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IF WE CAN'T HAVE IT, THEN NO ONE SHOULD: SHUTTING DOWN VERSUS SELLING IN FAMILY BUSINESS PORTFOLIOS

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Research summary: *How does a business family manage its business portfolio in times of declining performance to sustain the portfolio's long-term endurance? Drawing on social identity theory and six family business portfolios from Pakistan, we find that business families may prefer to shut down a satellite business rather than sell it, which is primarily driven by identity considerations. In addition, the family's goal to recycle the assets, the aim to restart the business later, and the increasing decline in performance are important contingency factors. This study contributes to the literature on portfolio entrepreneurship, business exit, and the enduring entrepreneurship of family firms.*

Managerial summary: *Family business managers and practitioners can benefit from our work, which provides evidence of how family firm portfolios can respond to business decline and ensure enduring entrepreneurship. Shutting down a satellite firm instead of selling it is a promising turnaround strategy that can prevent a family's identity loss while supporting the family business portfolio's continuity. Copyright © 2016 Strategic Management Society.*

'We would rather close down the business than sell it to someone else.'
—Director, Kasf

INTRODUCTION

How does a business family remain entrepreneurial over time? To answer this question, numerous scholars have applied a transgenerational entrepreneurship lens (cf. Habbershon, Nordqvist, and Zellweger, 2010; Jaskiewicz, Combs, and Rau, 2015) and focused on family-level analysis (e.g., Habbershon and Pistrui, 2002; Nordqvist and Zellweger, 2010), which allows researchers to assess business families' portfolios of entrepreneurial activities over time and beyond their core legacy business.[1] A recent study by Zellweger, Nason, and Nordqvist (2012b) shows that 90 percent of surveyed entrepreneurial families are engaged with more than one firm, which explains the increasing importance of the portfolio entrepreneurship literature both in general (Carter and Ram, 2003; Wiklund and Shepherd, 2008) and in the specific context of family

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[1] A core legacy business is the founding business (cf. Carter and Ram, 2003; Feldman, 2013).

business (DeTienne and Chirico, 2013; Sieger *et al.*, 2011). In fact, portfolio entrepreneurship has been identified as an important determinant of business families' long-term entrepreneurial success (Sieger *et al.*, 2011).

However, there is an important gap in the literature because extant portfolio entrepreneurship literature has largely concentrated on the characteristics of portfolio entrepreneurs (e.g., Westhead and Wright, 1998), their reasons for engaging in portfolio entrepreneurship (Carter and Ram, 2003), and, recently, the process of establishing a business portfolio (Sieger *et al.*, 2011). However, successful portfolio entrepreneurship does not end with portfolio creation; instead, it involves constant renewal (Dess *et al.*, 2003), adaptation and change (Zellweger *et al.*, 2012b) as well as a continuous, dynamic process of exiting and entering business activities (DeTienne and Chirico, 2013; Salvato, Chirico, and Sharma, 2010). Indeed, portfolio entrepreneurship is unlikely to follow a linear path; instead, there will be phases of expansion and contraction (Rosa, Iacobucci, and Balunywa, 2005), in which portfolio consolidation and development occur through careful divestment and acquisition processes (Iacobucci and Rosa, 2010). In the family firm context, the decision to exit one or several portfolio businesses, so-called satellite portfolio firms,[2] is difficult but often necessary (Salvato *et al.*, 2010) to preserve the nonfinancial benefits tied to the overall business portfolio, particularly in times of declining performance (DeTienne and Chirico, 2013; Gomez-Mejia *et al.*, 2007). Nevertheless, whether, how, and why a business family exits from its satellite portfolio firms and which satellite portfolio firms it chooses to exit remain unknown; such information would greatly enhance our understanding of business families' long-term enduring entrepreneurship, particularly in times of decline.

To close this research gap, we investigate how business families react to the declining performance of their business portfolios; specifically, we focus on the exit strategies that are deployed with regard to satellite firms and their underlying motivating factors. Because of the limited amount of extant theory, we follow a qualitative approach and study a sample of six family business portfolios from Pakistan that each experienced a decline, meaning that the business portfolios had overall performance deterioration over a persistent period (Weitzel and Jonsson, 1989). We examine 49 businesses and 20 exits. Our main data sources are interviews supplemented with observations and other supporting evidence collected from December 2010 to January 2014. We apply social identity theory as the conceptual lens (cf. Ashforth and Mael, 1989) because it is well known that business families strongly identify themselves with their firm(s) (Astrachan and Jaskiewicz, 2008; Deephouse and Jaskiewicz, 2013) and that such identification is likely to affect divestment or exit choices (Gomez-Mejia *et al.*, 2007; Sharma and Manikutty, 2005).

As a first key insight, we reveal that a business family may prefer to 'shut down' a satellite portfolio firm (i.e., close down operations and keep the assets) rather than sell it to a third party—even if the latter was an available option. This 'if we can't have it, then no one should' approach contrasts with the classic profit-maximizing model. Indeed, in all of our investigated exit cases, selling the firm would have enabled the family to generate immediate financial revenue (Decker and Mellewigt, 2007; Maksimovic and Phillips, 2001; Wennberg *et al.*, 2010) that could have been used for other (entrepreneurial) purposes (see DeTienne, 2010; Lieberman, Lee, and Folta, forthcoming; Mason and Harrison, 2006). Second, by analyzing the motives behind this decision from a social identity theory perspective, we reveal that the likelihood of shutting down versus selling a satellite firm is higher when there is a high degree of fit between the family and the satellite business identity. In addition, the goals of recycling the resources and of restarting the satellite business in the future and the degree of performance decline are important contingency factors of the above-stated relationship.

THEORETICAL BACKGROUND

Portfolio entrepreneurship

Portfolio entrepreneurship refers to the simultaneous ownership and management of several businesses (Alsos and Kolvereid, 1998; Carter and Ram, 2003) or to the parallel discovery and exploitation of two or more business opportunities (Wiklund and Shepherd, 2008). Scholars agree on the economic and social relevance of portfolio entrepreneurship (cf. Westhead and Wright, 1998), and Carter and Ram (2003: 375) depict it as a 'ubiquitous feature of the economic landscape,' which has recently led to a growing body of literature.

Nevertheless, portfolio entrepreneurship was largely ignored by scholars until the level of analysis

[2] A satellite portfolio firm is a secondary/subsequent business established after the core business (cf. Carter and Ram, 2003).

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shifted from the firm to the individual (Ucbasaran *et al.*, 2008). Most recently, research has established that the business family that owns the portfolio is an appropriate level of analysis because of business families' strong engagement in portfolio entrepreneurship (Sieger *et al.*, 2011; Zellweger *et al.*, 2012b). Indeed, portfolio entrepreneurship is particularly relevant in the family firm context because family dynamics may strongly affect why and how a portfolio is sustained (Carter and Ram, 2003; Jaffe and Lane, 2004). Portfolio entrepreneurship can be a promising strategy to achieve long-term success and remain entrepreneurial in the long run. Thus, portfolio entrepreneurship plays a crucial role in the context of transgenerational entrepreneurship (Zellweger *et al.*, 2012a) and long-term strategic entrepreneurship (Iacobucci and Rosa, 2010; Rosa, 1998). It has been found to lead to lower failure rates in business clusters (Rosa and Scott, 1999) and to enhance firm survival and growth (Iacobucci and Rosa, 2010).

The literature has identified various individual- and organizational-level differences between portfolio (or 'habitual') entrepreneurs and novice and serial entrepreneurs—for instance regarding their personal backgrounds and attitudes, financial aspects, and performance (Westhead and Wright, 1998) or in terms of the mode of organizing portfolio entrepreneurship (Wiklund and Shepherd, 2008). Research also shows that the various types of portfolio entrepreneurs (such as 'starters' and 'acquirers') differ with regard to how they leverage human capital (see Ucbasaran, Wright, and Westhead, 2003). Among the reasons why business families engage in portfolio entrepreneurship are the goals of diversifying risk, generating income, and securing employment for family members (Carter and Ram, 2003; Mulholland, 1997; Ram, 1994). The process of building a portfolio of family businesses has been addressed by Sieger *et al.* (2011), who investigated this aspect from a resource-based perspective.

Despite these earlier works, there is a critical lack of knowledge about how a family business portfolio is managed in the long run. It is important to illuminate the process of portfolio entrepreneurship and to gain a better understanding of the dynamic, procedural, and evolutionary nature of family portfolio entrepreneurship over time (see Carter and Ram, 2003; Rosa, 1998; Rosa *et al.*, 2014), particularly since it is unlikely that the portfolio entrepreneurship process will follow a stable and linear path. Indeed, the pursuit of entrepreneurial opportunities is naturally linked to high uncertainty and risk (Venkataraman, 1997); consequently, exit and even failure are central features of entrepreneurship (Shepherd, 2003). Thus, business portfolios can reasonably be assumed to follow 'natural' economic cycles with phases of growth and decline (DeTienne and Chirico, 2013; Michael-Tsabari, Labaki, and Zachary, 2014) and paths of expansion (e.g., acquisitions) and contraction (e.g., divestments) (Iacobucci and Rosa, 2010; Rosa *et al.*, 2005). However, prior research has not investigated portfolio entrepreneurship in times of declining performance (cf. Rosa, 1998); in particular, there is a clear lack of knowledge about the existence and nature of exit strategies related to (family) business portfolios. Addressing this gap is valuable and in line with the call of Carter and Ram (2003) to investigate the context (e.g., the family) and the circumstances (e.g., declining situations) of portfolio entrepreneurship in greater detail.

