

FOUNDER CEO SUCCESSION: THE ROLE OF CEO ORGANIZATIONAL IDENTIFICATION

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Drawing from the organizational identification literature, we theorize that founder CEO succession decisions are dependent on the strength of these CEOs' organizational identification with their firms. Our theoretical premise is that factors that decrease founder CEOs' organizational identification—namely, prior entrepreneurial experience and the number of cofounders—will positively affect their voluntary succession. Conversely, factors that increase founder CEOs' organizational identification—specifically, the length of time that their organization was a private firm and core founder status—will negatively affect their voluntary succession. We find strong support for our arguments in the context of firms that undertook an initial public offering during the period from 2000 to 2013. Our findings enable us to illustrate that founder CEOs' succession decisions may be better understood by considering factors that might influence their psychological traits rather than focusing only on their performance and control.

Many U.S. public firms—including some of the largest (e.g., Google, Facebook, and Amazon.com)—are managed by founder chief executive officers (CEOs). Recent studies of firms run by founder CEOs have shown that these firms differ significantly from firms run by professional CEOs in multiple dimensions, including their performance, market valuations, and behaviors (e.g., Adams, Almeida, & Ferreira, 2009; Certo, Covin, Daily, & Dalton, 2001; Fahlenbrach, 2009; Lee, Hwang, & Chen, 2017; Miller, Le Breton-Miller, Lester, & Cannella, 2007; Nelson, 2003; Souder, Simsek, & Johnson, 2012; Villalonga & Amit, 2006). Although this research provides important insights into how founder CEOs and professional CEOs differently influence firm behaviors and performance, most studies of this type have used the implicit assumption that founder CEOs

are all quite similar to one another. Practically, these studies have used the founder CEO status as a dichotomous proxy for how these CEOs differ from other CEOs, overlooking the fact that, although founder CEOs differ from professional CEOs in important ways, significant heterogeneity likely exists among them as well. Founder CEOs are likely to vary in terms of their interests, preferences, dispositions, and so forth. Consequently, it is important to consider the ways in which founder CEOs differ from one another and how these differences affect the firms they lead.

One area that has been studied regarding how founder CEOs differ is the context of founder CEO succession;¹ however, most studies on founder CEO succession have been framed from the viewpoint of shareholders (e.g., Pollock, Fund, & Baker, 2009;

We are grateful for the helpful comments of editor Zeki Simsek and three anonymous referees. We thank Kyle Mayer, Tim Quigley, Noam Wasserman, Michael Withers, and the participants in the Purdue Pro-Seminar Series and at 2017 Academy of Management Annual Meeting for their helpful comments. This study was partially supported by a Korea University Business School Research Grant. All remaining errors are ours.

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¹ Following previous studies on executive transition in general (e.g., Nakauchi & Wiersema, 2015; Ocasio, 1999; Shen & Cannella, 2002; Zhang & Rajagopalan, 2004; Zhu & Shen, 2016) and founder CEOs specifically (e.g., Haveman & Khaire, 2004; Wasserman, 2003), we use the term “succession” to denote both voluntary and nonvoluntary CEO turnover. However, other studies have instead used the terms “turnover,” “exit,” or “departure.” We believe these terms are interchangeable, but, for consistency, we use “succession” throughout.

Wasserman, 2003), focusing on understanding the antecedents of founder CEOs' involuntary successions (e.g., recent performance, human capital, and control power). In so doing, these studies have not considered the antecedents of founder CEOs' voluntary successions.

In this paper, we examine founder CEOs' succession decisions from the viewpoint of founder CEOs. Specifically, we use the lens of organizational identification to understand how founder CEOs' views or feelings about their firms may affect voluntary succession. We draw upon organizational identification theory because it provides a unique explanation to help understand why founder CEO succession may occur voluntarily. Often, founder CEOs are viewed as having a high level of attachment to their firms, with language that describes the firm as their "baby" or "legacy" (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005; Dobrev & Barnett, 2005; Nelson, 2003). Similarly, founder CEOs' personas and identities are often strongly tied to the firms they founded (Powell & Baker, 2014). These characterizations imply that founder CEOs have a high degree of organizational identification with their firms. We argue that, although founder CEOs are expected to identify highly with their firms, this level of identification likely varies. We then develop theory regarding several CEO- and firm-level factors that should affect the level of identification experienced by founder CEOs. Finally, we build on the founder CEO literature to develop arguments regarding how founder CEOs' level of identification affects their voluntary succession decisions. Our theoretical premise is that the factors that decrease founder CEOs' organizational identification—for instance, prior entrepreneurial experience and the number of cofounders—are associated with a faster succession; conversely, the factors that increase founder CEOs' organizational identification—such as the length of time that the firm was private and core founder status—are associated with a slower succession.

We test our predictions in the setting of firms newly listed as having undertaken an initial public offering (IPO) in the United States between 2000 and 2013. Post-IPO firms provide an appropriate setting in which to examine the effect of identification on succession. An IPO dramatically changes the ownership and control of the founder and, hence, despite all of the positive changes in a founder's wealth associated with an IPO, it is likely the greatest shock to a founder's sense of identification that can occur. Consequently, examining the time after the firm's IPO provides a unique opportunity to examine an

identification shock that could have a significant impact on a founder CEO's intention to stay with the firm. Given that these CEOs are the ones who chose to stay at least until the IPO *and* were allowed or able to stay, this provides a setting in which we can examine what happens after this significant identification event. In sum, because an IPO is likely to be such a shock to a founder's sense of identification, it improves our ability to hypothesize about identification as a primary mechanism of CEO succession.

Our theory and supportive empirical findings make a number of contributions to the organizational identification literature, founder CEO literature, and corporate governance literature. First, our study provides new insights into organizational identification by focusing on founder CEOs, a group that likely experiences the highest level of baseline identification, and yet identification scholars have not studied them. This is novel because the concept of identification has been developed and tested in contexts in which we would generally expect either low levels of identification, such as low-level employees of firms who have joined through employment (e.g., Mael & Ashforth, 1992; Shapiro, Hom, Shen, & Agarwal, 2016; Van Knippenberg & Sleebos, 2006), or modest levels of identification (e.g., professional managers) (Boivie, Lange, McDonald, & Westphal, 2011; Peterson, Galvin, & Lange, 2012). In contrast, people who found firms should naturally have high levels of identification because they are the ones who choose and shape the identity, goals, and culture of the firm. Hence, we develop novel theory on how the organizational identification level of founder CEOs may affect their succession decisions, and suggest a set of archival indicators that represent sources of variance in founders' levels of organizational identification. In doing so, we demonstrate the continued explanatory power of organizational identification as a construct. Furthermore, we believe that understanding founders' organizational identification and how it may influence their departure decisions is particularly important because founder departure should have a significant impact on the organization (Wasserman, 2003, 2017). Specifically, we argue that founding conditions as well as organizational evolution processes may affect the organizational identification level of the organization's creator.

Second, our results extend previous studies on founder CEO succession. Although the relevant theories and research on founder CEO succession have nearly exclusively emphasized human capital, firm performance, and the control power of

stakeholders as antecedents of succession events, this study provides new insights by considering founder CEOs' psychological attachment to their firms. In doing so, the present study responds to calls for research to improve our understanding of founders' successions as an important step in the entrepreneurial process (e.g., DeTienne, 2010; Wennberg, Wiklund, DeTienne, & Cardon, 2010) and to enhance our understanding of the psychology of entrepreneurs (e.g., Rouse, 2016; Spivack, McKelvie, & Haynie, 2014).

Finally, our theory and results contribute to corporate governance research on the influence of CEO organizational identification (Boivie et al., 2011; Peterson et al., 2012). These initial studies have focused on how organizational identification may mitigate agency problems or increase shareholder value. Although minimizing agency costs is an important outcome, the broader literature on identification (e.g., O'Reilly & Chatman, 1986; Riketta, 2005; Steers, 1977) shows that identification has other effects, such as increasing an individual's desire to remain with a firm. Consequently, our theory and results extend the literature on CEO identification by arguing and finding support for our claim that identification decreases succession events.

