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Business Harvesting Strategies for Entrepreneurs

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Abstract

Entrepreneurship plays a pivotal role in our societies, such as employment creation. This is a key to addressing income inequalities leading to poverty reduction and economic growth. As a result of this critical role, the campaign is on establishing more entrepreneurial entities, and there is very little concern regarding harvesting an entrepreneurial entity. Entity harvesting is equally important as setting up a new entrepreneurial venture and this chapter explores this issue. During the harvesting process, the entrepreneur recovers value through the sale of an entrepreneurial entity or its assets. Having spent several years building and adding value to the business, the entrepreneur must design an entity harvesting strategy that would provide maximum returns on the investment of time, effort and money. Several reasons may compel the entrepreneur to harvest the business and this chapter provides some of these reasons based on extant literature and primary data collected from small- and medium-sized entity (SME) owners in Sub-Saharan Africa. Further, the chapter outlines various entity harvesting strategies preferred by SME owners in Sub-Saharan Africa and circumstances at which they deem appropriate to apply such.

Keywords: harvesting, entrepreneur, buyouts, mergers, outright sale

1. Introduction

The start-up process of a new entrepreneurial venture and until such time the entrepreneur decides to exit the business is a contentious issue. On the one hand, the entrepreneur is found working on a business plan intending to start an entrepreneurial venture. On the other hand, the entrepreneur is also found crafting a long-term business harvesting strategy. As contradicting as this may sound, this gives the entrepreneur a clear entrepreneurship roadmap which in many circumstances will be adjusted as the business owner responds to macro- and micro-environmental changes. Having a harvesting strategy upfront is critical for guiding the entity owner towards achieving the business mission. A business harvesting strategy could be characterised as the path to the finishing point at which the entrepreneur is expected to celebrate the sacrifices made, that is, effort, time and money. It is at that finishing point where the entrepreneur recovers the value-added into the business by selling either the firm in its entirety or partly in the form of assets. When this is done, the entrepreneur can start a new entrepreneurial venture or retire completely from the entrepreneurship career.

The significant contribution of entrepreneurship in our societies cannot be underestimated, especially on employment creation [1]. This is a key to addressing

income inequalities leading to poverty reduction and economic growth [2]. As a result of this critical role, the campaign is mainly on establishing more entrepreneurial entities, and there is very little concern about harvesting an entrepreneurial entity [3]. There is very little empirical evidence on this subject from an African perspective [4]. However, it is important to note that entity harvesting is equally important as setting up a new entrepreneurial venture [5]. Resultantly, this chapter contributes to this gap in the literature by exploring this subject matter relying on primary data from SMEs in Sub-Saharan countries (Botswana, Eswatini, South Africa and Zimbabwe). The goal of this chapter is to explore the preferred entity harvesting options of SME owners in Sub-Saharan Africa and to determine why they prefer such options.

The next section will define business harvesting, followed by reasons for harvesting and a discussion on harvesting strategies available to entrepreneurs. The methodology used to gather primary data is explained, and a discussion of the findings is made. The chapter further outlines the implications of investigating small- and medium-sized entities (SME) harvesting practices, areas for further research.

2. Business harvesting

After entity start-up, the entrepreneur invests time, effort and money with the intent of growing the business. The entrepreneur invests time, effort and money to make money from the firm in the future. Through such entrepreneurial efforts, the entity accumulates value and ends up attracting competition. In such instances, the business could be vulnerable to hostile takeovers, and harvesting the business provides the entrepreneur with maximum returns on the investment made. By definition, business harvesting is a systematic practice by which the entrepreneur recovers value gained by the entity through the selling of individual assets or the entire firm as a whole. Various reasons compel the entrepreneur to harvest the entity and the section to follow outlines some of them.