Business exit

Business exit generally refers to 'the process by which the founders...leave the firm they helped to create, thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm' (DeTienne, 2010: 203). Although a significant amount of research has focused on new venture creation, exit is a crucial event in the entrepreneurial process (DeTienne, 2010). Indeed, business exit is a common phenomenon, particularly in times of declining performance (Berry, 2010), and performance is an important determinant of exit routes, strategies, and processes (Wennberg *et al.*, 2010). The dynamics of business exit have been studied by a range of scholars in the strategy (Burgelman, 1994), entrepreneurship (Wennberg *et al.*, 2010), organization (Duhaime and Schwenk, 1985; Feldman, 2013), and family business (Dehlen *et al.*, 2014; Kammerlander, 2016) literatures.

Among scholars who have investigated exit modes, there is ambiguity with respect to the understanding of business exit—that is, whether the term refers to entrepreneurs exiting a firm or a firm exiting the market (Davidsson and Wiklund, 2001). Firms and entrepreneurs often exit simultaneously, for example, in the case of a firm's liquidation (Wennberg *et al.*, 2010). In such situations, a firm ceases to exist, and its assets are sold separately to third parties (Mitchell, 1994). In a business sale, in contrast, a firm is sold to a third party (e.g., a nonfamily actor), who takes over full ownership rights of the firm's assets and management responsibilities. Accordingly, the firm continues its operations, albeit

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under different ownership and management (Decker and Mellewigt, 2007). In general, the literature has developed multiple conceptualizations and definitions of exit types and modes, such as voluntary versus involuntary exit (cf. Justo, DeTienne, and Sieger, 2015), liquidation, sale, IPO, merger, acquisition, and succession (Coad, 2014; DeTienne *et al.*, 2015; Wennberg *et al.*, 2010). Other researchers have identified different motivations for exit, such as retirement, the absence of a successor, and financial distress (Dehlen *et al.*, 2014; Ronstadt, 1986; Shepherd, 2003), and they have revealed the forces that drive strategic business exit (Burgelman, 1994) or have shown what facilitates owners' intent to redirect, renew, and restructure their resources (Salvato *et al.*, 2010).

Regarding the concept of exit, with few exceptions (e.g., Sarasvathy, Menon, and Kuechle, 2013), research on business exit has focused primarily on entrepreneurial exit from a single venture[3] and has largely overlooked the fact that some entrepreneurs or business families undergo an exit process several times while managing their portfolio of businesses (MacMillan, 1986; Ucbasaran, Westhead, and Wright, 2006). Indeed, as explained by Wennberg and DeTienne (2014: 6), 'none' of the various studies on entrepreneurial exit has taken 'into account that an individual might run several firms concurrently as a portfolio entrepreneur.' This lack of research is regrettable because business portfolio management that includes the exit of satellite firms is a common phenomenon (Akhter, 2016 ; DeTienne and Chirico, 2013). Moreover, business exit, particularly in the portfolio context, is not necessarily synonymous with 'failure;' instead, it can be a wise entrepreneurial decision or even a sign of success (cf. Justo *et al.*, 2015; Wennberg and DeTienne, 2014). Specifically, exit constitutes a promising value-creating strategy (DeTienne, 2010) because it can lead to novel opportunities and enhance not only longevity and success (Salvato *et al.*, 2010), but also family wealth (Gomez-Mejia *et al.*, 2007; Zellweger *et al.*, 2012a) while allowing the entrepreneur or the family to redeploy their resources in different ways (DeTienne, 2010; Lieberman *et al.*, forthcoming). In sum, there is a lack of understanding regarding whether, why, and how a business family responds to declining performance with particular exit strategies and how such actions relate to its potential long-term enduring entrepreneurship. As we will show, social identity theory is a promising theoretical lens to address these research gaps.

[3] Similarly, the extensive literature on divestitures has largely focused on why and how firms divest firm operations or business units, with poor performance being the main driver (cf. Berry, 2010; Chang and Singh, 1999; Burgelman, 1994; Chang, 1996).

Social identity theory

The basic claim of social identity theory is that individuals who identify themselves with particular social groups, such as a family business, favor those groups (Ashforth and Mael, 1989; Tajfel *et al.*, 1971; Turner, 1982). Social identity refers to the groups to which one belongs (Chirico *et al.*, forthcoming) and arises because individuals classify themselves and others into social categories (Turner *et al.*, 1987). These classifications enable individuals to make sense of their social environment and to define themselves in relation to others (Ashforth and Mael, 1989; Deephouse and Jaskiewicz, 2013). Social identity theory is particularly relevant in the family firm context for several reasons.

First, the family's long-term involvement and the common practice of including the family's name in the business' name enhance its members' identification with the family firm as their social group; indeed, evidence shows that business families strongly identify with their firms (Deephouse and Jaskiewicz, 2013). Such identification is often a function of the family's needs and demands (Miller, Breton-Miller, and Lester, 2011) such that the business becomes an extension of the family and its members (Chirico *et al.*, forthcoming). By identifying themselves with the business, the family comes to define itself in terms of a perceived social group or category (Mael and Ashforth, 1992). Nevertheless, individuals can have multiple identities because they may identify with multiple social groups (Hogg and Terry, 2014), and because these multiple identities are applicable to the family firm context, family firms represent two distinct institutions—the family and the business—that have different identities (Deephouse and Jaskiewicz, 2013; Shepherd and Haynie, 2009).

Second, strong identification leads to attitudinal and behavioral consequences and responses. For instance, family members' collective identity affects their decision-making processes by favoring the family's interest and maximizing the family's value over other shareholders' wealth (Cannella, Jones, and Withers, 2015; Sundaramurthy and Kreiner, 2008). Furthermore, family firms generally have a long time horizon and strive for reputation and transgenerational ownership (Deephouse and Jaskiewicz, 2013). Importantly, family identification produces significant psychic income, which is referred to as 'socioemotional wealth' (Gomez-Mejia *et al.*, 2007), and this noneconomic benefit may direct owners to prioritize reputation and transgenerational ownership over profit maximization (Gomez-Mejia *et al.*, 2011; Zellweger *et al.*, 2012a). The extant research further acknowledges the influence of the intersection between family and business identities on firms' sustainability and performance (Habbershon, Williams, and MacMillan, 2003).

Importantly, strong identification can also affect exit strategies in business portfolios. For instance, family owners may show concern about preserving family identity when embarking on the exit process. This concern is a result of the sense of attachment and belongingness to some particular groups that shape the behavior of individuals regarding, for instance, whether to adopt a particular divesting strategy (Sharma and Manikutty, 2005). Family firms are indeed depicted as commitment-intensive organizations: family members harbor a strong sense of emotional attachment to the business (Astrachan and Jaskiewicz, 2008; Zellweger and Astrachan, 2008). Thus, business families are often conservative with respect to divesting strategies (DeTienne and Chirico, 2013) because exit may lead to a loss of the socioemotional endowment that affects one's identity (Gomez-Mejia *et al.*, 2007). In sum, the use of social identity theory is appropriate in the business family context because business families normally exhibit a high level of identification with their business or portfolio of businesses which, in turn, affects their decision making and behavior (and, ultimately, the endurance of their business portfolio).

RESEARCH METHODS

Research design and setting

Given the limited understanding of exit strategies in family business portfolios in times of declining performance, we applied an exploratory qualitative research approach based on a multiple case study design. As described in greater detail in our analysis section, we followed a three-step procedure to analyze the cases whereby we combined two different types of analytical techniques (cf. Smith, 2014). In steps 1 and 3, we applied a multiple detailed case study method (Eisenhardt, 1989; Yin, 2009, 2011). Multiple case studies permit a comparison within and across cases in order to create a full picture of the events and phenomenon (Eisenhardt, 1989; Yin, 2009, 2011). Moreover, multiple case studies are specifically adopted to gain insights into the unexplored research phenomenon in which the research questions of *how* and *why* can be addressed (Edmondson and McManus, 2007; Eisenhardt, 1989). Put differently, we used this approach to identify emerging empirical patterns. In step 2, to build theory, we identified the underlying theoretical reasons for the observed patterns by relying on the justifications offered for decisions in the raw data (cf. Langley, 1999); we followed the inductive theory building procedures outlined in Gioia, Corley, and Hamilton (2013). Such an approach is most appropriate for the purpose and nature of our study and has been applied frequently in recent qualitative research (e.g., Salvato and Corbetta, 2013; Smith, 2014). The overall goal of these steps was to understand a complex reality (i.e., the exit process in family business portfolios), which demands the use of multiple, complementary perspectives (Langley, 1999; Van de Ven and Huber, 1990).

