A NEW BRUSH SWEEPS CLEAN BUT THE OLD ONE KNOWS THE CORNERS – FOUNDER RETENTION IN FIRST TIME SUCCESSION (SUMMARY)

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Principal Topic

Scholars commonly assume that new ventures eventually outgrow the managing capabilities of their founders, yet empirical findings on the succession – performance relationship are mixed (Wasserman, 2003). One explanation for these conflicting results might be the fact that past research has not considered that in many first-time successions, founder-CEOs don't fully leave the company but remain as a board chair or in an operating position (Rubenson & Gupta, 1992). Accordingly, founder-CEOs may still influence the actions and decisions of the top management team (TMT) in their new role as board chair or TMT member. Yet, literature on post-succession founder involvement is surprisingly scant. Hence, our study aims at explaining how the role of the founding-CEO following first-time successions affects levels of cognitive and affective conflict, and ultimately the quality of decision-making in TMTs.

Method

We conducted an experimental study analyzing the quality of the TMT’s decision-making among 120 undergraduate students. We organized the students in 30 randomly selected teams and analyzed their performance in a pre-test-post-test-design within three different settings—i.e., (1) the former group leader exits the team completely upon arrival of the new leader, (2) the former group leader becomes a member of the board, and (3) the former group leader remains a member of the TMT upon arrival of the new leader. We used Jehn’s (1995) seven-item intragroup conflict scale and individual expert ratings for the quality of decision-making.

Results and Implications

Our results show that the founder-CEO’s exit increases the level of cognitive conflict while decreasing the level of affective conflict. The same effect we find even stronger when the founder-CEO's becomes board chair. In both situations, this ultimately leads to an increase in decision-making quality. On the contrary, when the founder moved into the TMT, both levels of conflict increased. Whereas literature states that affective conflict decreases team performance, our results show a significant increase in the quality of the decision-making that is above the performance in the other settings. We explain this finding through the hostile situation that fosters an in-group identity among TMT members (Hogg & Terry, 2000).

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