6-9-2012

THE ROLE OF THE ENTREPRENEURIAL TOP MANAGEMENT TEAM IN FOUNDER-CEO SUCCESSION OF A NEW VENTURE (SUMMARY)

Caroline N. Kaehr
University of Geneva, caroline.kaehr@unige.ch

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol32/iss10/4
THE ROLE OF THE ENTREPRENEURIAL TOP MANAGEMENT TEAM IN FOUNDER-CEO SUCCESSION OF A NEW VENTURE

Caroline N. Kaehr, University of Geneva, Switzerland

Principal Topic

A common assumption in the entrepreneurship literature is that the venture may outgrow the managerial capabilities of their founding teams and that subsequently founders are replaced by a professional manager (Drucker, 2006; Tashakori, 1980; Willard, Krueger, & Feeser, 1992). However, evidence on the impact of founder-CEO succession is mixed (Begley, 1995; Carroll, 1984; Daily & Dalton, 1992) and moderators found in the traditional CEO succession literature of established firms may not readily apply in the context of new ventures (Wasserman, 2003). Given the importance of the entrepreneurial top management team (eTMT) for organizational outcomes (Ensley, Pearson, & Amason, 2002; Hambrick & Mason, 1984) yet its scant consideration in executive succession, we look at what happens within the eTMT subsequent to a founder-CEO succession and how this relates to the venture’s performance.

Method

Given the dearth of research on the entrepreneurial TMT in succession events and the resulting lack of knowledge on variables and TMT interactions that may play a role in shaping the succession’s outcome, a case study approach was chosen (Yin, 2008). We base our study on multiple cases with new ventures that experienced a recent founder succession. We use data from interviews with the members of the TMT, the new CEO and the board of 8 firms chosen based on theoretical sampling considerations (Glaser & Strauss, 1999) in order to illuminate the full range of inter-personal dynamics. This material is completed with archival and financial data.

Results and Implications

Our findings show that the dynamics within the entrepreneurial TMT may not only change dramatically subsequent to a founder-CEO succession but that they also relate to the role the eTMT plays in first time successions. In analyzing the consequences of founder succession by considering the eTMT, we provide a more nuanced perspective of succession that helps us to advance the ongoing discussion about the beneficial vs. detrimental impact of founder succession on new ventures. In addition, our results help entrepreneurial TMTs as well as investors (i.e. in the role of board members) to render the transition from a founder-managed firm into a professionally managed organization smoother.

CONTACT: Caroline N. Kaehr; caroline.kaehr@unige.ch; (T): 41-22-379-99-08; (F): 41-22-379-81-04; HEC, University of Geneva, 40 Boulevard du Pont d’Arve, 1211 Geneva 4, Switzerland.