LITERATURE REVIEW

Organizational Identification

"Organizational identification" is defined as the degree to which individuals' self-identity is intertwined with the identity of their organizations, or the degree to which individuals define themselves in terms of the attributes of their organizations (Ashforth & Mael, 1989; Dukerich, Golden, & Shortell, 2002). It is generally viewed as a cognitive state, and a significant amount of research indicates that individuals within organizations may come to perceive a significant overlap between the way they view the organization and their self-concepts (Dutton, Dukerich, & Harquail, 1994). Although there is a sizeable stream of research on the antecedents and consequences of organizational identification (e.g., Edwards, 2005; Hall, Schneider, & Nygren, 1970; Pratt, 1998; Riketta, 2005), the theory we developed for this paper is primarily related to two major (and not mutually exclusive) findings on the outcomes of identification. First, numerous studies have found that the more strongly an individual identifies with an organization, the more likely he or she is to act in ways that benefit the firm

(Dukerich et al., 2002; Dutton et al., 1994). The reason for this is that, as identification increases, individuals become less inclined to prioritize self-fulfilling benefits over organizational benefits, or even to distinguish between the two (Dukerich et al., 2002). Therefore, an individual with a high level of organizational identification generally acts to further improve the attributes of the organization and avoids actions that might negatively affect the firm. Second, because members with high levels of organizational identification derive some of their self-concept from their organizations (Dutton et al., 1994; Van Knippenberg & Sleebos, 2006), they are strongly attached to their companies and have a greater desire and intent to remain at them (O'Reilly & Chatman, 1986; Riketta, 2005; Steers, 1977). Therefore, the more strongly individuals identify with their organizations, the more they protect themselves from actions that may separate or detach them from their organizations.

Based on these two streams of studies, a growing number of empirical studies have contributed to our understanding of how organizational identification may affect employee departure. In particular, organizational identification scholars have argued that an employee's organizational identification level is positively (negatively) associated with the likelihood of employee retention (departure), for a number of reasons (Ashforth & Mael, 1989; Shapiro et al., 2016; Van Knippenberg & Sleebos, 2006). First, the higher the level of the employee's organizational identification, the more the employee's self-concept is intertwined with the organization. As the level of organizational identification increases, the organization becomes a larger part of the employee's life and how he or she defines him- or herself. Thus, departure from the organization would be undesirable for an employee's self-concept because leaving would be a loss of part of him- or herself (Haslam, Powell, & Turner, 2000). In addition, because individuals prefer internal consistency and continuity over time in their self-concepts, employees are resistant to changes in their self-concepts (Festinger, 1962; Knippenberg, Knippenberg, Monden, & Lima, 2002; Rousseau, 1998; Sheldon & Elliot, 1999). Lastly, because one of the core goals in organizations and one of the main human resources management tasks is employee retention (Davies, 2001), for an employee to act in accordance with the group's goals (Ashforth & Mael, 1989; Van Knippenberg, 2000), an employee with a high level of organizational identification would be reluctant to leave the firm. Taken together, if employees are strongly

identified with their organizations, because departure from the organization would significantly disrupt employee's internal consistency and continuity, employees would be less likely to leave their organizations.

Recently, strategy scholars have drawn on organizational identification to explain CEOs' decisions and behaviors. They have argued that it is especially important to understand CEO organizational identification because CEOs have high levels of influence over firms' behaviors and outcomes (Busenbark, Krause, Boivie, & Graffin, 2016; Lange, Boivie, & Westphal, 2015; Peterson et al., 2012). Despite organizational identification's potential usefulness as a construct to explain CEO behavior, we are aware of only two empirical studies that have examined how it may affect CEOs. As the first study of this type, Boivie et al. (2011) found that CEOs who have higher levels of organizational identification receive lower compensation and are less likely to use corporate aircrafts for their personal benefit when firm performance is poor. Similarly, Peterson et al. (2012) showed that founders were more likely to identify with their firms, to act as servant leaders, and to improve firm performance.

While these two studies provide us with knowledge on identification as a factor that decreases the self-serving behaviors of CEOs, our study focused more on examining voluntary founder CEO successions to develop a theory regarding how and why founders may differentially decide to disengage from their organizations. In doing so, we base our theorizing on the idea mentioned above that managers with higher levels of organizational identification have a stronger desire and intention to remain with their firms (O'Reilly & Chatman, 1986; Riketta, 2005; Steers, 1977); we build on existing theories and research, arguing that individuals identify with organizations because doing so helps fulfill certain intrinsic needs, such as the need for self-esteem, belonging, or distinctiveness (Vignoles, Regalia, Manzi, Golledge, & Scabini, 2006).

HYPOTHESES

In this section, we develop a set of hypotheses regarding unobtrusive and secondary indicators of founder CEOs' organizational identification. Following previous studies that have used organizational shock to examine changes in organizational identification (Lee & Mitchell, 1994; Lee, Mitchell,

Wise, & Fireman, 1996; Maertz & Kmitta, 2012),² we begin by defining a context that may provide organizational shock to founder CEOs.

Our context is post-IPO firms, and uses an IPO event as an organizational shock that influences the organizational identification levels of founder CEOs. We chose an IPO event as an example of a shock because it presents a unique setting to test the links between founder CEOs' organizational identification and their voluntary succession decisions, for several reasons.

The IPO process dramatically changes the ownership and control of the founder (e.g., increase of formality, increase of outside pressure) and hence significantly impacts the founder's sense of identification. Within the literature on the unfolding model of turnover, shocks can be positive or negative. So, although the IPO changes ownership and control in ways that the founder may view negatively, it may also be viewed positively as a source of wealth creation or as an indicator of future success for the firm. Hence, we only suggest that the IPO event is an exogenous shock to the founder CEO's organizational identification, which increases the variations of organizational identification among founder CEOs; however, we do not suggest a direction of the effect. Consequently, the setting after an IPO provides an interesting opportunity to look at an identification shock that may result in voluntary founder CEO succession. The effect of an IPO on a CEO's organizational identification was verified by our interviews with some of the founder CEOs in our sample.³ For example, a

² For example, prior studies have shown that CEO departures (discontinuities) constitute critical events that prompt subordinates to think about quitting—otherwise known as “organizational shock”—according to the unfolding model of turnover (Lee & Mitchell, 1994; Lee et al., 1996; Maertz & Kmitta, 2012). Furthermore, departures of mentors or colleagues have often been portrayed as examples of organizational shock (Ballinger, Lehman, & Schoorman, 2010; Felps, Mitchell, Hekman, Lee, Holtom, & Harman, 2009; Hom, Mitchell, Lee, & Griffeth, 2012; Maertz & Kmitta, 2012; Seibert, Kraimer, Holtom, & Pierotti, 2013). The literature suggests that organizational shocks disrupt identification and give individuals a chance to reconsider their attachment to the organization.

³ We note that, like all interviews, these founders' perspectives were likely influenced by their own perspectives and biases, but we believe that they are illustrative of the processes under investigation in this study.

founder CEO with multiple post-IPO experiences stated the following:

IPO experience definitely lowered my attachment to the firm. Once the firm becomes public, you are not able to fully control your firm. As a CEO, I spend most of the time talking to and following the requests of outside shareholders and analysts. I realized that, once the firm goes public, my firm became their firm.

Another founder CEO with a post-IPO experience explained:

After the IPO, I wasn't able to run the company the way I [ran it] when the firm was private. It was a significant change, and I was less interested in running the company . . . I am more of an entrepreneur rather than a manager; hence, after the IPO, I myself got involved in hiring a new professional manager, and I willingly left the firm.

Our inferences are also supported by Wasserman (2006: 964), who stated the following:

More specifically, founders' intrinsic motivation is expected to diminish as psychological ownership wanes in the face of increased formalization and reduced familiarity with all parts of an expanding organization. With company growth, founders are often forced to share influence over their companies' direction, which can cause them to begin to exhibit lower levels of commitment.