In our study, the personal relationships of one of the authors with most of the interviewed business families along with his knowledge of the local context were vital for obtaining access to reliable data.[4] For instance, in addition to using existing personal relationships and direct contacts, the first author also gathered information and impressions about further potential cases in the relevant local areas before actually making contact (Jack, 2005). Specifically, we selected our cases in two steps. A first round of field visits was conducted from December 2010 to January 2011 and was solely dedicated to identifying potential cases (business families owning a business portfolio) and establishing contacts. Next, we started the data collection by interviewing the directors/founders/owners of 12 family firm portfolios. Based on the analysis of these first-stage interviews, we selected six cases from Pakistan with family business portfolios in which at least one exit had occurred. This procedure allowed us to sample information-rich cases, which provided us with the opportunity to study our phenomenon of interest in great depth. These six cases included 49 businesses and allowed us to investigate 20 business exits.

Our focus on Pakistan is justified because of the significant presence of family firm portfolios in emerging economies (Jaffe and Lane, 2004; Khanna and Yafeh, 2007), particularly in the Pakistan region

[4] To honor privacy agreements and guarantee anonymity for both the companies and the informants, the real names of the cases and interviewees are kept confidential. This approach also encouraged the respondents to be more open when answering the interview questions and relating their stories.

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(Zaidi and Aslam, 2006). Indeed, almost all of Pakistan's unlisted firms are family firms, and 'approximately 80 percent of the listed companies on the Karachi Stock Exchange have family involvement or are indirectly affiliated with a large business family' (Zaidi and Aslam, 2006: 1). Additionally, Pakistan is regarded as very entrepreneurial; a recent study ranked Pakistan fourth in the world in entrepreneurship in terms of efficiency and innovation (Dutta, 2011). Nevertheless, entrepreneurs experience a very hostile environment characterized by uncertainty and rapid changes that imply the likely occurrence of declining performance and a corresponding need for exit strategies. For instance, a quick glimpse of Pakistan since 9/11 shows that in addition to security threats and a high number of casualties, the country has significantly struggled on the economic front (Acharya, Bukhari, and Sulaiman, 2009). As noted by Afzal, Iqbal, and Inayay (2012: 196), 'Islamabad faces a crisis that erodes [people's] options. Investors are afraid of investing in Pakistan due to instability.' The country's instability and the energy crisis have led to lower foreign investment and lower business activity. Nevertheless, Pakistani entrepreneurs have shown considerable resilience during this long crisis period (Amanullah, 2012). Recent figures from the World Bank and the United Nations favor Pakistan in terms of the overall growth rate and improvement of the security situation after a prolonged economic drought. Accordingly, it is interesting to study the exit phenomenon from a contextual point of view (Ucbasaran, Westhead, and Wright, 2001; Welter, 2011).

Data sources

In our study, we adopted a *multisource* data collection tactic (see Table 1) to capture the process over a certain period (Pettigrew, 1990; Van de Ven, 1992) and allow data triangulation. The primary data sources were interviews, and the additional sources we used for the purpose of triangulation (Miles and Huberman, 1994) were observations, informal discussions, company websites, company brochures, and informal telephone follow-ups. We gathered the data mainly through 39 in-depth interviews with family owners and managers, with each interview lasting from 60 to 120 minutes. In addition, there were four field visits from December 2010 to January 2014, which helped us conduct follow-up interviews.

For the interviews, we adopted open- and closed-ended interview strategies (cf. Bingham and Haleblian, 2012; Langley and Abdallah, 2011). For the early rounds, a more open-ended interview strategy was employed in which respondents were first asked to describe the family firm's history and background information chronologically in line with *the narrative style* (Etherington, 2004; Polkinghorne, 1995). For instance, for the background information and history, the interviewees were typically asked to describe the firm from its inception (e.g., *how the firm was started and how its historical development unfolded chronologically*). After reviewing the described events, the respondents were asked whether all of the important aspects had been covered (e.g., Bingham and Eisenhardt, 2011). The respondents were then asked to describe each exit event chronologically. Because there were multiple exits, we highlighted and emphasized the period when each exit started; for instance, we asked the following questions: *When and why did the family exit the firm? What were the reasons that some businesses were divested and others were not?* In the next step, we reviewed the exit timelines and asked whether anything remained uncovered. Finally, we asked questions in the *courtroom style*, meaning we asked direct questions related to exit (Langley and Abdallah, 2011). For instance, we asked the following questions: *Why did the family opt to shut down this particular satellite business? Why did the family opt to sell this particular business? If the family had not experienced declining performance, would it have done something different? Why did the family want to reenter the exited satellite business?* In the follow-up rounds, we also asked questions about family and business harmony: *Are the family and business thought of as one closely related entity or as two different entities? What about the satellite businesses?*

Thus, we determined repeated exit strategies (for this term, see also DeTienne and Chirico, 2013) along with the main underlying driving forces from the informants' responses that emerged through the interview process. Relying on multiple sources of data collection and asking different questions (i.e., open- and close-ended) helped our data triangulation and, thus, improved the reliability of the responses.

Analysis

The analytical process was iterative, not linear, because we constantly moved back and forth from data to the theory to improve insights and generalizability (Miles and Huberman, 1994; Van Maanen, Sørensen, and Mitchell, 2007). We now introduce the three steps in more detail.

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Table 1. Description of the cases and overview of the interviews

Case	Total businesses	Total exits	Location	Founding year	Informants	Additional data sources
Lucky	6	2	Punjab	19**s	Director	Observations
					Owner 1	Phone calls
					Owner 2	Brochures
					Owner 3	
Kasf	11	2	Federal	1970s	Founder	Observations
					Director	Phone calls
					Owner 1	Brochures
					Owner 2	Internal documents
					Owner 3	Websites
Sunny	10	6	Punjab	19**s	Director	Observations
					Owner 1	Phone calls
					Owner 2	Brochures
					Owner 3	
					Owner 4	
Miral	9	5	Punjab	19**s	Former director	Observations
					Director	Phone calls
					Owner 1	Brochures
					Owner 2	Website
					Owner 3	
Jami	6	3	Punjab	1990s	Founder	Observations
					Director	Phone calls
					Owner 1	
					Owner 2	
Pak	7	2	Punjab	1970s	Director	Observations
					Owner 1	Phone calls
					Owner 2	
					Owner 3	

Notes: Most of the interview partners are highly educated (e.g., many have business, engineering, or liberal arts educations from Pakistani, U. S., or U.K. universities). Thus, they are familiar with the terminology and terms commonly used in business and academia/science. Asterisks have been used to disguise information that would put the anonymity of the companies and interviewees at risk.

Step 1

All of the interviews were conducted in Urdu and later translated into English.[5] The interview documents were synthesized for each firm, leading to the development of individual case narratives that allowed us to obtain an initial understanding of the cases and to identify the relevant issues. This step of developing the case narratives is in line with previous studies that adopted similar analytical approaches (e.g., Rindova, Dalpiaz, and Ravasi, 2011; Smith, 2014); moreover, it allowed us to follow each case's exit process chronologically. Throughout the process of analysis, we continued to update our case narratives with new information emerging from the data and identified key events, actions, and milestones in the family business portfolios that were linked to the process and type of exit through a 'temporal back tracking strategy' (Langley, 1999). Accordingly, the insights that emerged from the case narratives helped us in our subsequent analysis. For example, we found that business families decided between shutting down and selling a satellite business in face of declining performance. Consequently, we focused on those specific issues and obtained primary insights into the cases before we embarked on coding the interview data (step 2) to explore the underlying reasons and before we confirmed our insights within each case and compared them across cases (step 3).

Step 2

To code, structure, and order the interview data, we followed the procedure that is outlined in Gioia *et al.* (2013) and is composed of three substeps. This

[5] The translation process and the final translations themselves were checked for correctness by an independent bilingual researcher.

procedure has been applied in numerous other recent studies (e.g., Jaskiewicz *et al.*, 2015; Jaskiewicz *et al.*, 2015b; Maitlis and Lawrence, 2007). We began by coding the first-order data and using the text of the interviews as coding units. We labeled the sentences and paragraphs (textual expressions) with *the language used in the text* or simply *descriptive phrases*. Later, we began to make connections between the first-order codes to develop second-order themes by selecting the codes that occurred more frequently and then collapsed the primary codes into a more conceptual level. Finally, we identified the overarching theoretical dimensions to develop our theory—namely, an identity-based motivating factor and three contingency factors as drivers of the shutting down versus selling decision. As an example, when a business family described how the family and the business were inextricably intertwined, this was given the primary code 'family and business as same thing.' In the next step of the analysis, this primary code 'family and business as same thing' as well as the primary codes 'family name and legacy' and 'recognition with the family' were collapsed to the second-order theme 'family and satellite business identity fit.' The corresponding aggregated theoretical dimension, in turn, is the 'identity-based motivating factor.' Figure 1 summarizes the first-order concepts and the researchers' interpretation of the second-order themes or secondary codes, which ultimately lead to the aggregated dimensions. The aggregated theoretical dimensions serve as the basis for the emergent framework.