2.1 Reasons for harvesting

Factors beyond the control of the owner or entity management could influence the mentioned entity players to consider harvesting [6]. Macro-environmental factors such as the global pandemic similar to Covid-19 have seen most entrepreneurs harvesting their entities as most entities could not operate under the global lockdown, which has extended for at least 3 months in some countries. Owing to the global lockdown, supply chain networks have been severely affected. Firms that rely on imported raw materials have suffered the most as movement of non-essential goods are currently suspended globally. Some factors leading to business harvest include the untimely death of the entrepreneur, serious ill health, or poor mental health. Unrest in the labour market or loss of key expertise may force the entrepreneur to harvest the business. Generally, harvesting reasons are unique to each entrepreneurial entity [5].

Micro-environmental factors speak to reasons for harvesting the entity which the entrepreneur has significant control over. The first example relates to the goal of the entrepreneur [7]. Some entrepreneurs start an entity and work hard to grow the firm so that it becomes very attractive to competition and later sell the entity for a substantial profit. The second example for wanting to harvest the entity could be that the entrepreneur falls in the category of serial entrepreneurs [8]. These are individuals who start entrepreneurial entities but after running the entity for a

given period, they develop other lucrative business ideas and sell the existing firm to raise the needed capital for the new entrepreneurial venture.

Succession is another micro-environmental reason for harvesting the existing entity and it is common in family business [7]. Under succession, the family business owner steps down and pass entity ownership to the next family member. When the family business is carefully run, through succession, the firm will pass from generation to generation and this may continue over many decades. Further, the entrepreneur may start a new entity hoping that this would afford him free space and more time to himself but only to find out later that business demands are far much greater than envisaged. Traditionally, the entrepreneur still has to balance both home and business demands. Unfortunately, the inability to find a middle point between these competing issues may drive the entrepreneur to the point of harvesting the business. However, not all entrepreneurs fail to balance home and business demands. Some entrepreneurs are good at what they do such that the entrepreneurial entity they have built can outlive their physical and mental strength. When this happens, entrepreneurs often choose retirement as they no longer have the physical and mental strength to keep up with both business and home demands. Resultantly, they recover the value added in the business in the form of cash which in this case could be equated to a retirement package.

Choosing between available business harvesting options may not be that easy for the entrepreneur. Each harvesting option has its advantages and disadvantages. Therefore, the entrepreneur must diligently make the difficult decision to pick the one that would yield maximum returns in line with sacrifices made in building the entity. The next section looks at harvesting strategies that an entrepreneur can exercise.

2.2 Business harvesting options

Several harvesting options exist and these range from buyouts, mergers, outright sale, employee share ownership scheme and an initial public offering. The paragraphs to follow elaborate on the mentioned harvesting strategies.

2.2.1 Buyouts

Buyouts or an outright sale of entity results in the establishment of a new independent entity owned and controlled by managers and sometimes by a private equity entity. Buyouts are generally in five types:

- **Leveraged buyout (LBO).** LBO happens when a large portion of a publicly quoted entity is sold to a private equity firm. During the sale process, the private equity firm gains a larger number of shares.
- **Management buyout (MBO).** In an MBO scenario, the current management of the entity raises funds to buy out the entity owner. In instances where the firm decides to divest in a subsidiary, the current management takes control of a significant amount of equity. As much as the management remains in control of the larger share of the voting equity, to ensure continued smooth flow of operations, that is, firm relations with customers, creditors and suppliers, the previous owner may retain ownership of an equity stake in the firm. This practice is common in family-owned businesses where a small number of managers take control of a portion of equity.

MBO can be extended to other managers or employees and at that point, it then becomes a management employee buyout (MEBO). In many instances,

employees are factored in the equation because of the key expertise they possess. This is common where branches of the entity are geographically dispersed, and it becomes an issue of common sense to involve the branch manager in the MEBO to facilitate easy management control. From a business perspective, the success of the branch becomes of interest to the manager owing to stake ownership. MBO or MEBO is advantageous to the owner as it offers a quick exit. The big disadvantage is that the management may not possess similar entrepreneurial traits to those of the departing owner, leading to the downfall of the newly established business.

