

**Entrepreneurial Transitions:
Factors Influencing Founder Departure**

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Research in entrepreneurship and life cycle theories of the firm have argued that new ventures may outgrow the managerial capabilities of the founding team, at which point the founders may be replaced by professional managers. This study explores factors affecting founder departure. Results indicate that founder departure increases with firm size, decreases with founder ownership and board membership, and has a U-shaped relationship with firm growth. Founders who work in research and development or are chief executives are also less likely to leave.

Entrepreneurial Transitions: Factors Influencing Founder Departure

Organizational researchers studying new ventures have noted a critical difference between starting a successful firm and managing a successful firm. New ventures are often founded by entrepreneurs interested in the initial development of the product or market, but who have very limited managerial interests or capacities (Willard, Krueger, and Feeser, 1992). As the venture becomes more established these entrepreneurs may be forced to focus more closely on general management tasks – tasks in which they may have no interest or natural proclivity. Theorists studying the life cycle of startup firms have maintained that management styles and capabilities must change as the firm evolves from an entrepreneurial focus on creating a market opportunity to the operation of an established business (Rubenson & Gupta, 1992).

The phenomenon of an entrepreneurial founder being replaced by a ‘professional’ manager has also been widely cited in the business and popular press. Auletta (1998) points to several examples of entrepreneurial startups where founders have resigned their firms to be replaced by more experienced managers when it appeared that the skills of the founders did not meet the evolving needs of the firm (including internet startups such as Pointcast, Razorfish, and eBay). Despite the wealth of anecdotal descriptions of new ventures in which the original founders have been replaced, there have not been theoretically grounded, empirically rigorous studies of the specific factors influencing founder departure.

This study explores the causes of founder departure among semiconductor startups from 1983 through 1999 to better understand the process by which new ventures manage the transition to an established firm. While it is well documented that founders often have difficulty

handing over control of their company to professional managers (Adizes, 1999), it is often difficult to sort out the degree to which founders may have been ‘encouraged’ to leave by the board and investors rather than leaving voluntarily. Our study investigates firm and individual characteristics that influence the likelihood of departure among founders rather than the specific motivations (voluntary or not) of each founder. We first examine how founder departure is influenced by the size and growth of the firm and then examine the effects of firm governance, including the influence of ownership and board composition. We conclude by focusing on individual differences among founders that may increase their likelihood of departure.

THEORY

Past research has demonstrated that many founders have difficulty transitioning beyond the startup stage. Hambrick and Crozier (1985) found that firms successfully evolving from a startup venture to an established firm had replaced at least some founders, whereas firms that had left their initial founding team in place had much greater difficulty managing the transition. As they note: “The finance vice-president who was adept at establishing controls and reports [in a new venture] may not be proficient at the very different tasks of cultivating the financial community, managing currency fluctuations, or dealing with complex tax problems.” As Daily and Dalton (1992) have observed, the transition from an entrepreneurial management style to a professional management style almost inevitably occurs as the firm outgrows the expertise of the entrepreneur or founder. This transition may lead to a “leadership crisis” described by Greiner (1972) and other life cycle theorists (Hanks, 1990; Certo, Covin, Daily & Dalton, 2001) as occurring when the firm moves from its earliest startup stage to a growth stage requiring professional management and delegation.

Life cycle theorists have been less clear at identifying the specific causal factors that influence when new ventures undergo this transition. Similar to work on human development, some have viewed organizations as progressing through specific developmental stages and challenges as they grow older, and have adopted this perspective to argue that new ventures make transitions as they age (Adizes, 1999; Greiner, 1972; Hanks, 1990). Other theorists see firm size and growth as requiring new ventures to replace their entrepreneurial founders with professional managers (Hanks, 1990; Wasserman, 2001). Flamholtz (1990), for example, argues that once a size threshold is reached the value of the founders to the new venture is severely limited, and firm control should generally pass to professional managers. Following these two sets of causal arguments we first account for the effects of firm size and age on founder departure before including other covariates:

Hypothesis 1a: There is a positive relationship between new venture size and founder turnover.