This is heightened by the fact that, in an examination of post-IPO founder succession, the founder CEOs who remained were observed to be those who chose to stay until at least the IPO was completed *and* were allowed or able to do so. Accordingly, these founder CEOs, having successfully survived such an important milestone, have a relatively higher discretion to decide the timing of their own exits (Dobrev & Barnett, 2005; Wasserman, 2003). Taken together, these factors demonstrate that post-IPO firms are an appropriate setting to examine how founder CEOs' organizational identification, rather than control power vis-à-vis other shareholders, affects their voluntary succession decisions. This improves our ability to hypothesize about identification as a primary mechanism.

To develop measures in this context that properly reflect founder CEOs' levels of organizational identification, we performed a number of informal interviews with founder CEOs, early joiners of ventures who were not founders, early-stage investors, and industry consultants. Our interviews and the review

of the identification literature suggested four measurable constructs using founding conditions and organizational evolution processes that could reflect the differences in founder CEOs' levels of organizational identification with the firm: (1) prior entrepreneurial experience, (2) number of cofounders, (3) core founder status, and (4) length of time as a private firm.

Prior Entrepreneurial Experience

Founder CEOs who have prior entrepreneurial experience are expected to have lower levels of organizational identification than founder CEOs who have only one start-up experience. People tend to have a high level of organizational identification when they perceive that they are well described by an organization (Bartel, 2001; Dutton et al., 1994). Seeking a feeling of belonging within in-groups and a desire to distinguish themselves from others, people are more likely to consider their affiliated organization as part of themselves when they can uniquely link themselves to the focal organization (Brewer, 2001; Vignoles et al., 2006). These needs to belong and also feel distinctive are large drivers of why individuals identify with organizations.

Based on the above logic, we argue that prior entrepreneurial experiences are negatively associated with how much a focal firm contributes to its founder CEO's sense of belonging and feeling of distinctiveness. Founder CEOs often consider their firms to be a part of themselves and are strongly attached to their companies (Wasserman, 2012). This is especially true of founder CEOs who have never participated in other start-up activities. For these founder CEOs, their firm is their only "child" and a legacy, which increases their level of organizational identification (Cardon et al., 2005). However, it is well known that a large portion of founder CEOs are serial founders who have participated in multiple start-up activities (Hyytinen & Ilmakunnas, 2007). For instance, in our sample, 45% of the founder CEOs had prior entrepreneurial experience. If the focal firm is just one of multiple start-ups, the feeling that it is distinctive will be reduced, and the unique bond between the founder CEO and the focal firm will be weakened.

Moreover, organizational identification is generally viewed as a cognitive process wherein an individual decides how much of his or her identity overlaps with that of the focal firm. For founder CEOs who have prior entrepreneurial experience, it is likely that some of their self-image is based on their willingness to take risks or to start new organizations. Indeed, an entrepreneur with prior

entrepreneurial experience may identify more with the concept of “being an entrepreneur” than with the particular firm of which he or she is CEO (Rouse, 2016). As one serial entrepreneur stated:

My identity is a start-up guy. Part of my identity is you have an idea, you have a mission, and you need to get that started, get it off the ground. I can help you do that. My identity is about the part of the process. (Rouse, 2016: 1619)

Consequently, these individuals should perceive a lower degree of overlap between the identity of the firm and their own self-identities. This detachment from the focal firm is strongly heightened after the firm’s IPO event because an IPO increases the outside pressure and control the firm faces, resulting in decreased freedom and increased bureaucracy for the executive. These changes in the organization resulting from the IPO should serve as a significant shock (Wasserman, 2006) that will likely cause the founder CEO to reflect on whether he or she wants to continue with the organization. Consequently, these changes likely hinder the fit between the serial entrepreneur and the organization, which leads to a decreased level of organizational identification for a serial entrepreneur.

Thus, we expect that founder CEOs who have prior start-up experience(s) will generally have a weaker organizational identification with the focal firm, thereby resulting in a faster voluntary succession event.

Hypothesis 1. Compared with founder CEOs with no prior entrepreneurial experience, founder CEOs with prior entrepreneurial experience are positively associated with faster voluntary founder CEO succession (shorter time to voluntary founder CEO succession).

Number of Cofounders

The number of cofounders during the inception stage of a firm is expected to negatively affect the strength of CEOs’ organizational identification. The literature on organizational identification shows that an individual tightly identifies with an organization when that individual has strong control over the organization (Breakwell, 1993; Vignoles et al., 2006). Moreover, an individual feels a close identification with an organization when that connection is visible and when external parties are more likely to identify that individual with the organization (Boivie et al., 2011).

At inception, a start-up often lacks the human resources to adequately help the entrepreneur build

the company. To fill in these missing elements, founding entrepreneurs often recruit cofounders who have complementary skills to create a founding team (Beckman, 2006; Delmar & Shane, 2006; Eisenhardt & Schoonhoven, 1990); however, an increase in the founding members can have a negative effect on the founder CEO’s level of organizational identification because it decreases the CEO’s control over the firm. To attract adequate cofounders, founding CEOs have to share control of the venture and future profits (Coff, 1999). Yet, the context where one is competent and in control of the organization is an important source of organizational identification (Vignoles et al., 2006). Hence, decreased control over the firm is associated with a decreased organizational identification of the CEO. This decrease in organizational identification heightens after a firm’s IPO event because an IPO requires a firm to now be subject to much greater scrutiny from public investors. As discussed above, the shock that results from going through the IPO process should, we expect, cause the founder CEO to reflect on whether or not he or she wants to remain with the firm. When there are other cofounders, the founder’s identification is lower, so this reflection process should be more likely to lead to a choice to leave.

In addition, when there are cofounders, the spotlight is distributed, and external parties are less likely to identify the founder CEO as the sole creator of the firm. Therefore, as the cofounding team grows, founder CEOs increasingly share the organization with other cofounding members, which may weaken the founder CEOs’ identification with the organization. Thus, as more cofounders join the team, the strength of a founder CEO’s organizational identification decreases, resulting in a faster voluntary succession event.

Hypothesis 2. The number of cofounders at the firm’s inception is positively associated with faster voluntary founder CEO succession (shorter time to voluntary founder CEO succession).

Core Founder Status

Core founder status is expected to positively affect the strength of CEO organizational identification. “Core founders” are those who initiated the founding activities and led the organization at the inception stage (Wasserman, 2017). Compared with other cofounding members, core founders have often invested more effort, knowledge, time, and capital during the start-up process (Agarwal, Campbell, Franco, & Ganco, 2016; Wasserman, 2012). Also,

the organization's image is more closely tied to the core founder's self-image than to that of other cofounders. For example, Apple Computers was founded by three cofounders—Steve Jobs, Steve Wozniak, and Ronald Wayne—but most people consider Steve Jobs (who was the CEO on the day of inception) to be the core founder, or face, of Apple. Similarly, although Bill Gates and Paul Allen cofounded Microsoft, Bill Gates (who was the CEO on the day of inception) is more closely linked with Microsoft than Paul Allen. Consequently, a founder CEO who is more closely tied to the firm as the core founder has a more psychological ownership of the firm than founder CEOs who were not core founders. In addition, because an individual with the most control power in an organization is often strongly attached to the firm and highly identifies him- or herself with the organization (Boivie et al., 2011), the core founder should have a stronger attachment to the firm than other cofounders. Furthermore, core founder status in a firm that has achieved an IPO also likely provides founder CEOs with a source of positive feedback about themselves and positive social comparisons (Pratt, 1998). The shock that occurs because of the IPO process should have less of an impact on CEOs who are core founders because their identities are more strongly tied to the firm. Indeed, an IPO, despite bringing about a lessening of control, may actually increase the core founder's attachment to and identification with the firm because of the heightened level of publicity and visibility a public firm receives. This suggests that being a core founder likely affects a CEO's overall sense of self-esteem, which is also a core motive for organizational identification. Thus, the strength of organizational identification will be higher for founder CEOs who were core founders, thereby resulting in a slower voluntary succession event.

Hypothesis 3. Compared with other founder CEOs, founder CEOs who were core founders of the firms are negatively associated with faster voluntary founder CEO succession (longer time to voluntary founder CEO succession).