- A management buy-in (MBI). External managers are granted the opportunity to buy equity in the firm. Often the challenge here is that the newcomers have no extensive knowledge of the existing business particularly regarding how it operates. In rare cases, newcomers may be from the same sector as the existing business and therefore come with valuable insights concerning technology, knowledge on the competition, and how to grow the business leading to its success.

A more advantageous scenario is a hybrid buy-in/management buyout (BIMBO), and this is where a portion of inside managers and a portion of outsiders both acquire a stake in the firm. This is advantageous in the sense that existing managers have profound knowledge on the operations of the firm, meaning there will be little disruptions. More importantly, the incoming managers bring valuable operational insights towards growing the existing business which may have been missing all along.

- Investor-led buyout (ILBO). The entire entity or part thereof is purchased by a privately owned equity firm. Depending on the circumstances or the state of the acquired firm, new management can be brought to run the affairs of the newly acquired entity. This is normally done to safeguard the investments made, especially when the acquired firm is in a precarious position. Conversely, when the newly acquired firm's affairs are in order, existing management is likely to be retained, or a mix of new management and existing management may be the one responsible for the acquired firm. Unfortunately, in an ILBO, existing managers occupying specific office positions in the firm are normally not given the option to purchase stocks.
- Leveraged build-up (LBU). When the goal of a private equity firm is to generate profits from a buyout or buy-in investment, they practice leveraged build-up. This is where the newly acquired entity, as a result of buyout or buy-in, is used as an investment platform, where a series of acquisitions are continuously added to it, forming a large corporate group. This move brings with it the ability to lure skilled and experienced managers, who can exponentially grow the entity through further acquisitions.

2.2.2 Business mergers

Merging a business is a process where the smaller entity is absorbed, often by a larger entity mostly to provide an extra muscle on the weaknesses of the small entity and to maximise on its strengths. The outcome of a merger is a large and very competitive entity. The entrepreneur who intends to harvest the entity through merging with another firm focuses more on the price, structure and terms of the proposed deal. Where mergers occur, special attention is also given to issues about organisational culture, the coming together of different personnel into a single

entity, and the coming together of different products under one firm. Other issues that need to be addressed are the fears of employees regarding downsizing or retrenchment that may be necessary to ensure the viability and success of the new entity. More important, operational and marketing issues need further attention considering that products and services may have become so diverse as a result of the merger. Management has to decide as to which products and services they will discontinue or continue offering based on each product/service's cash inflow strength. Research and development initiatives and manufacturing methods are some of the issues that will require special attention. More importantly, the entity has to decide with regards to supply chain partners they would want to continue to be in business with. When supply chain partners have been decided, that also influences the distribution channels they will adopt to ensure a hassle-free logistics management process.

2.2.3 Outright sale

The entrepreneur who opts for an outright sale of his firm as the harvesting option sells the entire business to any person who is willing to pay for the asking price. The buyer could be a supplier interested in forward integration, or the customer who is interested in backward integration. Sometimes the buyer is completely a neutral player from another sector whose intentions are to spread and diversify the risk. Often, entrepreneurs shy away from selling the business to the competitor as this entails disclosing or providing access to trade secrets, which could backfire if the deal fails to materialise.

2.2.4 Employee share ownership scheme (ESOS)

Various governments, particularly in developing countries, have been advocating for employee share ownership schemes as a means of maximising productivity and also as a means of fighting the inequality gaps as far as wealth distribution is concerned. In Africa, it is no secret that the majority of the wealth is controlled by a minority who are predominantly white. From the Africans' point of view, this is gross injustice as they feel they are not benefiting from what is rightfully theirs (riches of Africa). To address this challenge, most African countries have crafted and legalised the employee share ownership scheme [9]. By definition, the employee share ownership scheme is a legalised route by which the employer can transfer some or all of the shares to employees who in turn assume ownership of the shares received [10]. By the end of the deal, employees develop a vested interest in the entity's well-being and become motivated to participate strongly in the growth of the entity to realise as much wealth as they can. Through the ESOS, the entrepreneur harvesting the entity receives cash at different intervals on his way out. The advantage is that the management continues to run the entity at the same time benefiting from the scheme. The disadvantage is that this could also result in the loss of the entrepreneurial drive in the entity. Often, the ESOS is best suited for large corporations given the complications surrounding the structuring and mapping of the finances involved.