Hypothesis 1b: There is a positive relationship between new venture age and founder turnover.

Beyond the absolute effects of size, the effects of change in size – firm growth - are also critically important determinants of founder departure. Past work on top management change has argued that the primary motivation for managerial change is the inability of the current top management team to meet expectations related to firm growth (Finkelstein and Hambrick, 1996). In new ventures, which are typically focused on growth more than earnings or profitability (Eisenhardt and Schoonhoven, 1990; Boeker, 1992), low growth may serve as an indication that the founders may not have the correct set of skills to manage the firm. Low growth or decline is seen as equating with (or resulting from) poor performance, and past examinations of founder

turnover have argued that poor performance in new ventures may lead to founder departure (Blair, 2001).

While lack of growth may lead stakeholders and other firm constituencies to question the managerial abilities of the founders, rapid growth may create a greater need for new managers with different capabilities, also leading to greater founder replacement (Wasserman, 2001). Firms that are growing at a more rapid rate may need to more proactively add new sets of managerial competencies and capabilities (Flamholtz, 1990), making the skills and capabilities of the founders more rapidly obsolete. Thus, the likelihood of founder turnover may be significantly higher in rapidly growing firms.

Taken together, these two sets of ideas present somewhat of a paradox. Is founder turnover more likely when the firm is growing rapidly and the need for professional management may be most urgent, or when the firm is growing more slowly or declining, leading to pressures for founder replacement? Given the different dynamics involved in each case, we posit that both perspectives may be correct and argue that both fast growth and slow growth may lead to founder turnover, resulting in a U-shaped relationship between new venture growth and the departure of founders.

Hypothesis 2: The relationship between new venture growth and founder turnover is U-shaped.

New ventures are more likely to experience founder turnover under conditions of high firm growth and low firm growth.

The Role of Power and Influence

Life cycle perspectives focus predominant attention on the influence of age, size, and firm growth on the need for a new set of managerial and leadership skills in the new venture. Beyond

the influence of these factors it is also critical to understand how control and governance of the new venture influence whether founders stay or depart. Given the important role that the founders play in the initial conceptualization and startup of the firm, they are often more entrenched and less likely to leave than top managers in established firms (Flamholtz, 1990; Certo, et al., 2001). Daily and Dalton (1992) note that the personal stakes of founders in the businesses that they created can be much stronger than those of professional managers. Rubenson (1989) argues that the importance of the founding group to the new venture and their stronger attachment to the firm makes founders less likely to cede control of the new venture. This may be especially true if founders can maintain influence through ownership or control over the board (Rubenson. and Gupta, 1996). We investigate these specific dimensions in our study.

Founder Ownership. Agency theorists have argued that managerial ownership tends to insulate managers and protect their position within the firm (Jensen and Meckling, 1976). Management ownership can permit managers to act opportunistically and safeguard them from possible encroachment by new managers who might usurp their power or position (Williamson, 1975). Frederickson, Hambrick, and Baumrin (1988: 265) similarly noted that “as an executive’s stockholdings increase, it becomes less likely that he or she will be replaced.”

If the founders hold a significant ownership stake in the new venture, the influence derived from their ownership position may protect their ability to remain in place and lower the likelihood of departure. Founders may feel strongly that they are quite competent at running the new venture and they may resist any suggestion that they should step aside (Flamholtz, 1990). Non-founder owners (particularly outside owners) may have fewer qualms about founder departure and may be more willing to replace founders with new managers who have a better set

of professional management skills. Outside owners are likely to have fewer personal or relational ties to founders than inside owners and may be more focused on optimizing firm performance (Useem, 1984).

Hypothesis 3: New ventures with a higher proportion of founder ownership have lower founder turnover.

