, with slightly older businesses, sole proprietors, have less income and fewer employees.

4.3 Results of MNL models

We used three MNL models to analyze the exit intentions of small business owners. The first model used the entire sample, and the results and marginal effects are shown in Table 5 and

Table 4. Characteristics of small business owners ($N = 471$)

	Give to family ($n = 206$) Mean (S.D.)	Sell to family ($n = 64$) Mean (S.D.)	Sell to outsider ($n = 84$) Mean (S.D.)	Liquidate ($n = 117$) Mean (S.D.)
SEW	5.64 (0.94)	5.37 (1.02)	4.98 (1.20)	4.17 (1.53)
Rural	0.37 (0.48)	0.50 (0.50)	0.24 (0.43)	0.37 (0.49)
Family ownership	0.71 (0.45)	0.81 (0.39)	0.54 (0.50)	0.35 (0.48)
Female owner	0.54 (0.50)	0.36 (0.48)	0.51 (0.50)	0.64 (0.48)
BIPOC owner	0.36 (0.48)	0.45 (0.50)	0.35 (0.48)	0.11 (0.31)
Owner age	42.05 (12.38)	38.77 (11.86)	40.80 (12.97)	53.93 (13.40)
Business age	12.78 (11.49)	13.55 (13.42)	13.12 (11.27)	14.01 (11.84)
Sole proprietor	0.67 (0.47)	0.44 (0.50)	0.62 (0.49)	0.73 (0.45)
Ln business income	11.71 (2.22)	11.20 (2.62)	11.61 (2.75)	10.83 (2.39)
Employees	18.65 (22.85)	21.86 (27.22)	17.60 (23.28)	4.69 (11.94)
Wholesale	0.28 (0.45)	0.38 (0.49)	0.24 (0.43)	0.21 (0.41)
Production	0.30 (0.46)	0.25 (0.44)	0.20 (0.40)	0.11 (0.32)
Services	0.42 (0.50)	0.38 (0.49)	0.56 (0.50)	0.68 (0.47)

Note(s): Production includes agriculture, mining, construction, manufacturing; Wholesale includes wholesale trade and food services; Services includes trade professions such as finance, education, healthcare and entertainment. Rural: remote area and/or town less than 10,000 people

Source(s): Authors' data

Table 5. Multinomial logit model results (reference: give business to family) ($N = 471$)

	Sell to family		Sell to outsider		Liquidate	
	Coeff	Std err	Coeff	Std err	Coeff	Std err
SEW	−0.39***	0.13	−0.56***	0.13	−0.73***	0.13
Rural	0.48	0.32	−0.75**	0.32	−0.31	0.38
Family ownership	0.77**	0.30	−0.32	0.30	−0.81***	0.33
Female owner	−1.01***	0.31	−0.37	0.31	−0.10	0.31
BIPOC owner	0.17	0.30	−0.39	0.30	−1.44***	0.43
Owner age	−0.02*	0.01	−0.03**	0.01	0.04***	0.01
Business age	0.01	0.01	0.02	0.01	−0.01	0.01
Sole proprietor	−1.03***	0.29	−0.16	0.29	0.03	0.30
Ln business income	−0.08	0.07	−0.02	0.07	−0.04	0.07
Employees	0.00	0.01	0.002	0.01	−0.03*	0.01
Wholesale	0.18	0.34	−0.46	0.34	−0.56	0.35
Production	−0.38	0.38	−0.77**	0.38	−1.12***	0.44
Constant	3.07**	1.15	4.54***	1.15	3.21***	1.16
Model fit statistics						
Wald Chi^2/Sig	162.57/0.00					
Psuedo R^2	0.22					
AIC	1027.71					
Hosmer–Lemeshow	15.09/0.92					

Note(s): $*p < 0.10$; $**p < 0.05$; $***p < 0.01$. Robust standard errors. Production includes agriculture, mining, construction, manufacturing; Wholesale includes wholesale trade and food services; Services (reference) includes trade professions such as finance, education, healthcare and entertainment. Rural: remote area and/or town less than 10,000 people

Source(s): Authors' data

Table 6, respectively. The second and third models analyzed the split sample by age cohort, where the older cohort consisted of owners age 55 and older and the younger cohorts consisted of owners age 54 and under. The cohort results and marginal effects are shown in Table 7.