Time as a Private Firm

Length of time as a private firm is expected to positively affect the strength of the CEOs' organizational identification. During the private firm stage, firms often lack resources; hence, the size of the organization is relatively small, and its members maintain a family-like relationship (Wiklund, Davidsson, & Delmar, 2003). Furthermore, due to limited resources, private firms

face various ups and downs and create romanticized lifetime stories of the founders and organizations (Chatterji, 2009). Accordingly, when a firm spends more time as a private firm before going public, its founder CEO is more closely tied to the members of the organization. Because individuals tend to strongly identify with an organization when they feel close to other people within the group (Baumeister & Leary, 1995; Brewer, 2001), during the private firm period, the organizational identification level of the founder CEO increases. On the contrary, as the organization becomes public and larger, it becomes difficult to maintain a family-like atmosphere, and employees are subjected to more bureaucratic regulations and institutionalized practices. Hence, during the period after firms go public, the organizational identification level of their founder CEOs gradually decreases. Indeed, in a qualitative study of founder exit, Rouse (2016) found that, when firms reach a certain level of bureaucracy, CEOs gradually start to psychologically disengage from the organization.

In addition, private firms are mostly managed by owners, who are often founders, and typically have highly concentrated ownership. Thus, when a firm is private, the founder's vision, values, and characteristics are heavily reflected in the organization; the identity of the firm and founder CEO are tightly coupled, increasing the strength of the founder CEO's organizational identification (Lange et al., 2015). In contrast, when the organization goes public, the charismatic authority of the founder CEO dissolves in the face of rational bureaucracy (Dobrev & Barnett, 2005), and external stakeholders pressure the organization to conform to institutionalized designs and practices. Therefore, although public firms benefit from various stakeholders who may provide them with important resources, the founders' managerial control of the firm dramatically weakens. Accordingly, an IPO is likely to cause the greatest shock to a founder's sense of identification. Hence, we expect that the founder's identification level will be more meaningfully affected by the time the firm was private than just their overall time spent in their firm. It is not simply the firm's age or the length of the CEO's tenure that reflects identification because the time after an IPO may have a detrimental effect on organizational identification. Instead, we argue that it is the time spent as a private firm that is positively associated with the founder CEO's organizational identification. Because of the increase in organizational identification during the private firm period and the decrease in organizational identification during the public firm period, founder CEOs who experience a longer private firm period will have a

higher level of organizational identification, thereby resulting in a slower voluntary succession event.

Hypothesis 4. The length of time a firm was private is negatively associated with faster voluntary founder CEO succession (longer time to voluntary founder CEO succession).

METHODS

Sample and Data Collection

Focusing on the period between 2000 and 2013, newly listed IPO firms in the United States were selected for our empirical context. We used multiple data sources to build a hand-collected data set that included the following: (a) an IPO firm list from SDC Platinum's equity new issues database and Securities and Exchange Commission (SEC) filings (S-1); (b) CEO-level information (demographic and firm related) from SEC filings (DEF 14A, S-1, 20-F, 10-K), S&P Capital IQ, ExecuComp, web searches, company web pages, Bloomberg, *Financial Times*, Factiva, and others; (c) firm accounting and financial data from Compustat and the Center for Research in Security Prices; (4) institutional ownership information from the FactSet Ownership 13F database; and (5) analyst recommendations from the I/B/E/S database.

The main sample for our study was drawn from a population of firms newly listed during the 14-year period from 2000 to 2013. Initially, 1,700 firms were identified that had participated in an IPO during our sample period. After eliminating 308 firms due to missing and incorrect information, we found 448 founder CEO-managed firms and 944 non-founder CEO-managed firms. As a result of this primary collation and data analysis, the final sample consisted of 448 firms with 2,073 firm-year observations.

Analysis

We analyzed the time to founder CEO voluntary succession using an event history analysis that takes into account both the occurrence and the timing of the event. By modeling the hazard rate, the event history analysis estimates the likelihood that an event is observed at time t , given that no event occurred prior to time t . One key advantage of using a hazard function is that we could directly calculate a time to succession. In particular, an increase in the hazard function can be interpreted as a decrease in the time to succession. In addition, with a conditional likelihood, this method is not biased by right censoring. Many of the founder CEOs in our sample did not experience their succession

events during the observation period, which may cause the data to be right-censored. Thus, the event history analysis was appropriate to test our proposed hypotheses (Allison, 1984).

Consistent with previous CEO succession literature (e.g., Wasserman, 2003), our event analysis was based on the Cox semiparametric proportional hazards model, which allowed for constructing a fully flexible, semiparametric baseline hazard (Cox, 1972, 1975). As defined earlier, the focal event of this study was the founder CEO's voluntary succession. The subjects at risk of resigning (i.e., the risk set) were determined at each year point t and included all founder CEOs who still held the CEO position in a given year. Thus, the hazard rate $h(t)$ indicates the likelihood that a founder CEO will resign between sequential year-specific points. To account for the non-independence of the repeated observations driven by the panel structure, we used robust standard errors clustered at the firm level for all analyses (Petersen, 2009).

Measures

Dependent variable: Voluntary founder CEO succession. As discussed above, our theory is primarily concerned with voluntary succession events. *Voluntary founder CEO succession* was defined as an event during our sample period in which a founder CEO was succeeded by a new CEO after an IPO and when the succession event was voluntary in nature. Following this definition, we first identified all succession events—both voluntary and nonvoluntary—by tracking the CEO status from each firm's IPO year to 2013 for the total sample of 448 founder CEO-managed firms. Because 134 firms ceased to exist during our sample period as a result of being delisted, acquired, or bankruptcy, which are independent of founder CEO succession events, these cases were treated as censored and remained in the sample (Hosmer, Lemeshow, & May, 1999; Zhang, 2008).⁴ In addition, the 191 firms in which the founder CEOs remained in office until 2013 were treated as right-censored cases. Consequently, a

⁴ Among these firms, being acquired may possibly be correlated with founder CEO succession. For example, a founder CEO may be selling the firm because he or she wants to leave the firm; however, we think that a founder CEO is unlikely to purposefully make a firm go out of business because he or she wants to leave the firm. Consequently, as a part of our robustness checks, firms that were acquired were excluded, and subsample analyses were run. We found results that fully support our predictions.

total of 123 succession events were considered to have occurred during the sample period.

For these 123 events, we collected detailed information of each founder CEO's departure and its circumstances (e.g., succession reasons, successor information, and new placement after resignation) from SEC filings (DEF 14A, 20-F, 10-K), the ExecuComp database, industry reports, earnings announcements, interviews, books, and news articles.⁵ Based on all of these sources of information, founder CEO successions were classified as voluntary or involuntary by following criteria adapted from previous studies. Earlier studies that have tried to classify CEO succession events into voluntary or involuntary have generally focused on whether the CEO's departure was caused by the board, and the studies examined factors such as the age of the CEO and whether the CEO retained a board seat within the firm (Friedman & Singh, 1989; Shen & Cannella, 2002; Zhang, 2008; Zhang & Rajagopalan, 2004). For example, Zhang (2008) defined a succession as "involuntary" when the CEO left the firm before the age of 64 for reasons other than death, health problems, acceptance of a similar position at another firm, or the occurrence of a merger or acquisition and did not retain a position on the board. Similarly, Shen and Cannella (2002) defined a "voluntary" succession as a CEO resignation driven by death or health, taking a similar position at another firm, or a merger or acquisition. Following these studies on CEO successions, we then defined a *voluntary succession* as being one of the following:⁶ (a) when a founder CEO resigned and retained another position (e.g., chairman or vice chairman) within the firm for more than a year; (b) when the CEO position was succeeded by a family member;⁷ (c) when the founder CEO retired due to age; and (d) when the

CEO accepted an equivalent or better position at another organization (e.g., to pursue a new venture, accept a promotion at another firm, or return to academia), which is referred to as a "new career-driven succession." Of the 88 cases of voluntary succession in our sample, there were 32 cases of retention as a board member, three cases of family succession, 12 cases of retirement, and 41 cases of a new career-driven succession. Consequently, these 88 founder CEO succession events were coded as "1" in the year in which the founder CEO departed, and "0" otherwise. To corroborate our findings and to obtain a stronger reliability, in the robustness check section, slight variations were used within our coding scheme that were more conservative for the analyses, and consistent results were obtained.

