

How Social Entrepreneurs Can Protect Their Mission When They Step Down

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Social entrepreneurs care more about mission continuity than cashing out. This research-backed framework helps founders prepare successors, reduce founder dependence, and sustain impact.

As Sarah sat on her porch, sipping morning coffee and listening to birdsong, her thoughts drifted. Godiva Health Collective was her baby. Twenty-three years ago, she founded the social enterprise to tackle women's health issues in the world's most resource-constrained communities. Over the years, the organization had grown considerably, and its exemplary work had earned numerous accolades. Recently, Sarah has been thinking about taking a bow and turning the reins over to someone who would carry the mission forward. At times, she reasoned that promoting one of her trusted employees, someone who knew the communities they served and was passionate about the mission, would be the best decision. But what might the board say? Would they advise her to hire an industry veteran with the requisite experience and network to replace her? Would she still have an advisory role at the organization after stepping down, or would she exit completely? As the warm June breeze brushed past her, Sarah knew letting go would not be easy. She had some tough decisions ahead.

While Sarah and Godiva Health Collective are fictitious, the dilemma she is facing is all too common among social entrepreneurs, whose motivations are more altruistic than financial: What happens when founders leave their social enterprises?

According to statistics reported by the World Economic Forum (WEF) in 2024, social enterprises that address multiple challenges outlined in the United Nations Sustainability Development Goals – such as poverty, health, clean water, and climate action -- account for about 2% of global GDP and 3% of all businesses¹. The WEF estimates that the world's 10 million social enterprises generate approximately \$2 trillion in annual revenue.

Inevitably, social entrepreneurs must step away from their ventures one day. Whether driven by retirement, health challenges, a new professional pursuit, or an involuntary ouster, founder exit in entrepreneurship is as certain as *death and taxes*! Because founders tend to develop a strong emotional connection to their ventures, contemplating an exit is emotionally charged, and planning for succession may seem as strange as preparing for one's own demise². This is especially challenging for social entrepreneurs, who tend to prioritize impact continuity rather than cashing out³.

In an ideal situation, stewardship-minded social entrepreneurs would prefer to leave in a way that has an imperceptible effect on their mission and the people it serves. Therefore, timing their exit can be agonizing. Who will succeed the founder is a major question. For those committed to mission continuity, one classic dilemma is hiring a professional CEO versus promoting an internal candidate familiar with the community being served. The board's concerns must also be addressed. Some founders even contemplate taking on a small role after stepping down so they can remain connected with the organization.

Our recent research reveals that founder-CEOs of social enterprises hold diverse exit preferences⁴. Based



on these preferences, we identified four founder archetypes. We detail the risks each might face in succession planning and suggest steps for minimizing them. Drawing from our findings, we outline a practical, five-step framework to help social entrepreneurs effectively navigate their departure and secure their organization's future.

Founder Archetypes Based on Exit Preference

Social entrepreneurs, it turns out, differ markedly in their exit preferences. We surveyed 105 founder-CEOs of social ventures⁴ to study their exit intentions across varying levels of organizational performance, measured by: (1) achieved social impact, (2) financial sustainability, and (3) organizational capabilities. Based on our results, we classify social entrepreneurs into four archetypes: *Never-Exit Idealists*, *Impact-focused Traditionalists*, *Growth-oriented Realists*, and *Performance-bound Pragmatists*. As these labels indicate, idealists may be relatively impervious to firm performance, while realists are firmly focused on growth. Traditionalists are willing to make less-than-perfect decisions when performance crosses their threshold, while pragmatists respond to both high and low performance. The connection between the firm's revenue model and the founder's exit intention behavior is noteworthy.

Never-Exit Idealist: *Idealists* display a strong reluctance to leave their firm regardless of performance. These founders have decades of experience running the social enterprise they started, and a large percentage of their revenue comes from grants and donations rather than earned income. Under these circumstances, founders typically remain involved as long as their health permits. They may welcome the possibility of their trusted lieutenants, who have dedicated years of service to the firm, succeeding them one day. However, because of their high psychological attachment to the venture, they tend to procrastinate on succession planning.

Impact-focused Traditionalist: Traditionalists are committed to staying with the organization as long as it takes to achieve meaningful social impact. They don't quit over poor performance. In addition to creating the intended social impact, they emphasize that financial sustainability is essential to the organization's long-term success. Their organizations' revenue models have

appreciably more earned revenue in the mix than those of idealists. Traditionalists are convinced that once the organization's vision is achieved, it is time for founders to depart. They make deliberate efforts to institute a succession plan once they are convinced that their venture is performing well. This can allow long-term employees who have served the organization to take on leadership positions.