Ownership concentration. In addition to founder ownership, the extent to which ownership is dispersed or concentrated may affect the influence of the owners. An organization in which one owner controls 80% of the firm may be significantly different from one in which 4 owners each own 20%, or in the case where one owner holds 50% and the remaining three owners hold 10% each. When the ownership of new ventures is fairly concentrated, owners often exert a tighter and more proactive control over decisions around top management staffing (Flamholtz, 1990). This critical role played by owners means that they are likely to be very involved in decisions involving changes to the top management team, especially turnover among founders. Conversely, founder turnover may be lower in firms with more dispersed ownership, since concentrated ownership may lead to more centralized, less participative, decision making and increase the likelihood that founders may leave.

Hypothesis 4: New ventures with more concentrated ownership will have greater founder turnover.

Board of Directors. The composition of the board of directors, particularly the extent to which it is composed of a number of outsiders, has an important influence on its ability to carry out its governance responsibilities effectively (Ocasio, 1993). Agency theorists agree that the board can only act as an effective governing and monitoring mechanism if it is independent (Fama,

1980). Outside directors can fulfill this governance role more effectively since inside directors' objectivity may be impaired by their dual role as full-time managers (Mizruchi, 1983). Managers in firms with insider-dominated boards may compromise the best interests of the firm for their own benefit, such as preserving their own positions in the organization or playing a more powerful role in succession decisions (Zajac & Westphal, 1996). Similarly, founders of firms with higher proportions of inside directors may maintain more power and be less likely to depart.

Hypothesis 5: New ventures with a higher proportion of inside board membership will have less founder turnover.

Individual differences among founders.

Individual differences among founders may have an important influence on the likelihood that they remain in top management positions. Founders from specific functional backgrounds, those with greater industry experience, and those who are more influential may be less likely to leave the new venture.

Functional responsibility. The functional responsibility of founders to a large degree determines how well situated they are to provide input into organizational decisions. It is likely that different functional areas within new ventures will vary in the extent to which they are involved in critical decisions affecting the early growth of the firm. Hambrick (1981) argued that top managers in research and development are especially critical in technologically intensive industries (such as the semiconductor industry examined here) since innovative products provide an important and sustainable competitive advantage to the firm. Because of the continued importance of research and development to the future success of new ventures, founders with these responsibilities are predicted to be less likely to leave.

Hypothesis 6: Founders working in research and development functions are less likely to leave the new venture than founders from other functional backgrounds.

Industry experience. Past work on entrepreneurship has argued that new ventures develop problems as they grow because founders have a limited ability to adapt to the increasingly complex needs of the organization (Rubenson & Gupta, 1992). Founders who have less industry experience may be more limited in the range of expertise and competence they can draw upon as the firm continues to expand (Wasserman, 2001). As a result, they may be less able to spot trends or generate a range of possible alternatives from which to make the best possible business decision. Executives with long experience in the industry bring detailed knowledge about how that industry operates (Eisenhardt and Schoonhoven, 1990) and may be more likely to have worked at firms that were larger or have faced issues pertinent to older or larger organizations, and thus possess more valuable experience.

Hypothesis 7: Founders with more industry experience are less likely to leave the new venture than founders with less industry experience.

Chief executive. Formal hierarchical position is an indication of authority and power and may be a useful indicator of how much authority managers have in their current firm (Finkelstein, 1992). Other things being equal, higher ranking executives are likely to have more influence in decision-making than lower ranking managers, and will be more critical to the successful running of the business. In this study of founding teams, we can only differentiate between two levels of founders, the chief executive and the founders reporting to the chief executive. Given this simple dichotomy, we would expect founding chief executives would have more influence and be less likely to depart. This notion is supported by past work on chief executives and top management

teams which has demonstrated that chief executive succession occurs less frequently than top management succession (Finkelstein and Hambrick, 1996). Alternatively, in cases of poor performance, owners may decide to replace the chief executive as the firm's figurehead, hoping that this signals the seriousness of their efforts to restore the firm's performance. However, for most new ventures we believe that the chief executive has more power and influence, and will be less likely to depart.

Hypothesis 8: The founding chief executive is less likely to leave than other founders.