2.2.5 Initial public offering (IPO)

The entrepreneur who chooses initial public offering as a harvesting option enlist the entity on a public stock exchange and have its shares publicly traded [11]. As attractive as this is, the downside is that the entrepreneur now must account to several shareholders on issues related to entity growth and many other key issues shareholders may be interested in [12]. In other words, this could add more

administrative issues to the entrepreneur that he/she may have not anticipated before choosing this harvesting option.

3. Methodology

This research is exploratory and predominantly quantitative. However, open-ended questions were incorporated to solicit further insights concerning the subject in question. A self-administered questionnaire was designed from extant literature on the subject of entity harvesting. Qualitative data gathered from open-ended questions provided rich insights as to the SME owner's preferred method of harvesting and motivations to harvest the business. A sample of 612 SMEs was approached in Botswana, Eswatini, South Africa and Zimbabwe (Sub-Saharan Africa). Opportunistic convenience sampling was carried out. In the absence of a trusted sampling frame, field workers approached SME owners who were willing to participate in this research. Field workers explained the goal of the research and participants' rights with regards to research that is the right to terminate participation without questions asked, right not to answer questions that infringe on their privacy, anonymity and truthful presentation of their views. Having explained at length issues related to the rights of the participants, their consent was sought and obtained. Descriptive statistics were performed to make the meaning of quantitative data. Similarly, qualitative data obtained were grouped into themes and each theme was observed and monitored in terms of recurrence. Thus, the frequency distribution of each theme was established to determine how popular that theme was among SME owners.

4. Findings

The results presented in this section provide a detailed background of the business owner and the SME. These cover issues related to the age of the business, location of the business, industry or sector in which the business is operating, the ownership structure of the business, the business development stage and sales revenue growth. Further, this section presents findings concerning harvesting practices preferred by small businesses in Sub-Saharan Africa.

4.1 Demographic distribution of SMEs

Data on the year of business establishment for the SMEs were gathered. The findings revealed that 40% of SMEs were between 5 and 10 years old whilst the other 40% were between 10 and 20 years old and 20% of the SMEs were established more than 20 years ago. Therefore, all the SMEs were in business for a considerable amount of time. This implies that the SME owners in question are fairly experienced business players. The findings with regards to the location of the SMEs reveal that 20% of the SMEs were based in Gaborone, Botswana, 25% of the SMEs were based in Harare, Zimbabwe, 40% were based in Johannesburg, South Africa, and 15% of the SMEs were located in Mbabane, Eswatini. Data with regards to sector distribution of the SMEs revealed that 40% were in manufacturing, while mining, tourism, transport and logistics and retail sector were each represented by 15%, respectively. Data further revealed that 60% of the SMEs were registered as private companies, while partnerships and sole traders were both represented by 20%, respectively. The chapter further reveals that all SME owners who participated in this research are multiple business owners with 60% having total control

and ownership of three operational SMEs, while 20% owned four operational SMEs and a further 20% being owners of two operational SMEs.

SME owners were further asked to identify the stage at which they thought their businesses occupied in the business life cycle (the SME at which they were found during fieldwork, that is, ignoring other SMEs they owned). The findings reveal that SMEs were at varying stages of the business life cycle with 20% being at the growth stage, while 40% were at the maturity stage and a further 40% already at their decline stage. A country analysis showing sales revenue growth in the past 12 months shows that SMEs in Botswana realised a more satisfactory movement (44%) followed by SMEs in Eswatini (42%) and SMEs in South Africa represented by 40%. Only 12% of SMEs in Zimbabwe registered satisfactory movement in sales revenue. This could be a reflector of the ongoing economic crisis that has affected the Zimbabwean economy for over a decade. As shown in **Table 1**, Zimbabwean SMEs further leads on the declining sales revenue option as 34% of SMEs registered a decline in sales revenue and 54% registering non-satisfactory movement in sales revenue in the past 12 months.