Growth-Oriented Realist: Realist founders can be seen as contrarians compared to traditionalists. They are not interested in operating a social enterprise that does not yield meaningful results over time. Therefore, when the firm is not performing well, they would rather shut it down. Conversely, if the organization demonstrates strong performance, these founders continue their involvement and strive for growth. Compared with idealists and traditionalists, organizations run by *realists* have a higher percentage of earned revenue. As with all social entrepreneurs, their preferred mode of exit is a management buyout. Realists are also open to merging their underperforming venture with similar organizations rather than battling on their own.

Performance-Bound Pragmatists: Pragmatists are open to exiting their firm at both the high and low ends of firm performance. Similar to realists, *pragmatists* also tend to shut down their social ventures when their firm underperforms in impact. Like traditionalists, these founders are inclined to exit when the firm's social mission is realized. The firms run by these founders have the highest proportion of earned income in their revenue mix. Just as serial entrepreneurs leave their company once it reaches the growth or scaling phase, pragmatists are ready to turn over leadership to their subordinates once their social venture starts thriving. Hence, pragmatists are most likely to pursue succession planning. Yet, despite their pragmatic approach, these founders also prefer to exit through a management buyout rather than pursue commercial options⁵.

Risks and Mitigation

The four archetypes described above show that succession planning is not one-size-fits-all for social entrepreneurs. Because of their different exit preferences, each may face distinct risks in succession planning. For example, idealists who prefer to extend their tenure as long as possible may procrastinate on succession planning. Heavy reliance on grants also

poses a risk to the social enterprise's financial viability. Because of their long tenure, much of the crucial institutional knowledge may be concentrated with the founder. Idealists would be better served by being more intentional about training their top employees and delegating adequate executive authority. This will help ensure that the organization thrives even in the founder's absence.

Although traditionalists are open to leaving, timing their departure can be the major challenge. As a result, some remain in the social enterprise past their operational prime. These social entrepreneurs may raise the performance threshold and decide to leave "the next year." To mitigate this, traditionalists could establish quantifiable performance thresholds and a concrete succession timeline, especially when the firm is performing well. When the organization is not performing well, both idealists and traditionalists may escalate their commitments when they stay too long.

Realists are open to leaving a non-performing venture. However, if they exit prematurely, they might lose the opportunity to pivot the focus of their social enterprise. To counter any impatience, realists could explore strategic mergers before deciding to leave or shut down the venture. Pragmatists are open to exiting whether the enterprise is performing well or poorly. Their main risk is that their social enterprise could lose the founder too early and face mission drift. A potential antidote to this problem would be to hire a cofounder or identify successors who are equally committed to mission continuity after the founder leaves.

Five Takeaways for Social Entrepreneurs

Exit is inevitable but an emotional decision: Accept and understand the inevitability of founder exit by learning from the experiences and biographies of other social entrepreneurs who have walked this path. Recognize that it is an emotional decision. Actively uncover blind spots you might have ignored by openly discussing your exit and succession concerns¹.

Understand your exit preference archetype: Are you an idealist, a traditionalist, a realist, or a pragmatist when it comes to exit preference? Knowing this would help you structure your organization, attract the right stakeholders, and plan for succession. It would also help you determine the ideal capital structure and identify investment sources, such as impact

investments, philanthropic capital, grants, and program funding. Finally, understand your specific risks and implement steps for mitigation (**see Table 1, downloadable above, for an overview**).

Three essentials for sustained impact and continuity: A social enterprise's performance is centered on achieving *social impact*, sustaining *financial metrics*, and building strong *organizational capability*. While striving to maximize positive social impact, also focus on the sustainability of your finances by refining your business model and diversifying your revenue streams. Build organizational capability by empowering your employees and establishing strong relationships with external stakeholders that are crucial to delivering your services. Performing well on all three criteria would ensure that the organization's mission continues to thrive.

Founder centrality can be detrimental to impact: If your venture cannot run without you, the social impact produced by your social enterprise grinds to a halt in your absence⁶. Therefore, delegate tasks and create decision-making redundancies that empower your team members to operate autonomously.

Deliberate planning for internal succession: Social entrepreneurs trust long-time employees, who are most familiar with and highly committed to the communities they serve, to succeed them rather than hiring outside CEOs. Therefore, founders must begin training high-performing employees to assume managerial responsibilities and build a succession plan. The succession roadmap could include (1) defining future organizational needs, (2) identifying internal high performers for training, (3) co-creating development plans with potential successors, (4) implementing phased delegation, and (5) formalizing a concrete transition timeline.

Explore the Research

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