Although it is generally difficult to apply common readability and validity measures to naturalistic research, 'it is still important to show why the findings of a qualitative study are representative of the phenomenon of interest' (Maitlis and Lawrence, 2007: 61). Thus, in line with best practices in case study research (Miles and Huberman, 1994; Van Maanen, 1979), we ensured reliability in our process in several ways. First, our research is longitudinal in nature because we followed the cases over time and collected both retrospective and real-time data, which enabled greater understanding of the phenomenon (Pettigrew, 1990). Second, our analytical process was undertaken by multiple researchers who independently analyzed the data. In this regard, there was 95 percent agreement among the researchers when assigning labels, which is well above the suggested threshold of 70 percent (Cohen, 1960; Kreiner, Hollensbe, and Sheep, 2009). Third, we conducted code-recode checks on randomly selected interviews (e.g., Hannah and Robertson, 2015; Miles and Huberman, 1994) in which we compared our paper-based coding with a recoding procedure performed in NViVO (cf. Jaskiewicz *et al.*, 2016). With this procedure, we achieved the intra-coding reliability standards devised by Miles and Huberman (1994), thus increasing our confidence in the analytical process. Fourth, we compared and checked our interview data with other data sources to apply data triangulation (Eisenhardt, 1989), which is important to confirm both our own experiences and our observed interpretations (Van Maanen, 1979). In some cases, we were able to check and confirm our findings through other sources of data such as observations, websites, archival data (websites, news articles), and knowledge about the local context of the cases. Finally, through in-person follow-up interviews and Skype and phone calls with our informants, we

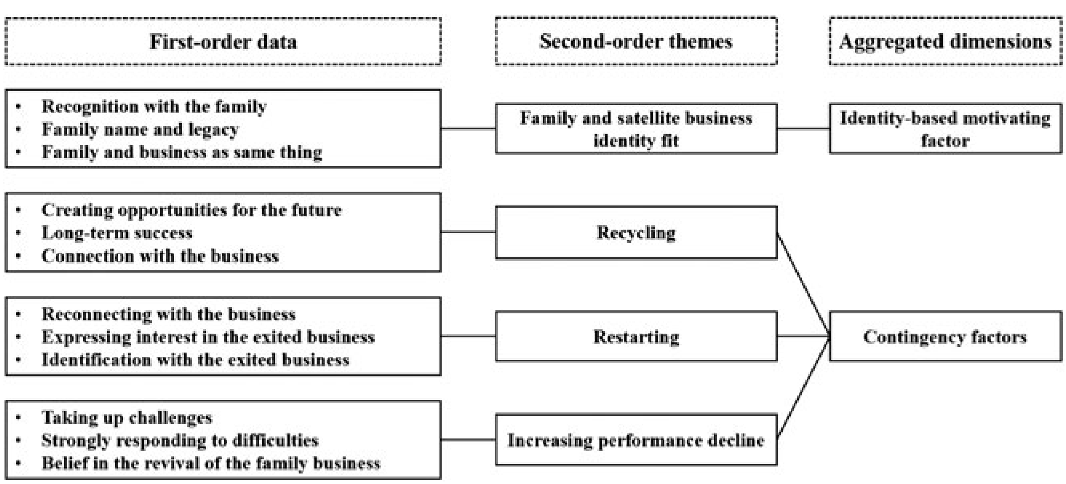

Figure 1. Data structure

ensured that our data interpretation was actually correct (Nag, Corley, and Gioia, 2007). We continued this process until each additional interview and other supplementary data sources confirmed instead of added new information (cf. Yin, 2009, 2011). This process ensured that the findings were obtained through a rigorous procedure that made full use of the richness and complexity of the data (cf. Maitlis and Lawrence, 2007).

Step 3

In the next phase, we evaluated each case individually through a within-case analysis. Once we were confident that we had a good understanding of each case, we moved on to the cross-case analysis. We also followed the process of replication logic to determine whether the cases confirmed or refuted the emerging findings. The cross-case analysis helped us look for similarities and differences among the cases. For instance, after first comparing the cases, we grouped the cases according to their shutdown and sell activities and ownership (see Table 2). Once this comparison was conducted with all 20 exits, we moved on to further group the cases according to their identity fit, recycling intention, restart intention, and increasing performance decline. For instance, for identity fit, we categorized the cases into high and low, whereby shutting down tended to occur when identity fit was high and selling tended to occur when identity fit was low. Finally, the common themes led us to formulate analytical generalizations, develop propositions, and formulate our theoretical model, later shown in Figure 2 (cf. Eisenhardt and Graebner, 2007; Miles and Huberman, 1994).

FINDINGS AND PROPOSITIONS

As we will outline next, our study reveals unique insights into how business families respond to declining performance. Our key finding is that shutting down is a prevalent exit strategy because of an identity-based motivating factor, namely, the identity fit between the family and the satellite business. We further present evidence that (1) the family's goal of recycling the assets, (2) the family's goal of restarting the business at a later date, and (3) the increasing performance decline are important contingency factors in the relationship depicted earlier that, therefore, also influence shutdown versus selling decisions (see Figure 1 for an overview). Table 3 summarizes the additional case evidence for the first-order data corresponding to each second-order theme.

Exit strategies in response to declining performance

Exit research often examines exit from the perspective of selling or liquidating (Dehlen *et al.*, 2014). Interestingly, we find that in our sample of family business portfolios, business families may shut down a satellite business by temporarily closing operations instead of selling the business for financial gain. A good example is given by the Kasf family, which is involved in the construction business as its core/legacy business and has several satellite businesses in its portfolio. This case shows how the owning family of a family business portfolio reacts to declining performance by shutting down satellite businesses. The director[6] stated that *'Our father has gone through a long struggle for this business, and he narrates his struggle to us and the people around us in a very positive sense. This motivates all of us to take care of what we have been given [legacy] and what we have founded [satellite businesses] and to preserve all of it as part of our family legacy.'*[7] Consequently, the family shut down some satellite businesses as a first step: they closed the business' operations so they could mitigate losses. The director further stated that '*The name of our company is the abbreviation of the full name of our grandfather. Our father said he wanted to honor our grandfather through the work of our company. I believe it's an emotional matter for our family, because the name means a lot to us...we had a strong motive to deal with the business decline through the closure [of the satellites], because it was more about preserving than earning in those difficult times.'*

The case of Lucky, which is involved in an agri-farming business as its core legacy business with five satellite businesses in its portfolio, provides further evidence of how the owning family of a family business portfolio can react to declining performance. Lucky's director stated that '*Our*

[6] The 'directors' we refer to in different cases are all members of the owning family who are operationally leading the family business (owner-managers). As their official job titles, they use several different terms such as 'managing partner,' 'managing director,' 'executive director,' 'CEO,' and others.

[7] Square brackets in quotes have been added by the authors for clarification about which businesses the respondents are talking about (i.e., the portfolio, legacy, or satellite) or to clarify the context of the meaning.

Table 2. Description of legacy/core business with satellites' exit modes

Case name	Legacy/core business	Declining performance and exit time period	Exited satellites	Exit and assets	Family ownership	Exit mode
Lucky	Farmers	2007 onward	Fish farm	Property kept as is	Fully owned	Shut down
			Brick kiln	Property kept as is	Fully owned	Shut down
Kasf	Contractors	2006 onward	Hotel	Property rented out	Fully owned	Shut down
			Workshop	Property used for real estate	Fully owned	Shut down
Sunny	Distributors	2003 onward	Media	Part of the property rented out	Fully owned	Shut down
			Dairy plant	Property not owned	Fully owned	Shut down
			Dairy farm	Part of the property recently sold	Fully owned	Shut down
			Auto dealership	Property rented out	Fully owned	Shut down
			Design house	N/A	Fully owned	Sale
			Restaurant	N/A	Partnership	Sale
Miral	Manufacturers	2008 onward	S/H	Property not owned	Fully owned	Shut down
			Export	Property not owned	Fully owned	Shut down
			Restaurant	Property not owned	Fully owned	Shut down
			Dairy	Issues about the remaining assets were still not settled at the time of interview	Fully owned	Shut down
			Dealership	N/A	Partnership	Sale
Jami	Contractors	2006 onward	Tannery	N/A	Partnership	Sale
			Export (Sporting goods-tannery)	N/A	Partnership	Sale
			Transport	N/A	Fully owned	Sale
Pak	Farmers	2007 onward	Rice mill	N/A	Fully owned	Sale
			Ice manufacturing unit	N/A	Partnership	Sale

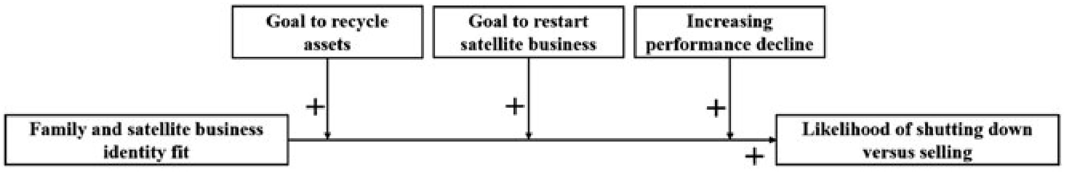

Figure 2. Theoretical model

family business was in hot water when we were not able to make profits with our newly invested greenhouses. The problem was that we had invested a lot, and the output was not meeting our required financial demands to accommodate for the losses... For us, it was a matter of keeping things on track for both our family and the business.' Thus, the family shut down a satellite business as a first step; they closed their fish farm. Owner 1 reflected, '*We were...not in favor of the idea that someone else would own our developed business [satellite]; why would we allow such a thing?'* Similarly, the business families of Miral and Sunny also opted for shutdowns of their business satellites.