4.2 SMEs preferred harvesting options

SMEs were given a list of entity harvesting options and were asked to rank in order of preference to identify the harvesting option they would consider when the time of harvest has come. Findings are summarised in **Table 2**. They reveal that the majority of SMEs in Sub-Saharan Africa preferred the outright sale harvesting option, $M = 4.6$, $SD = 0.89$, followed by the management buy-in harvesting option, $M = 4.4$, $SD = 0.89$, mergers, $M = 3.8$, $SD = 1.3$, investor-led buyout, $M = 3.6$, $SD = 1.67$ and leveraged build-ups with $M = 3.4$, $SD = 1.51$ concluded the top five preferred SMEs entity harvesting options.

4.2.1 Justification for choosing the outright sale entity harvesting option

SME owners who identified outright sale as their preferred entity harvesting method cited unavailability of an heir to take over the business, desire to pursue other interest, business reaching its peak performance level, retirement reasons,

Country	Sales revenue movement in the past 12 months	%
Botswana	Satisfactory movement	44
	Non-satisfactory movement	36
	A decline in sales revenue	20
Eswatini	Satisfactory movement	42
	Non-satisfactory movement	28
	A decline in sales revenue	30
South Africa	Satisfactory movement	40
	Non-satisfactory movement	40
	A decline in sales revenue	20
Zimbabwe	Satisfactory movement	12
	Non-satisfactory movement	54
	A decline in sales revenue	34

Table 1.
SMEs sales revenue growth by country.

Harvesting option	Mean score	Standard deviation
Outright sale	4.6	0.89
Management buy-in (MBI)	4.4	0.89
Mergers	3.8	1.30
Investor led buyout (ILBO)	3.6	1.67
Leveraged build-ups	3.4	1.51
Management buyout (MBO)	3.0	1.41
Employ share ownership scheme (ESOS)	2.8	1.30

Table 2.
SMEs preferred entity harvesting options in Sub-Saharan Africa.

Justification	Frequency (%)
Absence of an heir	33
Desire to pursue other interests	22
Business performance reached peak level	18
Retirement plan	12
Uncertain business environment	9
Failure of a business turnaround strategy	6

Table 3.
Reasons behind choosing the outright sale harvesting option.

uncertain business environment and unavailability of a working turnaround business strategy as factors that would drive them to consider an outright sale of the entity. **Table 3** provides descriptive statistics summarising the observed frequencies of the mentioned reasons.

The paragraphs to follow further expand on the findings outlined in **Table 3**.

- **Absence of an heir.** In the absence of an immediate family member to take over the business, SME owners pointed out that it is rather wise for them to cash in on their businesses and enjoy the fruits thereof than to leave the business to a distant relative who never contributed towards the well-being of the entity.
- **Business performance is at peak.** Other SME owners pointed out that they would consider an outright sale harvesting option when the entrepreneurial entity has reached its all high-performance mark. This move is advantageous considering that this is the point where the business will be very attractive to competition and other individuals or organisation interested in a takeover. Given this situation, the entrepreneur has more bargaining power and is more likely to receive a significant amount better than the firm's asking price.
- **Desire to pursue other interests.** The desire to pursue other interests in this research was found to be triggered by the failure of the current enterprise to bring forth the anticipated results. Although some SME owners are genuinely interested in pursuing other business avenues, SME owners pointed out that they would rather cash in on the business especially once signs and symptoms of decline are noticed. They argued that rarely does it pay to continue investing time, effort and money once the business has started showing negative signs of performance.