METHODS

The hypotheses were tested on 78 semiconductor producers firms founded between 1983 and 1991 and located in the Santa Clara-San Jose area of California (Silicon Valley). Data on these firms were collected from three of the four largest market research firms serving the semiconductor industry (Dataquest, Data Resources International, Gnostic Concepts). The sample of 78 firms includes most of the semiconductor firms started in the Silicon Valley area during this time period (Schoonhoven, Eisenhardt, and Lyman, 1990) and all of the firms that were followed by the market research firms over the period. Information was also obtained from articles in the electronics press, business press and other public documents. In cases where we could not get the information from publicly available sources, we interviewed top executives at firms with missing information.

We studied these firms for the first seven years after they were founded (similar to other studies of firm founding, founding was defined as the date of incorporation). This 7-year period was chosen after consulting with industry analysts and venture capitalists who argued that after 3-5 years the new venture is no longer considered a startup and after 7 years the venture is

thought of as an established company. Four of the 78 firms in the sample failed within the first seven years; information on these firms was included for as long as they survived. The failed firms did not vary significantly from the remainder of the sample along any independent variables except firm growth.

We chose to study a single industry to control for potentially confounding interindustry effects, and because of the depth and comprehensiveness of longitudinal data available on these firms, particularly for the variables of interest in the study. The data used to examine the hypotheses were available quarterly; we used the quarterly observations to better represent the assumption of continuous time in estimating our longitudinal models.

Independent and Dependent Measures

Founder turnover. Founders were identified as the set of top managers reporting to the firm's chief executive (and including the chief executive) at the time of founding. For the 78 semiconductor firms there were a total of 431 founders at risk of turnover.

Firm Size. Size was operationalized quarterly as: (1) Sales (using ln sales) and (2) number of employees.

Firm age. Based on earlier studies of top management turnover in established firms, founder turnover is generally expected to decline over time (Miller, 1991). Firm age was measured as the number of quarters since incorporation.

Firm Growth. Firm growth was measured as employee growth and sales growth. Employee growth was measured as the proportionate increase in employees in the prior two quarters. Sales growth was measured by comparing a firm's revenue growth to revenue growth for other firms in the semiconductor industry competing in the same product categories over the

prior two quarters.¹ Using data from the market research firms we identified 20 specific segments that comprised the product-markets within the semiconductor industry (following Eisenhardt and Schoonhoven, 1990) and identified the proportion of sales in each product category for each firm. We then weighted revenue growth for the firm by the specific product categories the firm competed in, and compared it to the average revenue growth rate in that category for other firms in the sample. Firm growth was then operationalized as change in revenues over the prior two quarters².

Founder Ownership. The proportion of total firm ownership held by the founders.

Ownership Concentration. The proportion of ownership held by the top four owners of the firm.

Board Insiders. The proportion of board members who were employed by the firm.

Research and Development. Coded as a dummy variable if the founder's primary responsibilities in the new venture were in research and development.

Industry experience. Years of employment in the semiconductor industry prior to founding the new venture.

Chief Executive. Coded as a dummy variable for the founder who is the chief executive.

Controls Variables

Public ownership. Organizations were differentiated on the basis of whether they were publicly or privately held. Given the varied findings of past research on the effects of public ownership on succession (Useem, 1984), no specific predictions were made regarding the

¹ We also examined 3 and 4-quarter lags of revenue growth which showed the same results.

² Because all firms start with no sales, we began our measure of sales growth 4 quarters after incorporation. Therefore, the first 2 quarters of performance we examine would occur in the 5th and 6th quarter after founding. Because practically all of

likelihood of founder turnover in public versus private firms. Public ownership was coded as 1 if the firm was publicly held and 0 if the firm was privately held.

Top management team size. Top management team size was included in the analysis of founder departure to control for any variation in turnover that was the result of the overall size of the top management team (Boeker, 1992). For example, larger teams may have more individuals with a wider variety of backgrounds and expertise, so that the departure of an individual manager has less effect on the new venture and thereby increases the likelihood of founder departure. Top management team size was measured as the number of managers reporting directly to the chief executive.