These findings lead to several insights. First, on a general level, we see that exiting satellite firms is a common phenomenon when family business portfolios show declining performance. Second, as a main finding, there seems to be an exit mode that largely has been overlooked by the existing literature —switching off operations and retaining the firm's assets. In some cases, business families seem to prefer

Table 3. Additional representative data supporting each second-order theme

Second-order themes	Representative first-order data: *(first-order label assigned)*
Family and satellite business identity fit	- Owner 1, Lucky. 'It has been so long since we started our family firm—imagine how people around us recognize us, know us, and relate to us. It is very much the family and the business together. A very simple experiment if you ask someone in the city about our address, you would definitely hear the name of our father, together with the name of our main business [legacy] or one of our secondary businesses [satellite] in response: this confirms who we are.' *(Recognition with the family)* - Owner 2, Sunny. 'We have known that for quite a long time, our family and business both are our recognition, because we are very much emotionally attached to both our family and our businesses. One day a friend came and said '[name of the director], why don't you sell your office and the media company to me, or I will find someone with an interest in the business?' I replied to him —I only love sitting in the office every day. I don't have it operational. This is what I do, I come here two or three times a week, order a nice cup of tea from the restaurant downstairs… make calls and just sit and relax.' *(Recognition with the family)* - Owner 1, Miral. 'Our friends would call us by our business name instead of the family name, and the firm with all of its businesses [portfolio/satellites] has become our identity, our recognition and, of course, our pride.' *(Recognition with the family)* - Director, Lucky. 'Not surprisingly, it is family, and it's the name that comes first...We relate ourselves to it...and with the other/secondary businesses [satellites] in the [portfolio].' *(Family name and legacy)* - Owner 2, Lucky. 'It is very hard to sell the lands of your forefathers...The agri-land we own touches the boundaries of the town, and there is a great demand to buy it for housing. However, very few families in our area have actually sold land for property development, but like us, the rest still use it for farming purposes and own the land with no intention to sell.' *(Family name and legacy)* - Director, Miral. 'When I joined the business I was in the final year of business school...my father—who was ill at the time—approached me and said that I should now look after the business...It came to me as a surprise; I was not involved in the business, and I was not expecting to join it that early...At that time, I was also in the initial phase of expanding our business by starting the IT company...I didn't want to disappoint my father and the family, because I was the eldest and they were looking to me to save the family business. It was hard for me to say no to my family and to let go and sell this business that had been established through the dedication of my grandfather and father.' *(Family name and legacy)* - Founder, Kasf. 'In the initial days, I was traveling a lot because we had projects in various cities, and I often stayed in hotels. I liked the business very much, and the next thing I did was to buy this hotel [satellite], and it was a business in which I was interested...Not once did I think of selling it; it is part of me, and my family did not propose selling.' *(Family and business as same thing)* - Owner 2, Sunny. 'Our family business is very dear to us, and we do not distinguish our business from the family. We have no differences between the family and the family business. In particular, almost every business [satellite] is the outcome of a family member's dream or intention to grow [the portfolio] of our family business...This is like something you own and that is very dear to you, and you would not give it away...even if you are facing very difficult conditions. This is what happened with us as well...To me, when you sell something, it is like you are giving away part of your own self to someone else.' *(Family and business as same thing)* - Owner 2, Sunny. 'The businesses [legacy and satellite] and the family are the same, and we don't have any separation between the two.' *(Family and business as same thing)*
Recycling	- Director, Lucky. 'It was about benefiting from the shutdown in the long term. We believed that closing down the businesses would keep us in the game, and there will always be a future possibility within reach.' *(Creating opportunities for the future)*

Continues

Table 3. *(Continued)*

Second-order themes	Representative first-order data: *(first-order label assigned)*
	- Director, Kasf. 'We were not only transferring financial and other resources, but human resources to other businesses to retain as many useful resources as possible...After completing the...motorway project, there was a big gap of almost three to four years...We had no new projects, so at this stage, we started a small project to save overhead, and we asked our brother [one of the directors involved with the construction business; legacy] to look after our private hospital business.' *(Creating opportunities for the future)*
	-Owner 2, Sunny. The owners' action of shutting down the satellite businesses was chosen in order to ensure the long-term success of the legacy business through recycling the satellite's resources. 'It was not possible to survive and continue to be successful in the future without making the finances available from within the firm...we were repeatedly advised to take finances from outside, but we were afraid of further debt and suggested that the director do what he had advised us earlier...to shut down the additional businesses [satellites]. Because my father and the family cherished the hard work of our grandfather, his name and reputation in the market, we agreed with him on this, because if we had kept the dairy plant and other businesses [satellites] operational, we would have ended up closing down our distribution business [legacy] as well.' *(Long-term success)*
	- Owner 1, Miral. 'There was the connection in the form of our family name and identification [who we are], which prompted our family owners to shut down and use [recycle] the resources [for other businesses]. We were trying to turn around the situation in our favor...this is part of who we are... By doing this [i.e., several shutdowns], we focused all of our energies [reusing the resources] on the core business of the firm.' (*Connection with the business)*
Restarting	- Owner 1, Lucky. 'We started both the fish farming and the kiln businesses, but because of the losses, we had no choice but to close the businesses temporarily...the businesses were close to my heart and became a passion for me and my brother because we were both involved...We always wanted to get back to the fish farming business and the kiln business to continue our [entrepreneurial] passions, linked to our family business [portfolio]...The intention/plan to start the business again was always there.' *(Reconnecting with the business)*
	- Director, Lucky. 'Reopening has always been in our mind from the beginning. I knew the intentions and my sons' deep involvement in the business. At first, they didn't want to sell it because they intended to restart the businesses, and I am glad that we are back.' *(Reconnecting with the business)*
	- Owner 1, Sunny. 'We shut down several of our subsequent [satellite] businesses with the intention of keeping everything in the family. This had a great impact on our business because we had the choice to reenter the business at any time in the future, whenever we are up for it. We restarted the automobile business a few months back.' *(Expressing interest in the exited business)*
	- Owner 2, Sunny. 'We also wanted to be proactive to gain the maximum benefit from our decisions as much as we could...We thought, 'let's address the situation now the best we can and hope we can restart the dairy plant when the situation turns in our favor.'' *(Expressing interest in the exited business)*
	- Director, Sunny. 'We plan to restart the media business [satellite] after the market recovers. We have been closely observing because people are going back to the cinema, and there is a revival trend for big-screen movies. The passion for the movie business is still alive for us because we have not sold the property we own in the cinema district, and we cannot wait to start a new project.' *(Identification with the exited business)*
	- Director, Kasf. 'We decided to renovate the hotel from scratch, and now it is again going great...Last year, we shifted our workshop to a new location near the capital city of Islamabad and made it operational once again...Our family (and especially our father) never wanted to sell the hotel; the hotel business was one of his earliest and probably most desired businesses, along with his first attempt at diversifying the business [legacy] after he founded Kasf.' *(Identification with the exited business)*