Conversely, not all SMEs were of the view that they would harvest the entity through outright sale when it is poorly performing. The findings also revealed that most entrepreneurs preferred harvesting their ventures on discovering new and exciting opportunities, which they viewed as more profitable than the existing one. In support, some respondents also argued that where an entrepreneur comes up with a more lucrative business plan that has been well evaluated, the less lucrative venture must be harvested to mobilise funds to finance the lucrative business opportunity. Some SME owners were also quick to emphasise that the culture among SME owners was such that as long as the venture is still viable, there is no reason for harvesting the entity.

- Retirement plan. A few SME owners pointed out they would consider the outright sale as their harvesting strategy and completely retire from the entrepreneurial life. The outright sale harvesting option would provide them with enough funds to sustain them when they are no longer actively involved in business markets.
- Uncertain business environment. A significant number of SMEs particularly those found in the mining sector pointed out that for them, their businesses are largely affected by ever-changing government policies around mineral ownership and the processes involved in the selling of the minerals. The SMEs in the mining sector felt that they are the least protected by regulations. Mining operations are severely threatened by artisanal miners who continuously invade mining shafts and plants. In all this chaos, SME owners blame governments for doing very little to protect SMEs in the mining sector and their employees. When the rule of law is compromised as is the case in the mining sector, an outright sale was the preferred harvesting strategy. This enables the entrepreneur to invest capital in countries where the rule of law is known to be uncompromised.
- Failure of the business turnaround strategy. Unlike some other SMEs who would harvest once symptoms and signs of failure start being noticed, some prefer to try and resuscitate the firm. However, when these efforts fail, they then choose to practice the outright sale harvesting option. The disadvantage of this strategy is that the business may have hit rock bottom a long time ago without the owner noticing. As such, when the new buyer comes, he or she has more bargaining power and the entrepreneur may receive proceeds that are far below the market value of the entity.

4.3 Business merger

The findings reveal that entity merger was the third preferred harvesting option, $M = 3.8$, $SD = 1.30$. A study conducted in India by Mantravadi and Reddy [13] found out that firm profitability levels behaved differently depending on the sector after the merger, with some having their profitability levels increasing yet others experienced a decline. Generally, mergers are known to result in improved profitability for firms that were experiencing a sharp decline in profits. It was therefore very much anticipated for SME owners in Sub-Saharan Africa to at least consider business merger as a harvesting method given its tremendous benefits which include, improved revenues and profitability, faster growth in scale and quicker access to markets, acquisition of new technology, elimination of competition and increased market share [4]. Also, through mergers, firms enjoy tax shields and investment savings.

In this research, SME owners who opted merging with other firms as a harvesting technique cited lack of operating and growth capital as the major reason.

- Lack of operating and growth capital. SME owners pointed out that if the firm is experiencing liquidity challenges, merging with a financially stable firm is the only route to preserving the legacy of the founder and keep initial business ideas, products, or services for a reasonable time in the market. Some of the SME owners pointed out that they had undertaken this harvesting practice before. For the previous mergers to occur, SME owners pointed out that the underlying reason that led to those mergers was liquidity problems. However, family and friends played an influential role in choosing the harvesting option. Other SME owners pointed out that they consider a business merger as it is a welcome opportunity to come out of financial distress without having to approach banks for funding.

4.4 Buyout

The research sought the respondents' views on different types of buyouts they would consider as their harvesting options. The findings imply that buyout options are widely used by SMEs. Buyouts involve a transition from one set of owners to another where the previous owners lose control over the firm and the new ones pay a premium for shares that gives them a controlling interest in the firm. The results on the different types of buyouts as entity harvesting options preferred by SMEs owners show that management buy-in is the second most preferred entity harvesting option, $M = 4.4$, $SD = 0.89$.

The findings reveal that SME owners are willing to surrender their businesses to external management for considerable value than their internal ones. Investor-led buyout (ILBO) was identified as the fourth preferred entity harvesting option, $M = 3.6$, $SD = 1.67$. SME owners argued that if the business is taken over by some investor institutions and is rejuvenated, their peers judge them better than if the same happens with former employees. Leveraged build-ups (LBUs) were identified by SME owners as the fifth preferred entity harvesting option, $M = 3.4$, $SD = 1.51$, whereas management buyout (MBO) was the sixth preferred entity harvesting option, $M = 3$, $SD = 1.41$.

