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SENSEMAKING IN LEADERSHIP CHANGE – HOW TMTS OF ENTREPRENEURIAL FIRMS MOVE ON AFTER THE FOUNDER’S LOVE AFFAIR ENDS (SUMMARY)

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≈ SUMMARY ≈

**SENSEMAKING IN LEADERSHIP CHANGE – HOW
TMTS OF ENTREPRENEURIAL FIRMS MOVE ON
AFTER THE FOUNDER’S LOVE AFFAIR ENDS**

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Principal Topic

Giving up control of something one has created is not easy. Indeed, many founders are reluctant to leave their positions as the company’s CEO (Clifford, Nilakant, & Hamilton, 1991; Lansberg, 1999; Wasserman, 2012). However, there is more to the story than just the founder; the entrepreneurial top management team (eTMT) is not only directly concerned by the change of leadership but it also plays an important role for organizational outcomes (Ensley, Pearson, & Amason, 2002; Hambrick & Mason, 1984). Yet, little is known about how an eTMT interprets such a critical event. Therefore, we look at how entrepreneurial TMTs make sense of founder succession and how this relates to its moving on in the aftermath of the departure of one of its most important members.

Method

Given the dearth of research on the entrepreneurial TMT in succession events and the resulting lack of knowledge on its sensemaking efforts and how this relates to the emergence of a shared understanding, a case study approach was chosen (Yin, 1994). 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 15 firms chosen based on theoretical sampling considerations (Glaser & Strauss, 1999) in order to illuminate the full range of sensemaking activities. This material is completed with archival data.

Results and Implications

Our findings show that the entrepreneurial top management team’s interpretation of the succession event depends on a combination of several factors that can be critically shaped through the founder’s political actions. By showing under which circumstances the entrepreneurial TMT comes up with a shared understanding of the succession event and how this relates to its behavior in the aftermath of the founder’s departure, our contribution is twofold: first, we add to extant literature on founder succession that discusses consequences of succession by illustrating non-financial outcomes; second, we add to literature on sensemaking through the illustration of how politics shape the emergence of a shared understanding of an (succession) event.

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