Top management team growth. The growth and decline of the top management team may have different effects on the likelihood that founders depart (Finkelstein and Hambrick, 1996). New ventures may expand the size of the top management team in order to bring in individuals with different managerial capabilities. This may, in turn, permit greater turnover of founders whose talents do not match the requirements of the firm as it grows and who newly hired managers can replace. Alternatively, firms with shrinking top management teams may be more likely to experience founder turnover. Or firms with growing teams may be able to retain founders in roles that are performed by newly recruited managers. Given these potentially contradictory effects, we make no predictions for the effects of top management team growth on founder departure. Top management team growth was measured as the proportionate change in the size of the top management team reporting to the chief executive over the prior two quarters.

the founders stayed with their firm for 6 quarters (only 17 of the 431 founders left sooner than 6 quarters after firm founding) performance information was available for practically all the founders in our sample.

Industry growth. Firms competing in periods of rapid industry growth may need to update and adjust the capabilities of the top management team more frequently, (Virany, Tushman, & Romanelli, 1992) leading to greater turnover of founders. Industry growth was measured as change in sales of the overall market over the prior two quarters.

Board size: Board size was included to control for any potential governance issues that arise from the size and the relative cohesiveness of the board. Past research has shown that larger boards may be more heterogeneous and less likely to take action against incumbent managers (Mizruchi, 1983). Board size was measured as the number of directors on the board.

Modeling Procedure

We tested our dependent variable, the likelihood of a founder leaving the new venture, by using a hazard rate model to specify continuous-time event history analysis for all founders. The models were estimated using maximum likelihood as implemented in the statistical program TDA (Blossfeld & Rohwer, 1995). TDA (Transition Data Analysis) allows estimation of models with time-varying coefficients and takes right-censoring (for example, firm failure) into account. We used the piecewise exponential specification with our quarterly observations because we made no assumptions about duration dependence that would require a specific parametric distribution.

RESULTS

Table 1 shows means, standard deviations, and correlations among the variables and Table 2 presents the results of our longitudinal models. Model 1 in Table 2 shows the effects of the control variables on the likelihood of founder turnover. The effects of both public ownership and top management team size were significant and positive, and the effect of top management growth was significant and negative. Public firms may face greater outside scrutiny and may be

more willing to replace founders or encourage them to leave than privately-held firms (Useem, 1984). Larger top management teams may have more individuals with a wider variety of backgrounds and expertise, so that the departure of an individual founder may be more likely since it may have less effect on the overall organization. Finally, new ventures that are increasing the size of their top management teams may be less likely to have current top managers (including the founders) leave.³ The effects of the other controls were not significant.

The results of our hypotheses can be divided into the effects of three sets of variables on founder turnover: (1) firm size, age, and growth; (2) ownership and board characteristics; and (3) individual differences among founders. Turning first to the effects of size, age and firm growth, hypothesis 1a argued that as new ventures increase in size, the skills of the original founders may be less appropriate, leading to a greater level of founder turnover. Firm size was operationalized both as firm sales (logged) and as the number of employees. As is shown in model 2 of Table 2, hypothesis 1a was supported when size is measured as the number of employees, but not when size is measured as sales. Hypothesis 1b, which drew from life cycle theory to argue that firm age would influence founder departure, was not supported in model 2. Hypothesis 2 predicted that both fast-growing and slow-growing new ventures would have the greatest founder turnover, resulting in a U-shaped relationship between growth and founder departure. As in hypothesis 1, growth was operationalized separately as sales growth and employee growth. The predicted U-shaped relationship was confirmed using both measures, as indicated in model 2 of Table 2,

³ We also ran a separate model, including all of our hypothesized and control variables, for the departure of non-founding managers (added after the firm was founded). Our results showed no significant effects of firm size or high growth, two of the specific variables argued to influence the need for different types of managers in the new venture.

where the direct effect of growth is negative, and the quadratic growth (growth^2) term is positive for both sales growth and employee growth.

We next added the effects of governance and control on founder turnover in model 3 of Table 2. Hypothesis 3 includes the effects of founder ownership on the likelihood of turnover, with results in model 3 supporting our argument for a lower level of turnover in firms where founders retain a greater share of ownership. The results of hypothesis 4, which examined the effect of ownership concentration, showed no effect on founder turnover. Finally, hypothesis 5 tested the influence of board composition on founder turnover, demonstrating that boards with a higher proportion of insiders were less likely to have founders depart and confirming the hypothesis.