As hypothesized (H2), the effect of SEW on exit intention was statistically significant and negative for the options of selling the business to outsiders and liquidating the business, as compared to giving the business to family (Table 5). For every point increase in SEW, the probability that business owners would sell the business to outsiders or liquidate the business decreased by six percentage points and seven percentage points, respectively (Table 6). SEW was statistically significant and negatively associated with selling the business to family compared to giving it to family. For every point increase in SEW, the probability that business owners would sell the business to family decreased by one percentage point. On the other hand, the probability that a business owner would give the business to family increased by 14% points. High SEW business owners were more likely to choose a stewardship exit strategy such as giving the business to family that would not place a financial burden on the next generation such as selling it to family. This finding is consistent with BAM's core prediction that business owners use their SEW endowment as a reference point. When SEW is high, loss aversion behavior motivates owners to avoid exit strategies that would lessen their non-financial wealth.

SEW was also statistically significant in the cohort models (Table 7). For the older cohort, SEW was only statistically significant for the intention to liquidate the business, implying that an increase in SEW decreased the probability that the older cohort would liquidate their business by 14% points. SEW was negative for the younger cohort for selling to family, selling to outsiders and liquidating. This indicates that for the younger cohort a one point increase in SEW decreased the probability of selling to family by two percentage points, selling to outsiders decreased by 10% points and liquidating decreased by five percentage points. The differential effect of SEW across age cohorts aligns with BAM's proposition that reference points may shift as owners approach retirement. Younger business owners, with longer time horizons, show a stronger loss aversion toward SEW and thus are more likely to choose stewardship exit intentions.

We hypothesized that rural business owners were more likely to choose exit intentions that lead to stewardship strategies such as keeping family control and less likely to harvest or liquidate their businesses than their urban counterparts (H3). H3 is supported in that rural business owners were associated with a 13% point decrease in the probability of selling to

Table 6. Marginal effects of multinomial logit model for statistically significant variables

	Give to family	Sell to family	Sell to outsider	Liquidate
SEW	0.14	−0.01	−0.06	−0.07
Rural	0.05	0.09	−0.13	−0.02
Family ownership	0.06	0.09	−0.04	−0.12
Female owner	0.11	−0.09	−0.03	0.02
BIPOC owner	0.13	0.05	−0.03	−0.16
Owner age	0.001	0.003	−0.01	0.01
Sole proprietor	0.08	−0.12	0.003	0.03
Employees	0.002	0.001	0.0005	0.003
Production	0.19	0.003	−0.08	−0.10

Source(s): Authors' data. Conditional marginal effects at means. Production includes agriculture, mining, construction, manufacturing; Wholesale includes wholesale trade and food services; Services (reference) includes trade professions such as finance, education, healthcare and entertainment; Rural: remote area and/or town less than 10,000 people

Table 7. Multinomial logit model results and marginal effects by age cohort (reference give business to family) ($N = 471$)