Independent variables. Generally, previous studies have estimated organizational identification at the CEO level through surveys and interviews in which individuals directly evaluate their own organizational identification (e.g., Boivie et al., 2011; Mael & Ashforth, 1992). Although the direct measurement of organizational identification is ideal, executives are extremely difficult to survey (Bednar & Westphal, 2006).⁸ Consequently, most current work on CEO characteristics has involved measuring CEOs' psychological states through appropriate, but unobtrusive and measurable, proxies (e.g., Chatterjee & Hambrick, 2007; Crossland, Zyung, Hiller, & Hambrick, 2014; Gamache, McNamara, Mannor, & Johnson, 2015). Because the focus of our study was the specific context of founder CEO succession after an IPO event, we developed measures (i.e., *prior entrepreneurial experience*, *number of co-founders*, *time as a private firm*, and *core founder status*) to uniquely predict the differences in the level of organizational identification among founder CEOs, and the factors studied by Lange et al. (2015) were controlled.

First, to determine *prior entrepreneurial experience*, we investigated the entire careers of 448 founder CEOs (the complete sample) and distinguished start-up experience from other involvements (e.g., academic, political, and other business careers). Using this information, the first antecedent of founder CEO organizational identification was constructed as a dummy variable called *prior entrepreneurial*

⁵ In a few cases of data inconsistencies in which there was a disagreement among the various sources, we primarily relied on SEC filings, because these documents are legally required for various stakeholders to access relevant and reliable information.

⁶ When categorizing such successions, a holistic approach was taken by considering as many factors as possible in addition to the criteria discussed, such as the presence of a transition plan, successor type, and a firm's performance near the time the succession decision was made. Moreover, each decision was confirmed by two separate coauthors.

⁷ To address the distinctiveness of family succession (Bennedsen, Nielsen, Perez-Gonzalez, & Wolfenzon, 2007), we conducted two additional analyses that treated these successions as censored observations and included *family firm* as a control variable. The results robustly support our main analysis.

⁸ One notable recent study is that of Lange et al. (2015), who attempted to show that a number of archival secondary measures in large public firms (e.g., firm performance, CEO ownership, and board independence) could predict changes in a given CEO's level of organizational identification.

experience, which was coded as “1” (representing a founder CEO with one or more start-up experiences throughout his or her *prior career*) or “0” (representing a founder CEO with the focal firm as his or her only start-up experience). The absence of other new venture experiences indicates that the focal firm is this person’s only creation, which results in higher CEO organizational identification. The founder CEOs’ start-up experiences were a primary focus as a dichotomous variable because an initial new venture experience tends to have a significantly stronger impact than other subsequent experiences (Brüderl, Preisendörfer, & Ziegler, 1992; Forbes, 2005), suggesting a nonlinear relationship between other experiences and founder CEO succession decisions. As a robustness check, we tested our analysis using a number of start-up experiences and a logarithm value of start-up experiences; both results were qualitatively similar to our main results (i.e., the same direction, small differences in coefficients, and similar levels of significance).

The second independent variable, *number of cofounders*, indicated whether the founder CEOs initiated their companies on their own or in collaboration with one or more cofounders—and, if so, the exact number of cofounders. This is a continuous variable that equals the total number of founders at a firm’s inception. The higher the total number of founders, the less organizational identification we deemed the founder CEO would have.⁹

For *core founder*, the third independent variable, we followed Wasserman (2017) and used initial CEO status—that is, whether he or she had been a CEO from the firm’s inception—to define the core founders in the sample. In general, among the cofounders, the one who came up with the original idea or was most influential during entrepreneurial activity becomes the CEO at the firm’s inception (Wasserman, 2012). Hence, the *core founder* variable was coded as “1” if the founder CEO was the initial founding CEO and “0” in all other cases.

As a robustness check, we defined the *core founder* as the founder whom the general population perceived to be most closely coupled with the focal firm. To determine this perceived closeness with the focal firm, the number of LexisNexis search results connecting the specific founder to the focal firm were counted. For example, for Microsoft, two separate keyword searches were conducted: the first keyword search included “founder,” “Microsoft (company name),” and “Bill Gates (cofounder name)”; the second keyword search included “founder,” “Microsoft (company name),” and “Paul Allen (cofounder name).” Then, the number of findings were counted for each search result, and the core founder was defined as the one with the largest number of results. This untabulated analysis yielded consistent results, which further support our main findings.

Finally, we used two different proxies to measure the final independent variable, *time as a private firm*, because it is possible that the effect of time as a private firm could be based on either the absolute amount of time a firm spent as a private firm or the relative proportion of time the firm was private compared with its overall age. The relative length of time as a private firm was calculated by taking the number of years between the firm founding and the IPO as the numerator divided by the total age of the firm. As argued above, a higher private–year ratio should increase a founder CEO’s organizational identification. We also ran models using the absolute length of a firm’s existence as a private firm before an IPO event. Absolute time as a private firm was calculated as a continuous variable: the number of years the firm existed before going public. The longer the absolute time as a private firm, the higher the organizational identification that was expected for the founder CEO. The two measures (i.e., years as private firm and private–year ratio) complemented each other and increased the robustness of our findings. For both measures, we found consistent results that strongly supported our arguments. To be parsimonious, only the private–year ratio measure is reported in the tables below.

Control variables. Some of the founder CEOs’ demographical factors were included as control variables. *CEO age* denoted the natural logarithm value of the age of the focal founder CEO in a given year. *CEO tenure*, which was a proxy for experience in a given firm, was measured as the natural logarithm value of the number of years the founder CEO held the position at the focal firm. To control for the

⁹ We note that, depending on the type of relationship between cofounders, there may be variations in terms of the control power of a founder CEO. For example, two founder CEOs who each have three cofounders may have different levels of control power, depending on their relationship with other cofounders. Our measure was unable to capture this variation; however, during the unstructured interviews with entrepreneurs, it became clear that, as the number of cofounders increased, there was, in general, a decrease in the organizational identification of founder CEOs.

CEO's human capital, the founder CEO's educational background was included as *higher education* and *elite school*. *Higher education* was a dummy variable indicating whether the founder CEO had a graduate degree, such as a doctor of philosophy (PhD), master of business administration (MBA), or doctor of medicine (MD). *Elite school* was a dummy variable indicating whether the founder CEO graduated from an Ivy League school or equivalent (i.e., Harvard, Yale, Princeton, Columbia, Brown, Dartmouth, Pennsylvania, Cornell, MIT, or Stanford) (Miller, Xu, & Mehrotra, 2015). *CEO expertise* was coded as a dummy variable for founder CEOs who had an undergraduate or graduate degree related to their firm's primary industry. *Prior affiliated firm* was included as a continuous variable that referred to the number of firms that had employed the founder CEO. *CEO duality* was a dummy variable coded as "1" if a founder CEO also had a chair position on the board of his or her firm or "0" if not. *CEO ownership* was constructed as the percentage of outstanding shares owned by the founder CEO in a given year. *CEO prestige* was operationalized by the media coverage of a given CEO (Boivie, Graffin, & Pollock, 2012; Hayward, Rindova, & Pollock, 2004), which was measured by the natural logarithm value of the number of articles searched via Factiva.

In addition, firm-specific control variables were included: *firm size*, which was represented by the natural logarithm value of the firm's total assets, and *firm age*, which was represented by the natural logarithm value of the number of years since a firm's inception. We controlled for the amount of *cash* as the natural logarithm value and the *leverage ratio*, which was calculated based on the sum of the amount of long-term debt and the amount of debt in current liabilities scaled by the firm's total assets. In addition, we controlled for the accounting *performance*, as measured by *return on assets (ROA)*.¹⁰ Furthermore, because structural governance restrictions can control CEOs' managerial discretion (Lange et al., 2015; Lee et al., 2017), we took into account the ratio of ownership held by all institutional investors (i.e., *institutional ownership ratio*) and the proportion of the board constituted by outside directors unrelated to the firm (i.e., *independent director ratio*). For *analyst recommendation*, the annual average value of analysts' stock recommendations was calculated for each firm using a reverse-coded 5-point system from "strong sell" (5) to "strong buy" (1) (Boivie,

Graffin, & Gentry, 2016). Lastly, industry fixed effects were included to control for potential time-invariant industry-specific effects.