Finally, we investigated whether individual differences among founders affected the likelihood of their departure. Hypothesis 6 predicted that founders working in research or development functions would be less likely to leave the new venture. This hypothesis is confirmed in model 4 of Table 2 which indicates that founders with research and development responsibilities were less likely to depart. Hypothesis 7 argued that founders with greater industry experience might be less likely to depart since they are likely to have a broader and more comprehensive set of relevant skills that may be more valuable as the firm grows larger. Results in model 4, however, demonstrated no support for this hypothesis. Finally, hypothesis 8 predicted that the founder who was the original chief executive of the new venture would be less likely to leave than other founders, a prediction which was supported in model 4 of Table 2.

DISCUSSION

This study links concepts from life cycle models of firm development to the need for changes in managerial capabilities as the new venture evolves. Our findings point to two sets of causal factors that affect founder departure in opposite ways: The size and growth (very high or very low) of the new venture accelerate the rate of founder departure. These pressures, in turn, appear to be ameliorated by the participation of the founders as owners and board members, as well as their individual position and functional responsibilities.

One of the most interesting findings of our study concerns the relationship between new venture growth and founder turnover. Firms growing very rapidly appear to have a greater need for new sets of managerial and professional skills that the founders may not possess, resulting in a greater likelihood of founder turnover. These findings present an interesting contrast to studies of top management succession in established firms, which have generally viewed rapid firm growth as an affirmation of the approach taken by top management, in turn lowering top management turnover (Finkelstein & Hambrick, 1996). We also found stronger effects for both size and growth when they were operationalized in terms of employees rather than as sales. These results may indicate that the complexity of leadership increases more directly with the overall size and growth in the number of employees than in sales.

Our findings on the role of founder ownership and board participation provide an interesting extension to agency theorizing. Agency theory predicts that *given* a separation of ownership and control within the firm, an effective monitoring mechanism (e.g., a vigilant board) is required to control opportunism, an assertion that is consistent with our hypotheses. The higher levels of insider ownership observed in our sample of new ventures may represent a

situation where the separation of ownership and control has not yet occurred, and agency perspectives may not apply in the same way to new ventures as to established firms.

Participation by founders on the board and through equity ownership appear to be important sources of power and influence which permit founders to better protect their own position as the new venture evolves.

Finally, our results demonstrate that some founders (those with R&D backgrounds, or who are the chief executive) may be more critical to retain in order to ensure the future success of the new venture. These findings have interesting potential implications for work in the resource-based perspective, which has argued for the specialization of management skills to the critical challenges of the firm as a source of sustainable competitive advantage (Castanias and Helfat, 1991).

An important limitation of this study is that we could not verify the specific motivation leading individual founders to leave the firm they helped start. Our theoretical assumption, borne out by the empirical findings of our study, is that founders appear to leave under conditions in which the new venture has outgrown the managerial capabilities of the founding team. However, we cannot definitively determine from our data the precise, individual-level processes that result in a specific founder's decision to leave. Uncertainty about founders' intentions should not diminish the importance of the findings on founder turnover, which are not empirically dependent on the motivations of specific founders. The perspective of this study is that specific firm and individual characteristics influence the likelihood that founders remain with the new venture, and our results demonstrate that the relationship between firm and individual characteristics and founder tenure is not random.

Given that semiconductor producers compete in more risky technologies, there may be greater uncertainty concerning the future direction of these firms, which may in turn provide greater impetus for founding team turnover than in less technologically-intense industries and limit the generalizability of our findings. Furthermore, the ability to generalize our findings across global markets presents an important potential limitation. Other countries may not have as well-developed a market or infrastructure for new ventures, or a tradition of governing board and ownership independence, both of which may influence founder departure.