4.4.1 SME justification for preferring various buyout options

SME owners identified the unavailability of a successor, de-risking and entity owner poor health as major drivers for preferring various buyout entity harvesting options.

- No suitable family member to take over the firm. Similar to the outright sale harvesting option, the MBI, ILBO, LBU and MBO entity harvesting options were identified as harvesting options by SME owners citing unavailability of a suitable family member to drive the firm forward when they quit. SME owners experienced displeasure in the idea that a distant relative would inherit the estate in case their close relatives are not business focused. Hence, SME owners preferred to settle for either the MBI, ILBO, LBU or MBO entity harvesting options.
- De-risking. Some SME owners singled out the LBO entity harvesting option. They cited de-risking as their motivation for preferring this strategy. SMEs owners pointed out that the ILBO by design brings in the much-needed capital

to fund business growth initiatives, in the process guaranteeing business continuity. In other words, a portion of SME owners is not interested in total entity harvesting but partial harvest.

- **Poor health.** Some SME owners opted for the ILBO harvesting option citing deteriorating health conditions. In this case, the owner sells a division of a firm instead of the entire firm. Health failure means that the SME owner is no longer able to participate in business affairs daily. In certain instances, the entrepreneur remains hopeful that he or she would recover and be actively involved in the affairs of the entity and possibly buy out the investor. For the hopeful entrepreneur, it is better to have somebody taking care of the firm until the entrepreneur's recovery point, and by design, the ILBO from the SME owner's perspective, it provides this opportunity.

4.5 Employee share ownership scheme (ESOS)

The research findings reveal that the ESOS is the least preferred entity harvesting options among SME owners, $M = 2.8$, $SD = 1.30$. SME owners who preferred this option pointed out that because they would have succeeded in building a strong performance-oriented culture, it was more strategically important for them to involve entity employees in the entity's succession plans. From the SME owner's perspective, having employees who are best performers to own a stake in the firm and participate in running the affairs of the entity would make it easier to pass on the performance-oriented culture to all incoming employees. This is critical in ensuring that the firm's competitive advantage is sustained and the firm's profitability abilities maintained for a foreseeable future.

5. Discussion of the findings

The findings presented in this chapter indicate that both macro- and micro-environmental factors play a significant role concerning the SME owner's preferred entity harvesting strategy. The majority of SME owners in Sub-Saharan Africa pointed out that they prefer an outright sale as an entity harvesting strategy. The results show that this decision is largely influenced by the absence of an heir (macro-environmental factor). SME owners have little control over this aspect and as much as business skills can be learned, people's interest differs upon realising and accepting this reality, SME owners are left with the option of disposing of the entity and salvage the value they may have added to the firm.

The results further reveal that among buyout options, the ILBO is more popular with SME owners as it was more preferred compared to all other buyout options. The findings further reveal that SME owners are worried about the volatility, uncertainty, chaos and unpredictability of the business environment. From the findings, the majority of SMEs are either declining or static and very few are making significant profits as most economies are in a recession. The present circumstances do not help SME owners in Zimbabwe who have consistently braved the economic downturn for over a decade and with the global economy in recession owing to the Covid-19 pandemic, this situation will drastically affect preferred entity harvesting options, possibly from an outright sale to mergers including some of the buyout options.

Despite the global recession that is very likely to have a bearing on preferred entity harvesting options, SME owners are somewhat hopeful that their businesses can have a second life. This is why apart from an outright sale, they believe that

through MBI and mergers, their entities or entity offerings are still relevant to the market. What also can be learned from the findings is that such decisions are not being made only in light of the bad economic situation but it appears they were made right from the start as part of the business plan and continue to be adjusted as the economic situation changes.