	55 and over cohort ($n = 123$)			54 and under cohort ($n = 348$)		
Exit intention	Coeff	Std. err	Marginal effects	Coeff	Std. err	Marginal effects
Sell to family						
SEW	−0.19	0.42	0.006	−0.49***	0.19	−0.024
Rural	−0.90	1.08	−0.026	0.84***	0.35	0.132
Family ownership	1.35	1.01	0.051	0.76	0.49	0.118
Female owner	−0.08	0.97	0.001	−1.21***	0.38	−0.133
BIPOC owner	−0.74	1.16	0.007	0.39	0.33	0.080
Business age	0.02	0.03	0.000	0.00	0.02	0.000
Sole proprietorship	−1.69**	0.85	−0.050	−0.96***	0.34	−0.121
Ln business income	0.04	0.12	0.003	−0.10	0.06	−0.011
Employees	0.00	0.02	0.001	0.01	0.01	0.001
Wholesale	1.20	0.91	0.045	−0.06	0.41	0.023
Production	0.35	0.84	0.016	−0.58	0.46	−0.010
Constant	−1.63	3.92		2.80**	1.30	
Sell to outsider						
SEW	−0.27	0.21	0.006	−0.74***	0.16	−0.098
Rural	−2.85*	1.69	−0.170	−0.64*	0.38	−0.129
Family ownership	0.91	0.77	0.058	−0.41	0.35	−0.079
Female owner	−0.93	0.73	−0.055	−0.30	0.35	−0.010
BIPOC owner	−1.43	0.90	−0.033	−0.30	0.33	−0.030
Business age	0.00	0.02	0.000	0.02	0.02	0.003
Sole proprietorship	−0.93	0.77	−0.035	0.00	0.33	0.023
Ln business income	0.09	0.17	0.008	−0.03	0.07	−0.003
Employees	−0.06**	0.03	−0.003	0.00	0.01	0.001
Wholesale	0.34	0.96	0.020	−0.70*	0.38	−0.111
Production	1.66	1.12	0.112	−1.26***	0.43	−0.177
Constant	0.34	2.47		4.60***	1.16	
Liquidate						
SEW	−0.62***	0.19	−0.140	−0.92***	0.18	−0.051
Rural	−0.03	0.48	0.111	−0.73*	0.39	−0.054
Family ownership	−0.16	0.52	−0.101	−1.01**	0.43	−0.080
Female owner	−0.06	0.50	0.019	−0.25	0.41	0.001
BIPOC owner	−1.51**	0.77	−0.309	−1.84***	0.49	−0.143
Business age	0.01	0.02	0.002	−0.03	0.02	−0.002
Sole proprietorship	−0.49	0.50	−0.053	0.42	0.39	0.045
Ln business income	−0.08	0.10	−0.024	0.01	0.11	0.002
Employees	−0.02	0.03	−0.004	−0.04*	0.02	−0.003
Wholesale	−0.08	0.62	−0.057	−0.62	0.43	−0.034
Production	−0.35	0.81	−0.153	−1.50***	0.55	−0.086
Constant	4.79***	1.65		5.92***	1.47	
Model fit statistics						
Wald Chi^2/Sig	73.36/0.00			145.57/0.00		
Psuedo R^2	0.20			0.20		
AIC	295.92			775.04		
Hosmer–Lemeshow	14.08/0.72			23.34/0.18		

Note(s): *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$. Robust standard errors. Production includes agriculture, mining, construction, manufacturing; Wholesale includes wholesale trade and food services; Services (reference) includes trade professions such as finance, education, healthcare, and entertainment. Rural: remote area and/or town less than 10,000 people

Source(s): Authors' data

outsiders compared to their urban counterparts. Based on the total sample results, rural business owners were more likely to liquidate their business than sell it to outsiders. The cohort models provide further insights on how rurality may be associated with exit intention. Older rural business owners were 17% points less likely to sell to outsiders, but rurality was not statistically significant for selling to family or liquidating. In contrast, younger rural business owners were 13% points more likely to choose the intention to sell to family and five percentage points less likely to choose the intention to liquidate. Nonetheless, as with the older cohort, younger rural business owners were 13% points less likely to choose the intention of selling to outsiders.

Figure 1 demonstrates the conditional marginal effects for the interaction between SEW and rural ownership. Across all four panels, we demonstrate that SEW (identity and community embeddedness) had a significant effect on exit strategies. As SEW increased, the probability of rural and urban business owners giving their business to family increased (Panel A) with little difference between the two locations. Interestingly, Panel B demonstrates that as SEW increased, the probability of selling the business to family members decreased among rural business owners, whereas it increased among urban business owners. The probability of selling to outsiders (Panel C) is lower for rural business owners than urban business owners, but as SEW increases, the probability that an urban business owner will sell to outsiders decreases and almost converges with that of rural business owners. At low SEW, the probability of liquidating (Panel D) is higher for rural business owners. However, as SEW increases, the probability that a rural business owner will liquidate their business decreases.