A better understanding of appropriate managerial profiles as new ventures grow and develop could serve to more closely integrate current work in entrepreneurship, strategy and human resources. Future research should investigate in more detail the interplay between the departure of founding managers and the addition of new managers to the new ventures, including the types of new managers brought in and the skills and competencies they appear to bring to the new venture. Studying the factors leading to founder departure, especially under varying levels of organizational performance, can provide important insights into the role of firm control and individual differences in limiting or encouraging change in the top management of new ventures.

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Table 1
Correlation matrix^a

Variables:	Means	S. D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1. Founder turnover	0.009	0.012																	
2. Sales (ln)	15.82	9.88	.05																
3. Employees (000's)	1.53	0.57	.14	.35															
4. Firm age (quarters)	18.8	9.23	-.05	.26	.23														
5. Sales growth	0.13	0.11	-.13	-.09	-.06	-.12													
6. Employee growth	0.11	0.05	-.10	-.06	-.05	-.16	.21												
7. Founder Ownership	0.32	0.11	-.20	-.08	-.10	-.13	-.07	.11											
8. Ownership concentration	0.15	0.06	-.03	-.04	-.05	-.16	.09	.08	.15										
9. Board Insiders	0.43	0.08	-.16	-.17	-.12	-.10	.07	.02	.36	.22									
10. Research and Development	0.28	0.10	-.21	-.04	-.03	-.06	.02	.05	.05	.03	.03								
11. Industry Experience	9.27	4.18	-.10	.11	.13	.13	.12	-.09	-.07	-.07	.10	.03							
12. Chief Executive	0.19	0.05	-.26	-.03	-.05	-.07	.01	.09	.04	.05	-.08	.02	.24						
13. Public ownership	0.52	0.39	.13	.31	.28	.13	-.21	-.18	-.07	-.11	-.12	-.05	.10	.00					
14. Top management team size	5.38	1.10	.10	.22	.20	.18	.11	-.08	-.07	-.09	-.09	-.06	.07	-.02	.15				
15. Top management team growth	0.02	0.004	-.12	.07	.08	-.09	.14	.12	.06	.03	.06	.03	-.01	.04	-.08	-.09			
16. Industry growth	0.11	0.07	.09	.10	.08	-.01	.27	.20	-.08	.01	-.07	.02	.09	-.04	-.08	.05	.08		
17. Board size	7.26	2.33	-.08	.17	.13	-.07	.11	-.13	-.10	-.18	-.19	.01	.05	-.02	.12	.15	.05	.13	

^a All correlations above $r = .12$ are significant at $p < .05$

Table 2**Maximum-likelihood estimates of founder turnover**

Independent Variable		(2)	(3)	(4)
Sales (ln)		.225 (.152)	.220 (.155)	.217 (.154)
Employees		.382* (.163)	.376* (.166)	.369* (.164)
Firm Age		.091 (.084)	.088 (.084)	.085 (.082)
Sales Growth		-.850* (.406)	-.833* (.407)	-.836* (.410)
Sales Growth²		.304** (.118)	.296** (.120)	.292** (.118)
Employee Growth		-.603* (.282)	-.589* (.283)	-.576* (.278)
Employee Growth²		.398* (.195)	.386* (.196)	.382* (.190)
Founder Ownership			-.272* (.124)	-.241* (.122)
Ownership Concentration			.087 (.056)	.082 (.054)
Board Insiders			-.221* (.105)	-.212* (.106)
Research and Development				-.458* (.203)
Industry Experience				.122 (.155)
Chief Executive				-.925* (.403)
Controls:				
Public Ownership	.358* (.162)	.343* (.151)	.318* (.147)	.301* (.145)
Top Management Team Size	.307* (.128)	.287* (.121)	.271* (.118)	.268* (.117)
Top Management Team Growth	-.106* (.045)	-.092* (.042)	-.089* (.042)	-.086* (.043)
Industry Growth	-.071 (.051)	-.063 (.046)	-.051 (.043)	-.050 (.042)
Board Size	.027 (.015)	.022 (.014)	.022 (.016)	.023 (.016)
Log-likelihood	-376.14	-348.78	-338.65	-334.26

* p<.05 **p<.01

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