Continues

Table 3. *(Continued)*

Second-order themes	Representative first-order data: *(first-order label assigned)*
Increasing performance decline	- Owner 1, Lucky. 'In difficult situations, you meet people, some of whom encourage you and others who take a negative approach. While we were going through that, I would hear people saying that our family has started projects that we would not be able to manage...' The business family did not want to lose focus because of the people surrounding them, as the businesses were started with a long-term approach. Owner 1 reflected that as performance declined, they kept cool, stayed committed, and took up the challenge: 'I remained committed to our family business and decision about the businesses [satellites], regardless of the increasing pressure of ongoing losses.' *(Taking up challenges)* - Director, Kasf. 'Our family has been going through hard times both in the business and because of our father's health. My father wants to keep employees at the farmhouse, although we are hardly earning anything from it, but he never believes in selling, even in the most difficult times in his life...With a very heavy heart, I had to downsize the temporary employees and shift the permanent employees to other facilities...We have already closed down the businesses.' *(Taking up challenges)* - Director, Sunny. During the time when the business was declining, the owners decided on closing the business with the worst picture in their mind, and that would be the complete closure of the portfolio business. 'I contemplated what could be the worst that could happen, and I was unable to accept defeat in the form of being taken over by someone else. That highly worried me, and I could only see positivity in using a portion of the exited businesses, which would only happen if we closed down...during periods of high levels of performance instability.' *(Strongly responding to difficulties)* - Owner 4, Sunny. The owners were not ready to give up easily, and for that reason, they even opted to sell their performing satellite businesses. 'With the increased debt, I told my father to sell the business [design house], we don't want to continue with it...we were able to cash it at a good price...I had an argument with my brother about it; that is, why did I invest in something that I don't want to give time to...but I wanted to help my father and family save our [legacy] business...We had debt and an overdrawn balance...We didn't want to risk our reputation, we closed down the businesses that were mostly started by my grandfather or my father...and we relate to those businesses more (because of the emotional attachment) than those that came later as purely financial investments.' *(Strongly responding to difficulties)* - Director, Miral. The business family suffered due to the losses in the dairy plant, and they started closing their businesses one after the other when their performance was declining, despite having the opportunity to sell. 'I will try my best to return to our previous position, and it doesn't matter if we have closed down most of our shops...We have come down to less than 200 employees from 1,000...We will revive.' At the time of the interviews, the family owners were negotiating with financiers to restart the dairy business and to avoid the forced [exit] selling of the business. The director showed strong belief that even when he has to close down all the businesses, they will revive again. *(Belief in the revival of the family business)* - Director, Kasf. The owners felt that it would do them any good to layoff the employees, and their belief in the revival made them shift the employees to other sites whenever possible. 'Our father strongly believed in our family business and his long-term strategies...We hardly opted for downsizing in hard...and harder times, and we were mostly shifting the employees to other businesses [satellites] when possible. We were temporarily shutting down the [satellite] projects.' *(Belief in the revival of the family business)*

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this option even when selling is a viable and financially rewarding option.[8] This finding is in line with the observation that business families' decisions may not be purely driven by financial considerations (cf. Kammerlander, 2016; Olson *et al.*, 2003). This evidence leads us to the following proposition:

> *Proposition 1: The owning family of a family business portfolio that is experiencing declining performance may prefer to shut down a satellite firm instead of sell it.*

Shutting down versus selling: identity-based motivating factor

Family and satellite business identity fit

We further explore why shutting down a satellite firm may be preferred to selling (and why sometimes it may not be). We find that a business family's identification not only with its family business portfolio as a whole but also, and more specifically, with the satellite business drives this decision. An illustration in this regard is the Lucky family, where the satellite businesses that the family owners shut down were started as extensions of their agri-farming family business. Both of the businesses—a brick kiln and a fish farm—were situated on their main farmland. When encountering a decline in performance, the owners decided to shut down the satellite businesses because, as Owner 2 of Lucky stated, *'Our family always considers itself very strongly linked with our family business. Our recognition is because of our family business, and we take pride in it. My siblings and I were convinced that we were not going to allow someone else to work in the same fields...Our family business is our identity, and we will not share it with someone else.'* He also noted, *'it was our plan from the start that we will not sell the fish farm because of our family's strong attachment and identification with this particular [secondary] business...'*

A similar example is that of the Sunny family in which the family's brothers started a media business because of their infatuation with movie making. Owner 1 noted, *'Surely, we didn't want to sell those subsequent [satellite] businesses which we started, considering the close connection of those businesses with the family, because we can relate to ourselves. For instance, the media business was started by my elder brother [director] and me...We are both crazy about movie production and directing. It is like our baby, and we didn't want it to be handled by someone else.'* The Sunny family could indeed have sold the business—not only because of its asset value, but also because of its going-concern value (i.e., it could have rented out the movies it had produced to regional movie theaters).

Whereas the evidence illustrates that the Lucky, Kasf, Sunny, and Miral families shut down satellite firms because of a strong identity fit between the families and the satellite businesses, the business families did decide to sell other satellite firms (two satellite firms by Sunny and one by Miral). In these cases, the identity fit was perceived to be low. For instance, Sunny sold two of its satellite businesses: a design house (a branded clothing store, that was started by the family's youngest son), and a restaurant. Director Sunny stated, '*My youngest son started the design house as his first business, coming out of arts college; however, he later lost interest and started spending more time in the distribution [legacy business].*' The satellite business was primarily managed by a nonfamily manager. During the time of financial distress, the business family sold the business, which was active and situated in a very good location; thus, it had considerable sales value.

Similarly, when the Miral family experienced difficulties in their legacy business, they opted to sell their dealership, which was run with a partner at the time of sale. Importantly, there was a controversy related to the business. Additionally, the business did not carry the name of the Miral family, and it was clear that the identity fit between the family and this business was low. Accordingly, to keep their name distant from the controversy, the owners decided to sell.

Additional related evidence can be found in the cases of Jami (mainly active in the construction business) and Pak (mainly active in the farming business), in which satellites were sold because of a lack of identity fit. For example, in times of declining performance, the director of Jami stated, '*We sold the subsequent businesses [three in total] because that was the best possible way to respond...We don't feel that the businesses we sold will interfere with our*

[8] To make a conscious choice between shutting down and selling a satellite business, both options must actually exist. We re-ensured that both options indeed existed for all of the investigated exit cases by carefully rechecking all available materials (e.g., reports, interview transcripts, and other sources). In some cases, we also recontacted our informants to confirm that our corresponding interpretations were correct. In particular, we confirmed that all of the concerned satellite businesses still had some going-concern value, meaning that the value of the business as a whole was higher than the value of its single assets. We thank an anonymous reviewer for this hint.

recognition as a family because there is not a real match between our family business [mainly active in the construction business] and those subsequent businesses [satellites].' Similarly, Pak, which has farming as its main business activity, sold a rice mill and a small ice manufacturing unit during a decline (see Table 2).

Collectively, our data reveal that when a strong identity fit between the family and a satellite business exists, the family tends to prefer the option of shutting down the satellite instead of the alternative option of selling it because the family is not willing to let go of the satellite business or let someone else have it. In such a case, shutting down the business is viewed as a way to preserve the family identity and the family business portfolio; by contrast, selling the business would mean that part (if not all) of the family identity is lost. Conversely, when there is a weak identity fit, satellite businesses are more likely to be sold than to be shut down. This notion is supported by the fact that whereas there were 12 shutdowns and eight sales, all of the satellites that were shut down were fully owned by the families; by contrast, five of the eight satellites that were sold were not fully owned (see Table 2). This finding is significant to our reasoning because the literature has positively linked ownership levels to the level of identification (cf. Miller *et al.*, 2011; Rouse, 2016). Formally, we propose the following:

> *Proposition 2: The stronger the identity fit between the owning family and a satellite business in a family business portfolio that is facing declining performance, the more likely the owning family will be to shut down the satellite instead of sell it.*

Shutting down versus selling: contingency factors

Recycling

Our analysis offers evidence that the decision either to shut down or to sell a satellite business, which is driven by identity-based considerations, is contingent on a business family's goal to recycle the assets—that is, to temporarily shift the firm's resources (e.g., tangible assets and human and financial capital) to other businesses. A good example in this regard is how the family owners of Kasf have chosen to shut down a satellite business in order to counter a business decline. The director stated, *'Our family is known for not selling anything. My father thinks that there is a value in everything that you can use or recycle. So we came out of the workshop business [satellite... and instead used the land for real estate...This may be the way to manage from a long-term perspective, perhaps also to keep the connection with the [divested] businesses alive.'* Because the workshop business is strongly linked to the family's identity, this statement shows how the goal to recycle assets can enhance identity fit-related considerations with regard to shutting down versus selling. Whenever the owners of Kasf experienced difficult situations, they refrained from selling businesses they felt were part of their family identity and heredity, particularly when they strived to redirect the corresponding assets to potentially more promising businesses. Such a situation has also recently been observed by the national media, which has highlighted that the Kasf family did not sell their businesses even in the face of business decline.

Similarly, in the Sunny case, the business family shut down some satellites they considered to be part of their identity to redirect resources and turn around the declining business. When reflecting about how the family responded in difficult situations, the director said, '*The reasons we took action in the form of closing down were because, first, we didn't want to let go of our businesses [satellite] and, second, we have always created some opportunities out of failures [through recycling resources]. The motivation that you need during the declining phase is that you create opportunities and not just focus on trying to get out of the situation at that particular time.'* This statement indicates that the main motivation to not let go, mainly because of identity considerations, is enhanced by the intended pursuit of a recycling strategy.