However, from findings, it has been observed that SMEs owners appear not ready to give current employees and management a chance to own shares and to run the business as a harvesting option. In contrast to extant literature which pointed out that the ESOS is meant to spread the wealth between entity employees and entity owners, the findings reveal that entity owners are utilising this strategy to secure entity profitability for a longer period by extending share ownership to best-performing employees who in turn will have the obligation to pass on the performance-oriented culture to newly recruited employees.

6. Implications for studying entity harvesting strategies

6.1 Theoretical implications

The chapter explained SME owner preferred entity harvesting strategies making use of primary data collected from four Southern African countries and to the author's best knowledge, by the time of writing, this research is the first to adopt such a strategy. More importantly, this chapter calls for more research to be done in this area and advance the debate on SME owner business exit strategies as they are critical in guiding the owner in achieving the entity's mission. Also, the findings presented in this chapter contribute significantly to the gap in extant literature in the Sub-Saharan Africa region and beyond.

6.2 Practical implications

The findings presented in this chapter point to the notion that the preferred SME owner entity harvesting strategies are largely reactionary. This means that SME owners respond to macro- and micro-environmental factors and by so doing they are more of spectators rather than influencers of the business environment. The only way SMEs can succeed in practicing their original entity harvesting plan without being reactionary is to work diligently and make sure that micro-environmental factors are aligned to their needs. As a result, business consultants, policy-makers and business support institutions can help SMEs in training their employees to be the best performers and ensure that all employees with funds can participate in ESOS. Currently, the practice is that only best performing employees benefit from this initiative defeating the original purpose which it was designed for. Other training activities can be held to help SMEs with risk management skills which would help when the de-risking time comes. SME owner-preferred entity harvesting options are influenced by the unavailability of an heir to take over the reins of the entity. This affects mostly family-owned SMEs. It should be acknowledged that succession is not a short-term endeavour but a long-term issue. Therefore, the search and training for a potential successor should start early to ensure the continuity of the firm. The critical aspect of the succession plan is raising awareness among the current SME owner/managers to kick start the search and preparation for succession early. This will enable them to identify the needed support tools, measures and the relevant infrastructure to enhance the success chances of the incoming an heir. When this is done on time, the thinking is that succession plans would have less effect on the SME owner's preferred entity harvesting strategy.

7. Limitations of the study

The research is exploratory and descriptive. Although this is a stepping stone in trying to answer complex questions around SME owner-preferred entity harvesting strategies, considering that this was a cross-country analysis, issues related to culture and economic outlook were not controlled to determine if they had a major bearing on entity harvesting strategies reported. The reader should, therefore, exercise caution in the interpretation and application of the findings.

8. Future research

Future research should focus on similar harvesting strategies to establish causal relationships and also identifying boundaries in which the SME owner's choice of entity harvesting strategy is directly or indirectly influenced by country characteristics, age of the business and economic outlook. Given that this was an exploratory research, the author further advocates for more studies making use of both simple and complex multivariate statistical analysis to establish definite relationships on this phenomenon.

9. Conclusion

The chapter outlined SME owner-preferred entity harvesting strategies and determined why the given option is preferred. Relying on cross-country data, the chapter concludes that the majority of SME owners prefer the outright sale option when harvesting their entities. This option is mainly influenced by the absence of an heir to take over the reins of the business implying that most SMEs are family-owned businesses. The chapter also concludes that SMEs do prefer other entity harvesting strategies such as mergers and buyout which includes among them ILBO, MBI, LBU and MBO as well as employee share ownership schemes. Mergers and buyout options are largely influenced by deteriorating economic conditions among other factors. The chapter further concludes that SMEs also prefer ESOS as a harvesting strategy but solely to secure the entity's competitive advantage and profitability for as long as they can. This is evident in their willingness to sell entity stake to best performing employees who in turn have the duty to pass on the performance-oriented culture to recruits. However, among all other harvesting strategies that SMEs do prefer, the IPO was not one of them. The reason could be that SMEs are still battling with issues related to entity control and autonomy.

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