Figure 2 demonstrates the conditional marginal effects for the interaction between SEW and rural ownership by age cohort for selling the business to outsiders. Panel A shows that older rural businesses owners are less likely to sell to outsiders regardless of SEW. Younger business owners (Panel B) show a strong negative relationship between SEW and selling to outsiders. Younger rural business owners are much less likely to sell to outsiders than their urban counterparts, but the larger confidence intervals suggest more variability in the younger cohort's behavior. SEW and rural location appear to matter primarily for the younger cohort; higher SEW strongly reduces their willingness to sell to outsiders, while the older cohort shows little willingness regardless of SEW level.

Figure 1. Effect of SEW and rural on the probability of exit options. Source: Authors' own work

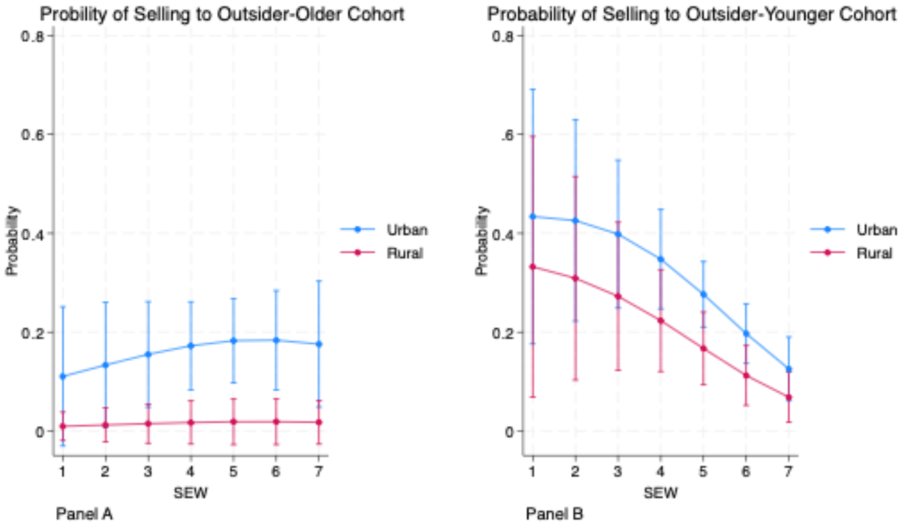

Figure 2. Effect of SEW and rural on the probability of selling to outsiders by age cohort. Source: Authors' own work

Business owner demographics influenced the choice of exit strategy. Female owner was statistically significant and negative for selling to family and BIPOC owner was statistically significant and negative for liquidating. Specifically, the probability that female owners, compared to their male counterparts, would choose to sell to family rather than give to family decreased by nine percentage points. This was particularly true for younger female business owners, who were 13% points less likely to choose selling to family. Similarly, the probability that BIPOC owners, compared to their White counterparts, would choose to liquidate their business (rather than giving the business to family) decreased by 16% points. Indeed, both older and younger BIPOC owners were less likely to have the intention to liquidate their businesses by 31% points and 14% points, respectively. Owner age was statistically significant and negative for the choices of selling the business to outsiders and selling the business to family, whereas it was statistically significant and positive for the choice of liquidating the business. The cohort models indicate that age did play a role in the choice of exit intention as evidenced by the different factors associated with each exit intention by age cohort.

In the first model with the entire sample, we found that business characteristics also influenced the choice of exit intention. Family business owners were more likely to choose stewardship strategies than non-family business owners. Specifically, family ownership was statistically significant and positively associated with the choice of selling the business to family, while it was statistically significant and negatively associated with the choice of liquidating the business. Marginal effects indicate that as compared to non-family business owners, the probability of a family business owner selling to family members increased by 10% points and the probability of giving to family members increased by six percentage points. The probability of family business owners liquidating the business decreased by 12% points, compared to non-family business owners. Sole proprietor businesses were statistically significant and negative, suggesting that owners with sole proprietorships were less likely to choose selling the business to family compared to giving the business to family. The number of employees was statistically significant and negative for liquidating the business, but the marginal effect was zero. Owners with production businesses were less likely to choose selling (eight percentage points) or liquidating (by 10% points).