RESULTS

Table 1 provides descriptive summary statistics and a correlation matrix for the variables used for this study. The variance inflation factor (VIF) analysis showed that the mean level of the VIF scores was 2.27 and that the VIF scores ranged from 1.09 to 5.94, thus ruling out a potential multicollinearity problem with the regression estimates.

Table 2 reports the results from the Cox hazard models, which predicted the time to voluntary succession of the focal founder CEO. In Table 2, Model 1 shows the baseline model that contains only the control variables. The results of the baseline model are mostly consistent with our expectations and the prior literature on CEO succession (e.g., Adams et al., 2009; Boeker & Karichalil, 2002; Karaevli, 2007; Ocasio, 1994, 1999; Shen & Cannella, 2002; Wasserman, 2003; Zhang, 2008). Models 2, 3, 4, and 5 introduce the direct effects of each hypothesized variable related to organizational identification on founder CEO succession. In Model 6, which is a full model, the hypotheses are verified with all the proposed variables for organizational identification. Note that we found steady results throughout all the models, which provides consistent support for our findings. To interpret our results, we used the coefficients and statistical values from the full model (Model 6).

In Hypothesis 1, we predicted that the time to voluntary succession would be faster for founder CEOs with multiple founding experiences. We found that the coefficient of *prior entrepreneurial experience* is strongly significant and positive for succession events ($\beta = 1.12$, $p < .001$). When considering the magnitude of the estimated coefficients, a founder CEO with prior entrepreneurial experience was more than twice as likely to resign his or her position during our sample period than a founder CEO without prior entrepreneurial experience. In Hypothesis 2, we predicted that there would be a positive association between the founder CEO succession and the *number of cofounders* at the firm's inception. As shown in Model 6, this prediction is statistically supported ($\beta = 0.26$, $p < .05$). Thus, this result shows that each additional founder led to a 29.9% increase in the likelihood of founder CEO succession during the sample period. In Hypothesis 3, we predicted that the time to founder CEO succession would be slower for founder CEOs who were *core founders* of the firm, which is statistically supported by Model 6 ($\beta = -0.97$,

¹⁰ Performance and leverage ratio were winsorized at the 1% level.

TABLE 2
Cox Proportional Hazard Model of Founder CEO Succession Events

Variables	Model 1 Control	Model 2 H1	Model 3 H2	Model 4 H3	Model 5 H4	Model 6 Full
Prior entrepreneurial experience		1.03*** (0.26)				1.12*** (0.26)
Number of cofounders			0.26* (0.12)			0.26* (0.14)
Core founder				-0.76* (0.45)		-0.97* (0.44)
Time as a private firm					-2.85*** (0.61)	-2.85*** (0.62)
CEO age	1.30 (0.83)	1.33 (0.82)	1.34 (0.83)	1.26 (0.84)	1.03 (0.86)	1.12 (0.86)
CEO tenure	0.81** (0.26)	0.90*** (0.25)	0.87** (0.27)	1.51** (0.48)	0.86** (0.27)	1.80*** (0.48)
Higher education	-0.13 (0.28)	-0.03 (0.28)	-0.19 (0.28)	-0.16 (0.28)	-0.15 (0.28)	-0.15 (0.29)
Elite school	-0.41 (0.37)	-0.53 (0.35)	-0.48 (0.37)	-0.42 (0.37)	-0.32 (0.36)	-0.58 [†] (0.32)
Expertise	0.05 (0.25)	-0.01 (0.27)	0.06 (0.26)	0.03 (0.25)	-0.01 (0.26)	-0.06 (0.27)
Prior affiliated firms	-0.05 (0.07)	-0.17* (0.07)	-0.05 (0.07)	-0.03 (0.07)	-0.04 (0.07)	-0.17* (0.08)
CEO duality	-0.13 (0.27)	-0.30 (0.26)	-0.08 (0.28)	-0.10 (0.28)	-0.23 (0.28)	-0.29 (0.28)
CEO ownership (%)	-0.02 (0.01)	-0.02 [†] (0.01)	-0.01 (0.01)	-0.02 (0.01)	-0.01 (0.01)	-0.01 (0.01)
CEO prestige (Factiva)	-0.17** (0.06)	-0.17** (0.06)	-0.16* (0.07)	-0.16* (0.07)	-0.20** (0.06)	-0.20** (0.06)
Firm size (asset)	-0.31* (0.15)	-0.35* (0.14)	-0.31* (0.15)	-0.28 [†] (0.15)	-0.32* (0.15)	-0.32* (0.15)
Firm age	-0.32 (0.36)	-0.35 (0.35)	-0.31 (0.37)	-1.05 [†] (0.55)	0.08 (0.36)	-0.75 (0.50)
Cash	0.13 (0.08)	0.17* (0.09)	0.11 (0.08)	0.12 (0.08)	0.15 [†] (0.09)	0.14 (0.09)
Leverage ratio	-1.36* (0.65)	-1.39* (0.70)	-1.32* (0.63)	-1.34* (0.65)	-1.63** (0.63)	-1.61* (0.69)
Performance (ROA)	-1.25** (0.38)	-1.27*** (0.38)	-1.27*** (0.38)	-1.29*** (0.38)	-1.10** (0.35)	-1.21*** (0.35)
Institutional ownership ratio	1.87*** (0.51)	1.98*** (0.49)	1.86*** (0.51)	1.83*** (0.51)	1.47** (0.52)	1.43** (0.53)
Independent director ratio	-0.07 (0.94)	0.05 (0.98)	0.30 (0.99)	-0.24 (0.95)	-0.12 (0.98)	0.38 (1.02)
Analyst recommendation	0.85*** (0.21)	0.87*** (0.22)	0.81*** (0.21)	0.83*** (0.22)	0.70*** (0.21)	0.64** (0.21)
Industry	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>
Number of CEOs	448	448	448	448	448	448
Number of firms	448	448	448	448	448	448
Number of succession events	88	88	88	88	88	88
Observations	2,073	2,073	2,073	2,073	2,073	2,073
Log likelihood	-450.05	-441.43	-447.78	-448.59	-440.32	-427.49

Notes: Robust standard errors clustered at the firm level are in parentheses. One-tailed test for hypothesized effects and two-tailed test for controls.