Similarly, the director of Miral stated, *'We did take advantage of the situation by closing the operations [satellite] and diverting all of our focus to the main activity [legacy]...That seemed to be the right strategy at that moment, which also allowed us to be attached to our business [legacy].'* Here, the recycling approach also helps families pursue identity-related motives in the context of the shutting down versus selling decision. Related evidence is also found in the Lucky case (see Table 2).

In sum, we find that the business families have a considerable desire to shut down instead of sell satellite businesses (while not liquidating or selling assets) in order to be able to redirect these assets to turn around the business portfolio. This situation resembles what Mason and Harrison (2006) term 'entrepreneurial recycling.' Accordingly, the goal to recycle those assets is part of a 'turnaround' strategy that can contribute to the long-term enduring success of the business portfolio. More specifically, the recycling goal seems to enhance identity-induced behaviors (i.e., shutting down instead of selling). We note that social identity arguments suggest that members of a group with strong identification adopt practices and make choices that benefit their firms (Cannella *et al.*, 2015). Indeed, they shape their behavioral responses toward collective long-term goals and activities congruent with their identities (Ashforth and Mael, 1989; Ellemers, De Gilder, and Haslam, 2004). This relationship between identity considerations and shutting down versus selling as a beneficial behavioral response during declining performance, in turn, seems to be stronger when the goal to recycle assets is present. Thus, we formally propose the following:

> *Proposition 3: In a family business portfolio that is experiencing declining performance, the goal of recycling the assets of a satellite business strengthens the positive relationship between identity fit (owning family and satellite business) and the likelihood of shutting down versus selling the satellite.*

Restarting

The identity fit-based decision to shut down or sell a satellite business is also affected by family owners' goal of reentering the business later. An illustration in this regard is the Kasf family, which is involved in the construction business as its main activity. During a decline in its construction business, other areas of its portfolio were affected, such as their hotel business and their heavy mechanical workshop. The Kasf family always very strongly identified with its hotel business, for instance, which had been one of their father's first diversifications. They then decided to shut down both their hotel business and the workshop. As the director noted, this decision was strengthened by the family's intentions to restart the businesses: *'Our family never sold any business that had ever been started...We had high hopes and interest to go back to the hotel business and the workshop business;...our decision to shut down...was made with the strong intention to reopen.'* Importantly, as in all of the exit cases investigated, the family would have been able to sell the businesses; the hotel, for example, is at a prime location on one of the main roads in the city of Rawalpindi. When the family exited the hotel business, they rented out the property for a few years. This example illustrates how the goal to restart a satellite firm can reinforce identity-based shutting down versus selling considerations. Indeed, the Kasf family restarted both businesses at a later time (e.g., the hotel after a complete renovation and the workshop on a smaller in-house scale).

Another example is the Miral family, which strongly identified with its restaurant business. This is mainly because the name of the restaurant is also the name of a heritage area in the city where the Miral family first settled. In addition, the public associated the restaurant's name with the Miral family name. The family owners decided to shut down the restaurant in a time of declining performance even though they could have sold it due to the restaurant's heritage value. As the director noted, *'...we were not ready to give up; rather, we were all set to fight—at that time, our friends and other people around us thought that it was foolish what we were doing...There were many reasons not to sell, especially when you want to take it forward.'* Here, identity was also not the only relevant consideration. As the director explained, *'We do intend to restart them [all of the businesses that were closed down] as soon as we can control the situation...My goal of running the traditional food restaurant is still 'alive,' and I am hopeful that I will restart again soon.'* The intention to restart here is a means to further strengthen identity fit-based motivations in regard to shutting down versus selling.

Similarly, the Lucky family strongly identified with its fish farm and brick kiln businesses. According to Owner 3, *'It was our thought out intention to close down the businesses [satellites] and wait for things to calm down...In the meantime, we were working to settle the debt with the help of family and friends... The vision of diversifying into different businesses carried on by restarting the fish farming business.'* Thus, the business family decided to shut down because of identity reasons; this decision was fostered by the family's willingness to come back to the businesses and to restart again.

In sum, our cases show that the intention to restart a satellite business at some point in the future is an important contingency factor of the identity fit/shutting down versus selling relationship in times of declining performance. Accordingly, the goal of restarting a satellite business in the future may imply some form of additional 'anticipatory identification' (Rouse, 2016: 24), with the business family showing an even stronger identification-based motivation logic toward the choice of shutting down versus selling. The previous literature states that decline or failure affects entrepreneurs' behavior in two ways, either fight or flight (Calvet, Campbell, and Sodini, 2009); in our cases, we clearly identified the 'fight' mode. Formally stated, we propose:

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Proposition 4: In a family business portfolio that is experiencing declining performance, the goal of restarting a satellite business strengthens the positive relationship between identity fit (owning family and satellite business) and the likelihood of shutting down versus selling the satellite.

Increasing decline in performance

Our analysis provides evidence of another important contingency factor in the depicted main relationship: the increasing decline in performance (see also Brauer, 2006). Indeed, family business scholars often note that family owners manifest a high degree of risk-taking behavior in difficult situations (Chrisman, Chua, and Steier, 2011). Such behavior is explained by family owners' strong identification with the business, which shapes their risk-taking attitude and behavior (Gomez-Mejia *et al.*, 2007; Miller *et al.*, 2011).

For example, in the case of the Lucky family, the family first shut down its fish farm. However, the situation did not improve, and when its performance declined further, the family shut down another satellite (i.e., the brick kiln) instead of selling it. The director explained, *'In those days, we would discuss possible actions a lot because the [portfolio] business was not going well [increasingly worse]...and the increased complexity, uncertainty, and strong instability of the market were not helping at all!.. I was feeling that with the increasing decline, we were becoming more stringent and robust in our actions toward not selling off our subsequent [satellite] businesses, so first we closed down all of the fish farming operations, and then we agreed to come out of the brick kiln. The focus completely shifted to the agri-farming.'* This statement demonstrates that the effects of identity considerations on the likelihood that shutting down is preferred to selling a satellite firm are amplified by the increasing decline in performance in the business portfolio.

Similar evidence is found in the case studies of Miral, Kasf, and Sunny (see Table 3). For example, in the case of the Miral family, the family owners had to exit from several satellite businesses because of increasing decline in performance caused by a difficult market situation. As the director explained, *'Investments in new businesses [satellites] triggered our business decline: the dairy plant gave us the real shock. Our newly started dairy plant ran into trouble [declining performance levels that were worse in relation to the declining performance of the portfolio].'* With the declining performance, the family owners started to shut down their other businesses in the portfolio to protect their legacy business. As stated by the director, '*Increasingly low performance [of the family business] was leading us to be stronger, and our response was in the form of shutdowns...I am not upset; instead, I have become stronger because the family is with me, and we all believe in our family business...We take it as a challenge for the present and the future...After discussing and obtaining support from the family, I decided to close the...[satellite] businesses.'* In addition, selling these satellite businesses would have been possible here. The settled export business, for instance, had the same name as the Miral family and, thus, had considerable market value owing to the corresponding reputation and goodwill.

These findings are important because the existing literature generally suggests that increasingly poor performance is an important factor that motivates an owner to exit a business through a sale or, in the worst-case scenario, a liquidation (Brauer, 2006; Chang, 1996). In our cases, however, the families became more committed (escalation) to close down operations and retain all firm assets instead of selling the businesses even when the decline was worsening. This finding is in line with the argument that business families take greater risks when their emotional endowment (identity) is increasingly threatened (cf. Ashforth, Schinoff, and Rogers, 2016; Gomez-Mejia *et al.*, 2007). Put differently, tougher situations increase family owners' commitment to their business assets and resources (Chirico *et al.*, forthcoming; Salvato *et al.*, 2010). In a similar vein, some family business scholars suggest that family owners feel increasingly aware and obliged to retain and revitalize a business in more difficult situations (Cruz and Nordqvist, 2012; Lumpkin, Brigham, and Moss, 2010). Implicit in this line of reasoning is the observation that family owners view their businesses as something greater than a simple financial tool for profit maximization and that identification reasons drive such owners' strategic decisions. Consequently, business families who are experiencing difficult situations find themselves increasingly eager to avoid the selling option *at all costs* while committing to shut down satellite businesses. Taking these considerations together, we propose the following:

Proposition 5: In a family business portfolio, increasing decline in performance strengthens the positive relationship between identity fit (owning family and satellite business) and the likelihood of shutting down versus selling the satellite.

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The relationships we propose between the different variables are shown in Figure 2.

DISCUSSION

Our study aimed to investigate enduring entrepreneurship through exit strategies in family business portfolios experiencing declining performance. The analysis of a sample of six family business portfolios with 20 exits from Pakistan led to two main contributions.