The age cohort models indicate that business characteristics were more important for younger business owners. Older business owners that were sole proprietors were less likely to sell to family by five percentage points compared to the twelve percentage point decrease for younger business owners. For the intention of selling to outsiders, number of employees was statistically significant and negative for the older cohort, and having a wholesale or production business was negative and statistically significant for the younger cohort. Younger business owners were less likely to choose to sell to outsiders by 11% points if they owned a wholesale business and 18% points if they owned a production business. Business characteristics were only statistically significant for the younger cohort for the intention to liquidate. The intention to liquidate decreased by eight percentage points if younger owners had family ownership, decreased by 0.3% points if each employee and decreased by nine percentage points if they had a production business.

5. Discussion, implications and limitations

5.1 Discussion

The results of this study show that indeed, SEW can be measured in both family and non-family businesses. Because businesses are heterogenous, using the REI scale to measure SEW allowed us to locate family and non-family businesses along a continuum as suggested by Gomez-Mejia and Herrero (2022) and Reina *et al.* (2023). Employing the REI scale to measure SEW is an important contribution to the literature as we replicate and validate the REI scale in the US context with a diverse sample of small business owners. Our results contribute to the literature on the influence of SEW on small business owners' exit intentions, while empirically using the REI scale as a measure of SEW *in addition* to family ownership which has been typically used as a proxy for SEW. Researchers who referred to SEW as an explanatory variable have discussed it as a theoretical concept and used family ownership or involvement as a proxy (Wennberg *et al.*, 2010; Miller *et al.*, 2011; DeTienne and Cardon, 2012; Kammerlander, 2022; Chirico *et al.*, 2020; Symeonidou *et al.*, 2022).

BAM suggests that SEW is an important endowment that business owners want to preserve even if it results in suboptimal decisions from a financial perspective. In accordance with BAM, we demonstrate that SEW impacted owner exit intention and furthermore led to the results that small business owners with high SEW were more likely to choose stewardship strategies, while small business owners with low SEW were more likely to choose harvesting strategies and liquidation. SEW played a more important role in the exit intention choices of younger small business owners than those closer to retirement. We extend BAM's applicability by demonstrating that its predictions of loss aversion behavior hold when SEW is the primary reference point for exit intention. Specifically, BAM predicts that decision-makers will take greater risks to avoid losses than to achieve equivalent gains. Our results demonstrate that owners with high SEW are "risk averse" toward harvesting strategies (selling to outsiders and liquidation) because these options represent a loss of their SEW endowment. Conversely, stewardship strategies (e.g. transferring to family) preserve SEW by maintaining family control, identity and legacy, which are core components measured by the REI scale.

Rural business owners would choose stewardship strategies if intrafamily succession was an option but have decreased intention of selling their business to outsiders than their urban counterparts. However, there were distinct differences by age cohort with younger rural business owners more likely to choose the intention of selling their businesses to family and less likely to choose liquidating than their urban counterparts. Our results concur with those of Templin *et al.* (2020) who found that rural business owners faced significant barriers to selling their businesses such as financing, inability to let go and owner-specific social capital that made the business successful. From a BAM perspective, rural small business owners' embeddedness represents an additional dimension of SEW, location-specific social capital, that could be irreversibly lost through selling to outsiders. This helps explain why rural business owners across both age cohorts consistently avoided this exit option.

Female owners, compared to male owners, were more likely to give or pass on their business to a family member rather than sell that business to family. This means that these female owners are willing to hand over the control of their business to a trusted family member without the financial transaction that selling would require. This perhaps implies a greater degree of trust in the successor, or possibly a desire to still maintain a connection to the business, albeit not at the helm.

An unexpected result and one that should be explored further is the difference in exit intention based on race and ethnicity. To our knowledge, no other researchers have used race and ethnicity as a control or independent variable to predict exit intention. Our results show that it does play a role in the exit decision-making process; BIPOC business owners were less likely to liquidate their business than their White counterparts. This result implies that BIPOC owners may value keeping the business within the family, and would make an effort to do so, rather than receive the more immediate resource of liquidating their business assets. Potentially, this result leads us to the conclusion that BIPOC business owners value transgenerational wealth. Williams *et al.* (2013) suggested that BIPOC owners viewed their business as a way to transfer not only financial wealth but also SEW.