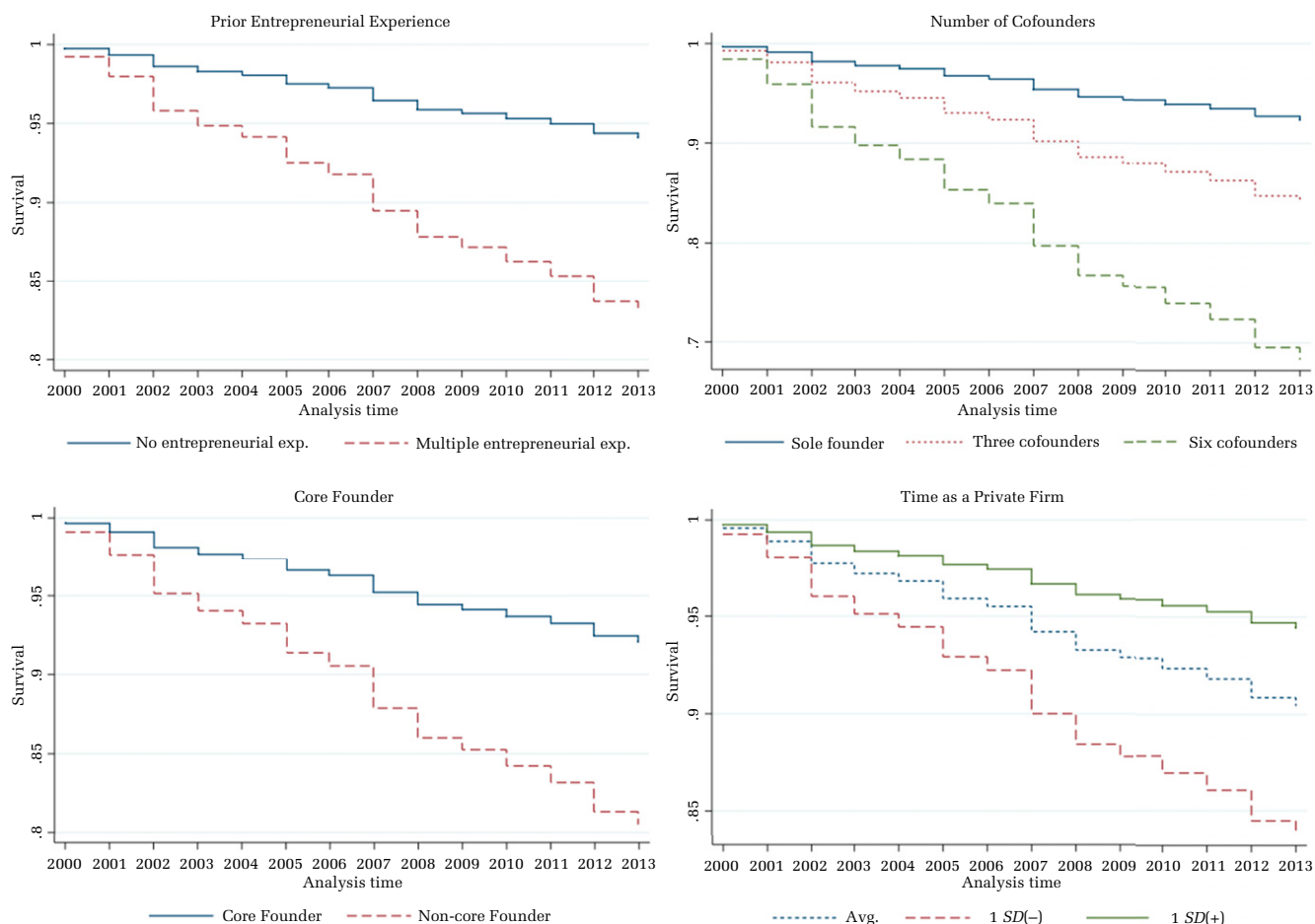
[†] $p < .10$

* $p < .05$

** $p < .01$

*** $p < .001$

FIGURE 1
Kaplan–Meier Survival Estimates for Each Hypothesized Variable



$p < .05$). That is, compared with non-core founders, core founders were 62% less likely to resign their positions during our sample period. In Hypothesis 4, it was predicted that the time to founder CEO succession would be slower as *time as a private firm* increased, which is statistically supported in our results ($\beta = -2.85, p < .001$). With a one standard deviation increase from its mean in the relative length of time during which the firm operated in the private sector, the likelihood of succession decreased by 43.2% during our sample period. In Figure 1, the results are illustrated graphically.

Additional Analyses

To test whether our suggested mechanism can be extended to other types of succession decisions, additional examinations were performed to determine the effects of founder CEOs' organizational identification on all succession decisions (regardless of

voluntariness) as well as on their nonvoluntary succession. The organizational identification literature suggests that founders who identify less with their firm are more likely to psychologically withdraw from it, which could make a nonvoluntary exit more likely, either because the founder is less focused on the firm and is therefore dismissed or because the founder is less resistant to being replaced; however, because multiple stakeholders and their concerns could affect the decision process of nonvoluntary succession events, it is possible that dismissals could involve CEOs with high levels of identification who would prefer to remain with their firms. Thus, the effects of organizational identification on nonvoluntary succession were expected to be weaker or less significant. To empirically test the effects of organizational identification on all founder CEO succession decisions—a combined set of voluntary and nonvoluntary successions—during our

TABLE 3
Cox Proportional Hazard Model of Total and Nonvoluntary Succession Events

Variables	Total Model 1	Nonvoluntary Model 2
Prior entrepreneurial experience	0.82*** (0.22)	0.04 (0.41)
Number of cofounders	0.21* (0.11)	0.08 (0.17)
Core founder	-0.86* (0.40)	-0.44 (0.83)
Time as a private firm	-3.00*** (0.55)	-3.34*** (0.96)
CEO age	0.52 (0.73)	-1.19 (1.34)
CEO tenure	1.76*** (0.46)	1.60 (1.14)
Higher education	-0.06 (0.24)	0.33 (0.42)
Elite school	-0.54 [†] (0.29)	-0.47 (0.61)
Expertise	0.11 (0.22)	0.43 (0.40)
Prior affiliated firms	-0.09 (0.06)	0.06 (0.09)
CEO duality	-0.33 (0.23)	-0.51 (0.42)
CEO ownership (%)	-0.01 (0.01)	-0.02 (0.02)
CEO prestige (Factiva)	-0.17** (0.05)	-0.11 (0.09)
Firm size (asset)	-0.18 [†] (0.11)	0.05 (0.18)
Firm age	-0.85 [†] (0.49)	-1.07 (1.25)
Cash	0.09 (0.07)	0.02 (0.12)
Leverage ratio	-1.26* (0.55)	-0.03 (0.95)
Performance (ROA)	-1.32*** (0.26)	-1.34*** (0.38)
Institutional ownership ratio	0.79 [†] (0.48)	-0.82 (1.05)
Independent director ratio	0.09 (0.83)	0.18 (1.55)
Analyst recommendation	0.51** (0.18)	-0.05 (0.37)
Industry	<i>Included</i>	<i>Included</i>
Number of CEOs	448	448
Number of firms	448	448
Number of succession events	123	35
Observations	2,073	2,073
Log likelihood	-619.66	-177.48

Notes: Robust standard errors clustered at the firm level are in parentheses. One-tailed test for hypothesized effects and two-tailed test for controls.

[†] $p < .10$

* $p < .05$

** $p < .01$

*** $p < .001$

sample period, we first conducted a Cox semi-parametric proportional hazards analysis using a total of 123 events, and found consistent results that supported our main argument (Model 1 in Table 3). In addition, the same analysis was performed for only nonvoluntary succession decisions for 35 events. We found that the direction of each coefficient was consistent with our predictions, but the effects of these coefficients were only large enough to be considered statistically significant for Hypothesis 4 (Model 2 in Table 3), which is also consistent with our predictions.

Different Definitions of Voluntary CEO Succession

Although following the well-defined categorization of previous studies on voluntary CEO successions (Shen & Cannella, 2002; Zhang, 2008; Zhang & Rajagopalan, 2004), we performed additional analyses to confirm our results in a manner not sensitive to its definition of “voluntariness.” First, family succession decisions were excluded from voluntary succession cases (Bennedsen et al., 2007; Sharma, Chrisman, Pablo, & Chua, 2001). Second, additional information on a succession that might raise suspicion that the succession event was partially involuntary, such as a large decline in company performance, legal issues, or an undisclosed disagreement, was incorporated. Specifically, among 12 retirements, we found two that were decided during a period of underperformance.¹¹ Similarly, there were 10 cases of a new career-driven succession and seven cases of succession in which the founder CEO changed his or her role in a focal company that could be considered partially involuntary. Such cases were also reclassified as nonvoluntary successions, and they were excluded from the dependent variable. Even with our conservative classifications, all results were fully consistent with our predictions and further supported our arguments.

Robustness Checks

To control for potential selection bias, the hypotheses were also tested using Heckman probit models. The founder CEOs in our sample could have been systemically different from the founders of the

other firms that had already experienced a succession prior to the IPO, which could make selection bias a concern. To address this concern, all possible firm-level information (e.g., *firm age*, *firm size*, and *leverage ratio*) for 1,700 firms at the IPO stage was first obtained. As with our main models, we were unable to gather data on all firms. Thus, after removing those firms with missing data, 1,252 firms remained as our final population.¹² Based on this information, we constructed a two-stage process following Heckman (1979). The first stage in this process used a probit model and estimated the probability that a firm still had its founder at the time of the IPO. The second stage used our main analysis (i.e., Cox proportional hazard model) and controlled for the probability that a succession event had occurred after the IPO. For the exclusion restriction, we used the number of outside financing rounds (i.e., *number of VC funding rounds*) to predict founder CEO retention. Wasserman (2003) showed that the likelihood of founder CEO succession increases with each round of outside financing because investors prefer more experienced executives to handle complex managerial tasks. Meanwhile, the *number of VC funding rounds* is unlikely to be associated with the firms’ post-IPO governance decisions, such as CEO succession.¹³ In the first-stage selection model, the coefficient of the *number of VC funding rounds* was negative and significant, which is consistent with the predictions. In the second stage, the positive and significant coefficient for the inverse Mills ratio variable indicated that the likelihood of founder CEO retention did have a marginally significant effect in the final models. Nevertheless, the analysis using the Heckman models provided consistent results with our main analysis.