First, we revealed that shutting down a satellite business (instead of selling it for financial gain) is a prevalent exit strategy in family business portfolios. Specifically, we showed that a business family may indeed prefer to 'shut down' a satellite portfolio firm (i.e., close down operations and keep all of the firm's assets) rather than sell it to a third party—even if the latter was an available option and would have enabled the family to generate immediate financial revenues that could have been used for other purposes. Second, we illuminated the drivers behind this decision. By using a social identity theory perspective, we discovered that the likelihood of shutting down versus selling a satellite firm is higher when there is a high degree of fit between the family and the satellite business identity. In addition, we find that the goals of recycling the resources and of restarting the satellite business in the future as well as increasing decline in performance are important contingency factors in the above-stated relationship. These contributions have important implications for several streams of literature.

Implications for portfolio entrepreneurship research

Our study affects research on portfolio entrepreneurship both within and beyond the family business domain because it demonstrates that studies that focus mainly on how and why business portfolios are created (for an overview, see Carter and Ram, 2003) neglect the various multifaceted and rather unexplored dynamics that occur in later stages of portfolio entrepreneurship. While research acknowledges that successful portfolio entrepreneurship involves renewal and constant entry into and exit from business activities (Dess *et al.*, 2003; DeTienne and Chirico, 2013), more research about later-stage portfolio entrepreneurship dynamics is needed. Specifically, we encourage portfolio entrepreneurship scholars to shift a bit away from 'why and how' business portfolios are built and focus more on research about engaging in exit in a portfolio of businesses in general, shutting down or selling satellite firms in particular, recycling resources, and restarting satellite firms. This is especially interesting during difficult times when the success or failure of a business portfolio is determined.

Relatedly, we raise scholars' awareness that the decision making of business families that own a business portfolio does not always follow a purely profit-maximizing approach. The '*if we can't have it, then no one should*' pattern we identified—manifested in the decision to shut down a satellite business even though selling it would enable the family to generate immediate and higher financial returns overall (see also Decker and Mellewigt, 2007; Wennberg *et al.*, 2010)—contrasts with the classic profit-maximizing model. This implies that the factors that affect this decision should be investigated further. A particularly promising avenue is to examine the interplay between identity-related 'nonrational' reasons and more economic 'rational' reasons. Specifically, although family owners can be implicitly assumed to make strategic decisions independent of financial considerations, the existence of identification and emotional reasons does not imply that family firms are generally self-sacrificial and that they ignore financial issues completely (Berrone *et al.*, 2010; Gomez-Mejia *et al.*, 2007). Put differently, it is unlikely that the decision to shut down instead of sell a satellite business is solely driven by identity considerations. Family firms are 'more likely to bear the cost and uncertainty involved in pursuing certain actions, driven by a belief that the risks that such actions entail are counterbalanced by noneconomic benefits rather than potential financial gains' (Berrone, Cruz, and Gomez-Mejia, 2012: 261). Thus, future research should investigate how identity-related rationales interact with particularly relevant economic factors (e.g., market value of assets, going-concern values, financial market conditions). Relatedly, it would be interesting to explore whether there is a 'price tag' that can be put on identity fit considerations: how large does the financial value that is foregone by shutting down instead of selling have to be so that the business family decides to sell despite any identity fit considerations?

Furthermore, with our identification of identity fit as a main driving force of the shutting down versus selling decision and three contingency factors, we demonstrate that exit decisions and strategies in family business portfolios are relatively complex. This opens up several promising research avenues.

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To start, each of the contingency factors deserves further research attention. For instance, as discussed, we found that identification motives become stronger when the situation is more difficult. Because this might be context driven to a certain extent (as the post-9/11 situation has dramatically changed Pakistan's dynamics), we call for further investigation of the role of declining performance in other settings and countries while considering the extent to which the portfolio's survival—and, thus, socioemotional wealth (SEW; see Gomez-Mejia *et al.*, 2011)—is threatened explicitly. Furthermore, we found evidence in the Kasf workshop example that both the goals to recycle and to restart are present. This indicates that the relationship between identity fit and the likelihood of shutting down versus selling might be affected by more than one contingency factor at the same time. Clearly, further in-depth research is needed here. In addition, there might be other contingency factors we have not captured in our study. Possible factors worth investigating may include the size and performance of the various units, the resource allocation and relatedness between the core and satellite businesses, emotional attachment (and its link to identification), and external factors. Regarding the latter, some of our cases (i.e., Miral and Kasf) provide preliminary evidence that the level of environmental uncertainty, that is, the complexity and change emanating from the external environment (Keats and Hitt, 1988), may also drive the shutting down versus selling decision, with family owners tending to increasingly opt for shutdown instead of selling as environmental uncertainty increases. Relatedly, scholars could also investigate environmental elements such as institutional voids as potentially important boundary conditions.

Implications for entrepreneurial exit research

We impact research on *exit modes* (Chang and Singh, 1999; Wennberg, 2008; Wennberg *et al.*, 2011) by identifying 'shutting down' as an additional type of exit that has been largely overlooked in the literature so far. While there is considerable anecdotal evidence regarding this particular behavior of firms and firm owners, our work is the first to theoretically and empirically study this phenomenon. Specifically, we describe 'shutting down' as a situation in which a firm's operations are 'switched off' and assets are retained, leaving open the option to 'switch on' the firm and use the assets again in the future. Thus, 'shutdown' can be interpreted as a temporary pause in a firm's operations. This implies that future research on exit modes should consider this exit type; otherwise, the corresponding conceptual or empirical models might be underspecified.

Furthermore, our study affects general research on *exit motivations* (Dehlen *et al.*, 2014; Kammerlander, 2016). Besides highlighting the relevance of both emotional and rational reasons for exit decisions, something previous research has not addressed in sufficient depth (Wong *et al.,* 2006), we also offer nuanced insights into how business families make corresponding decisions depending on increasing performance decline. As a situation becomes more difficult (higher declining performance), business families tend to show an escalated commitment in the divested satellite businesses. This finding is intriguing because most of the recent family firm literature argues that economic considerations take precedence over emotional (including identification) concerns when a firm experiences economic hazards (see Gomez-Mejia *et al.*, 2011 for a review). For example, Gomez-Mejia, Makri, and Kintana (2010: 232) argue and find that family firms are more likely to engage in diversification as firm performance decreases; diversification and related financial considerations become 'a higher priority than the preservation of SEW.' Our study shows that identification motives become stronger when they are paired with greater performance hazard. This implies that, on the one hand, scholars should not take the previous findings in the literature for granted; actually, the opposite might also be true. On the other hand, there is a clear and strong need for further research about the general circumstances and conditions under which either economic or emotional (e.g., SEW) considerations dominate business families' decision making. There might be several important contingency factors to explore, such as family constellations, family and business values, or risk preferences.

Implications for research on long-term success and transgenerational entrepreneurship

Scholars in the corresponding fields should keep in mind that a key to long-term generation-spanning (i.e., enduring) entrepreneurial success of business families is how they may overcome declining performance in their business portfolios, for instance through the specific exit strategies we have identified. Specifically, we highlight how shutdown decisions may assist the recovery and endurance of the business portfolio, fostered by the intention to later recycle or restart a portfolio business. In other words, we shed

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some light on the pressing question of how some business families, particularly when they own a portfolio of businesses, survive periods of declining performance and remain successful in the long term. Future studies should better link the turnaround strategy of shutting down satellite firms to long-term success by investigating the long-term performance implications of this strategy through a longitudinal, quantitative approach.

Implications for practice

Finally, our study offers implications for practice. Family business managers and practitioners can benefit from our work because we show a promising and unique way in which family firms can respond to business decline and ensure enduring entrepreneurship. Indeed, shutting down a satellite firm instead of selling it should definitely be considered by business families both because it seems to be a promising turnaround strategy and because it prevents identity loss.

LIMITATIONS

Our study is not free from the limitations of qualitative research conducted with a limited sample which, in turn, opens up additional avenues for research. We acknowledge that there may be limitations with regard to the extent of the generalizability of the study, which was conducted in the specific context of Pakistan. While we are convinced that our key findings are generalizable to the general setting of family business portfolios (because we have no reason to assume that our identified patterns and underlying drivers differ systematically across contexts), we nonetheless call for future research to replicate and validate our findings within more '*individualistic*' cultures and more '*stable*' contexts, for instance in the U.S. and Europe. Moreover, as in all interview-based qualitative research, one might wonder whether the respondents provided correct and unbiased answers. While such bias can never be excluded fully, we believe this is not a critical issue in our study. This is because the strong relationships one of the authors had with many of the respondents seemed to help engender unbiased and reliable answers, as visible in the numerous statements about businesses being in crisis and mistakes that had been made. Additionally, confidentiality and anonymity were guaranteed. Furthermore, we note that our findings and the resulting propositions are analytical instead of statistical generalizations. The time could be ripe for quantitative studies.

Concluding remarks

How does a business family that owns a family firm portfolio react to declining performance? Our study of six Pakistani family business portfolios with 20 exits reveals distinct and unique insights that hopefully will inspire other scholars to pursue further corresponding research in order to better understand the long-term endurance of family firm portfolios.

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