5.2 Practical implications

According to the Exit Planning Institute (2023), 70% of business owners wanted an interfamily transition and 17% expected to sell their business. However, 78% still had no formal succession plan. By the time these Baby Boomer business owners are ready to retire and/or admit they are willing to sell their businesses, it may be too late to start the succession process. Finding buyers for rural small businesses is difficult. Retiring small businesses owners without family successors are finding that interested buyers cannot make the finances work or that the business' success relied on built social capital that is not easy to transfer to an "outsider". Although the lack of access to funding and capital was acknowledged as a potential barrier for the exit of rural small business owners, little to no solutions to this problem have been identified (Templin *et al.*, 2020).

Considering these challenges, and since high SEW business owners strongly prefer stewardship exits, policymakers could design tax incentives or low-interest loan programs specifically for intra-family transfers (e.g. reduced capital gains taxes for owners who transfer to family members, like agricultural land transfer programs). For low SEW business owners who are more open to selling to outsiders, a "search and match" program connecting them with qualified external buyers would be beneficial. Rural policymakers could create "main street buyer" matching programs similar to the Farm Link programs found in several states that connect retiring farmers with new farmers. These Small Business Link programs could serve rural non-farm businesses by connecting owners to recent retirees seeking encore careers, remote workers seeking lifestyle businesses or returning young adults.

It is also imperative for local government agencies to be involved in the recruitment and retainment of entrepreneurs to rural areas (Artz *et al.*, 2017). Such recruitment could begin in high school with entrepreneurship training and programs to empower students to pursue business ownership by way of succession (familial or non-familial) or opening their own business following graduation. Locally owned firms are vital to maintaining a thriving rural community as they not only provide business opportunities for the next generation but also help maintain the farm sector since most farm families require off-farm jobs.

It is important that Extension services and Small Business Development Centers (SBDCs) provide succession and exit planning education to farmers and rural small business owners during firm formation and as the business matures. They could use a brief SEW screening tool (based on the REI scale) during initial consultations to route businesses owners to appropriate resources. They could route high-SEW owners to successor development resources and low SEW owners to business valuation and buyer-matching services. Owners in the middle of the

SEW continuum may be genuinely ambivalent, so practitioners could develop parallel plans (one for family transfer and one for external sale) and help owners establish decision criteria and timelines for choosing between them. This may be particularly useful as our findings show that SEW reference points change as business owners age. Extension and SBDCs could also invest in next-generation business training programs to ensure successors are prepared to receive the transferred businesses.

The transfer and redistribution of wealth through business owner exit can have significant economic impacts depending on the exit strategy that is chosen. For example, transferring the business to family would likely retain the value of the business for the next generation, while also realizing both economic and non-economic gains for the next generation of owners. Otherwise, liquidating the business could result in an unfavorable opportunity cost for the family (or non-family) that missed the opportunity to procure an established business.

Although most business owners would likely *want* to give or sell their business intra-family, intention alone does not bring that desire to fruition. It is also important to note that, while the presence of SEW is a positive attribute for the business owner and their employees or family, it does not ensure that exit intentions will be met. In either transfer of an operating business to another party or liquidation, financial implications must be considered in the exit process to ensure that an optimal or at least favorable decision is made in terms of both incumbent and successor. Furthermore, it is also important to note that SEW can also have negative consequences for the business, particularly if it prevents owners from making rational exit decisions or adapting to changing market conditions.

For those incumbents who highly value keeping their business within the family, such as female and BIPOC owners, they would benefit from early planning and preparation, so as to not have to make a less desirable decision such as liquidating or selling to an outsider. Therefore, it is important for small business owners to balance their emotional attachment to the business with the financial and strategic considerations of succession planning. Programs should be designed with input from minority business associations and should address barriers BIPOC and female owners may face such as access to capital for family successors, trust issues with mainstream financial institutions and culturally specific business structures.