In addition, to determine whether our results were sensitive to alternative models that incorporate different assumptions and specifications, robustness checks were performed using a parametric model with a Weibull distribution, a piecewise constant model with year-specific effects, and a pooled

¹¹ For example, Igor Y. Khandros, a founder CEO of FormFactor, Inc., retired immediately after a massive drop in the stock price (approximately half its value in only six months), and the company had undergone a restructuring process that involved laying off a massive number of employees. Such cases were reclassified as nonvoluntary successions.

¹² After excluding data with insufficient information, 1,392 of 1,700 remained. After eliminating some observations due to the perfect prediction of failure in the probit model, the final sample consisted of 1,252 firms.

¹³ The main rationale for this argument is that most early investors leave right after the IPO—more than 80%, according to Kroll, Walters, and Le (2007)—because their primary goal is to generate income through a ventures exit, which results in VC investors placing less pressure on founders after IPO.

cross-sectional and random effect panel logistic regression. For these untabulated analyses, the results were qualitatively similar to our main results (i.e., the same direction, small differences in coefficients, and similar levels of significance), still supporting all the hypotheses.

Finally, to ensure that the results were not sensitive to different definitions of time constraints, sensitivity checks were performed using multiple definitions of time constraints (e.g., 3–10 years), and consistent results were obtained with a small difference in the statistical significance and coefficient size. While not reported, all results from the robustness checks section are available upon request.

DISCUSSION AND CONCLUSIONS

Drawing from the organizational identification perspective, we investigated the influence of founder CEOs' level of organizational identification on the time to their voluntary succession. Using four observable proxies for founder CEOs' organizational identification levels (i.e., *prior entrepreneurial experience*, *number of cofounders*, *time as a private firm*, and *core founder status*), our study of 448 founder CEOs from U.S.-based IPO firms during the period 2000–2013 supports our prediction that founder CEOs' organizational identification is manifested in their voluntary succession decisions. In other words, founder CEOs who are strongly attached to their organizations are less likely to leave their CEO positions voluntarily.

Our theory and supportive results provide several important contributions to the management and strategy literature. First, we contribute to the organizational identification literature (e.g., Mael & Ashforth, 1992; Shapiro et al., 2016; Van Knippenberg & Sleenbos, 2006) by focusing on the organizational identification of founders. Understanding how organizational identification affects founder departure is unique and important because organizations are a reflection of founders' values, norms, and beliefs (Beckman & Burton, 2008; Higgins, 2005). Compared with employees who join existing organizations and who should have relatively lower levels of organizational identification, the creators of organizations (e.g., founders) should have relatively higher levels of identification because of their ability to control and to shape the identity of the firm. In the present paper, we developed a theory and found the support for our claims that founding conditions and other organizational evolutionary processes can influence the identification level of the firm's founder.

Moreover, our study contributes to the emerging literature on CEO organizational identification (e.g., Boivie et al., 2011; Galvin, Lange, & Ashforth, 2015; Lange et al., 2015; Peterson et al., 2012). Considering issues beyond governance costs related to CEO organizational identification allowed for examining the underexplored relationship between CEO organizational identification and a CEO's decision to leave a firm.

Second, contributions are made to the recent stream of studies that have sought to understand founder exits (e.g., DeTienne, 2010; Rouse, 2016; Wennberg et al., 2010) by theorizing and showing how psychological connections with firms may impact physical disengagements or exits. Our findings specifically extend previous studies on founder CEO succession. Although management scholars have acknowledged that psychological factors, such as motivation and psychological commitment (e.g., Wasserman, 2012), could influence founder CEOs' succession decisions, these factors remain underexplored empirically (Rouse, 2016). Our work is among the first to systematically examine how an internal psychological factor can influence the succession decisions of founder CEOs.

Finally, we contribute to the understanding of the upper echelons perspective, particularly to the literature on the psychology of corporate leaders (e.g., Chatterjee & Hambrick, 2007; Chen, Crossland, & Luo, 2015; Gamache et al., 2015; Hayward & Hambrick, 1997; Nadkarni & Herrmann, 2010; Zhu & Chen, 2015), by being the first to link the psychological state of a founder CEO to the CEO succession decision. Although most previous studies have focused on prior performance, control power, and the firm-level political situation to understand CEO succession, we provide evidence that, after other factors are controlled, the founder CEO's psychological relationship with the firm has a significant impact on his or her succession.

Our findings have practical implications for firm stakeholders, including both investors and boards of directors. Our results indicate that the psychological attachment of founder CEOs may affect the firm's leadership transition. For example, a number of public firms, including Lululemon, Yahoo, and Groupon, experienced difficulties in their transitions from founder CEOs to professional CEOs because of the psychological attachment of their founder CEOs. Hence, by understanding the heterogeneity of founder CEOs' psychological relationships with their firms, a board of directors can accordingly adopt an appropriate CEO succession

plan to lower the risk of a “political fight” for the throne between a founder CEO and other shareholders. Moreover, shareholders should understand that organizational identification could be a double-edged sword for firm performance. Although organizational identification may lower agency problems in some aspects (e.g., expropriation of minority shareholder value or use of expensive perquisites), it may also increase the risk of impeding the firm from hiring “appropriate leadership” when facing an important transition related to the corporate life cycle or significant industry shocks.

Like all studies, this study has some limitations that can create opportunities for future research. One important caveat is that our sample was limited to IPO firms. The founder CEOs in our sample had survived fierce external competition and replacement pressures during the pre-IPO era, which may result in some degree of selection bias. Hence, our empirical sample might represent only a fraction of successful founder CEOs. It would be particularly interesting to compare the role of organizational identification on CEO succession at different stages of the corporate life cycle (e.g., first venture capital investment, first product development, IPO, and mature stage). We believe that the results will depend on the interplay between organizational identification and the control power embedded in the founder CEO at each stage.

Moreover, although we found a novel relationship between the factors that may affect CEO organizational identification and a CEO's time to voluntary succession, because of the limitation of archival data, we were unable to explicitly measure and test the mechanism that is suggested in our paper. While we attempted to control for various factors that may affect voluntary founder CEO succession, we were not able to fully rule out all other potential factors. We believe that future studies adopting other various methodologies (e.g., simulations or experiments) will be able to provide a deeper understanding of the underlying mechanisms that affected our findings. Further, future research could provide insight into how well our proposed indicators of organizational identification truly proxy for the level of identification among founder CEOs. Similarly, because of the nature of a succession event, we acknowledge the possibility of the measurement error with respect to our dependent variable. Our additional analyses were a first effort to build confidence in our results, but we recognize that it is not conclusive evidence and hope future studies using other approaches may complement our findings.

Furthermore, although we focus only on the differences in the organizational identification of founder CEOs to understand heterogeneity among founder CEOs, our findings could be applied to the succession of all types of CEOs because of the fundamental nature of organizational identification. Although we do anticipate that our hypothesized determinants of organizational identification, which focus on founder CEOs (e.g., number of cofounders and core founder status), limit the transferability of our findings, numerous possible factors (e.g., employment political dynamics, employment tenure, and personal achievement within the firm) indicating a manager's attachment to his or her organization in parallel with our arguments could be developed for future studies to test other forms of employment turnover (Sonnenfeld, 1991). For example, although we believe that founders likely have the strongest identity with their organizations (Powell & Baker, 2014), hired managers may also have a strong identity connection to their firms, depending on their history, position, and personal attributes. An important direction for future research, then, lies in exploring how our findings apply to other organizational players and in different contexts. Such attempts would allow us to build a deeper theoretical understanding of organizational identification.

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