THE INFLUENCE OF FOUNDER IDENTITY ON ENTREPRENEURIAL IPO PERFORMANCE (SUMMARY)

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SUMMARY

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Principal Topic

“Jack-of-all-trades” theory (Lazear, 2004, 2005) believes that successful entrepreneurs should be multifaceted, who have to hold a balanced skill set, while category studies argue that it is the categories guide audience’s valuation and founders of generalists who fail to fit any established identity categories, will be less legitimate and appealing to the audience (Zuckerman et. al, 1999; 2003). For the external investors, founders’ identity, built through a history of their career experiences, not only testifies their ability to manage businesses, but also help to legitimate the entrepreneurial firm and decrease the investment uncertainty (Delmar and Shane 2004). In this study, we want to test whether jack-of-all-trades or category imperative effect is valid for entrepreneur in the external resource acquisition and explore whether any interactions exist.

Method

Our sample includes all the entrepreneurial firms IPO in the AIM in London Stock Exchange, from 2002 to 2013. The written prospectus that the firm must file provides us a certain way to assess the company and the founder (Martens and Jennings, 2007). In their resume, the founder presents his past professionals he highlights and identifies the industry he specialized in. We also control for relevant factors at personal level, company level, as well as market level.

Results and Implications

We find that compared with founders specialize in specific occupational and industrial category, category spanners are devalued by investors, and with the width increasing of the category spanning, the negative effect is diminishing. However, specialized in one type of categories tend to reduce the negative effect of spanning another type of categories. Moreover, the length of lock-up period will moderate the negative effect of occupational spanning of founders. These findings improve the category studies by exploring the effect of crossed classification and also help to identify a moderator to reduce the negative effect of category spanning.

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