5.3 Limitations and future research

A limitation of this study is that we used cross-sectional data to study exit intention. Although understanding exit intention is important, a limitation of this study is that we cannot link exit intention to the actual exit strategies used; therefore, our ability to speak to actual exit behavior when succession occurs is limited. Endogeneity between SEW and exit intentions could pose methodological concerns. While our theoretical framework (BAM) assumes that SEW drives exit intentions, the opposite causal pathway is plausible. Reverse causality may exist if contemplating exit options causes small business owners to reassess or rationalize their SEW priorities rather than SEW driving exit decisions. Omitted variable bias can be likely, as unobserved factors such as family conflict and financial pressures may simultaneously influence SEW and the desired exit option. Also, simultaneity presents an additional identification challenge. SEW and exit intentions may be jointly determined through ongoing governance processes rather than existing in a unidirectional causal relationship.

Given these endogeneity concerns, our findings should be interpreted as robust associations rather than causal effects. We can conclude that SEW is a stronger predictor of exit intention and that the relationship is consistent with BAM’s theoretical predictions, but we cannot definitively establish that higher SEW causes business owners to choose stewardship exit strategies. The cross-sectional nature of our data, combined with self-reported measurements of both the SEW and exit intention, preclude causal identification. Our study design lacks the exogenous variation for causal predictions (e.g. randomization, instrumental variables, natural experiment) that would be required to isolate the causal effect of SEW on exit intentions.

Future research could entail using longitudinal data to study exit intention and actual follow through of succession outcomes. Future researchers could accomplish this using the theory of planned behavior (Ajzen, 1991) to understand the process by which older business owners transition from exit intention to actual exit behavior. In addition, another limitation of the study is the omission of potentially relevant variables such as financial readiness, advisor involvement and successor preparedness. These factors would likely impact succession planning and behaviors, and therefore, it would be beneficial for future research to include and highlight these variables as well.

6. Conclusion

As small business owners age, they face the struggle of passing on their businesses to trusted and qualified successors. This decision, though certainly economically significant, is burdened by other socioemotional considerations. Our study found that SEW does impact exit intentions among small business owners. As the American economy relies on small businesses and the significant economic impact of transferring and redistributing wealth through business owner exit, it is valuable to understand the role of SEW in these decisions. Rural communities are particularly vulnerable to this considerable loss of business activity. While understanding the role SEW plays in owner exit decisions is valuable, more research is needed to understand owner exit strategies in both family and non-family small businesses.

Our study highlights the importance of investigating factors beyond financial motivations that may contribute to these decisions. We extend the BAM by positioning SEW, rather than financial performance, as the primary reference point for small business owner exit intention. BAM predicts that decision-makers exhibit loss aversion behavior, and our results confirm that this theoretical prediction holds for non-financial wealth. Small business owners with high SEW endowment are significantly more likely to choose stewardship strategies that preserve their affective endowment. These findings have important theoretical implications. By empirically measuring SEW using the REI scale (rather than proxying it through family ownership), we demonstrate that BAM's predictions apply to both family and non-family businesses. This extends BAM's applicability beyond its traditional use in family business research and suggests that loss aversion toward SEW is a generalized phenomenon among small business owners.

Exit strategies can be difficult for many small business owners to choose because transferring business ownership can be complex and involve many emotions among family members. Business owners who intended to pass their business by either selling or giving to family were more likely to operate that business differently than those who plan on liquidating or selling to an outsider. Based on the findings of this study, business owners' exit intentions, such as stewardship-based exit strategies, can be influenced by preserving their endowment of SEW. Thus, identifying family values, business legacy and pride in the business, as well as sharing these non-economic motives with family members or employees prior to succession can help business owners choose a successor. Since transferring business ownership could present a challenge, business advisors or professional consultants working with business owners should help their clients understand the important role of succession planning and educate them on the values and process of planning for business ownership transition. As more small business owners implement stewardship-based exit strategies, this will ensure the continuity of small businesses beyond their founder to future generations and will have a collectively significant economic impact in the United States.

Notes

1. Human subjects IRB Protocol #1903021874.
2. According to the US Census Bureau, 98% of small firms had less than 100 employees and 89% had less than 20 employees (United States Census Bureau, 2017).

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