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경영학 석사학위논문

**Revisiting Founder-CEO Status and Firm Performance:  
Evidence from NASDAQ 500 Firms**

**창업 CEO 존재유무와 기업성과 간에 대한 재연구:  
NASDAQ 500 기업을 대상으로**

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서울대학교 대학원  
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지도 교수 조 승 아

이 논문을 경영학 석사학위논문으로 제출함

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서울대학교 대학원  
경영학과 경영학 전공  
차 도 형

차도형의 석사학위논문을 인준함

2014 년 2 월

위원장	박철순	(인)
부위원장	송재용	(인)
위원	조승아	(인)

## **ABSTRACT**

### **Revisiting Founder-CEO Status and Firm Performance: Evidence from NASDAQ 500 Firms**

**Do-Hyung Cha**

Department of Business Administration

The Graduate School

Seoul National University

This study investigates the relationship between founder-CEO status and firm performance consequences in U.S. NASDAQ 500 sample of 2004-2010. Drawing from researches mainly in organization life cycle theory and other related literatures, I propose that the need for reconsideration of founder management effect on firm performance, especially the moderating role of the age of firm after 2000s period. The results of my analysis on founder-CEO status and firm performance among U.S. NASDAQ 500 companies between 2004 and 2010 supports only the moderating role of firm size but it revealed that the organizational age does not act as the moderating role between founder management and firm performance as previous research argued.

***Keywords:*** Founder-CEO; Organization Life Cycle; Firm Size; Firm Age; Firm Performance

***Student Number:*** 2010-20531

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## **I. Introduction**

Is a founder-CEO asset or liability in (established) firms? Several academic researchers from various academic fields – i.e., economics, entrepreneurship, finance, management and organization – have been interested to investigate such research question directly and indirectly, and used different tradition of research streams. Given the enormous economic importance of family firms in the United States and world economies (e.g., Classens et al. 2000; Faccio and Lang 2002; La Porta et al., 1999), it may be interesting to know more about founder-CEO status and its performance consequences. Though, several studies have investigated whether founder-managed firms tend to perform differently than firms managed by non-founder-CEOs, the findings of these studies have been inconsistent.

To many corporate governance literatures, this question is related to firm control perspective and even linked to the theory of firm (e.g., Berle and Means 1932; Jensen and Meckling 1976; Fama and Jensen, 1983). The separation of ownership and control is widely accepted practice in the American businesses, so academic researchers often assumed the dispersed ownership and professionally-managed company (Fama and Jensen 1983). Anderson and Reeb (2003; 2004) and Villalonga and Amit (2006) pointed out, however, that still significant portion of large established firms were owned by the founding families and considerable amounts of firms are also controlled and managed by

founding family members and investigated their performance outcomes. For example, Anderson and Reeb (2003) presented that family-owned firms were performed better than non-family firms and later in their 2004 paper, they showed that the board independence was mattered to attribute such superior performance compared to non-family firms using Standard and Poors 500 firms in 1992-1999.

However, theoretically there is a fundamental conflict of interests that founders who have controlling stakes that benefit controlling families at the expense of minority investors (e.g., Burkart et al., 2003; Morck et al., 2005), which is often called as ‘expropriation’ problem. Previous literatures of family firms showed that family firms tend to perform poorly due to their inherent such agency problems (e.g., Villalonga and Amit 2006). Also, empirically, the founder management, control, and ownership has extensively tested in entrepreneurship, economics, family firm literature, finance, and management literatures but yielded inconsistent empirical findings with different samples in different time frames.

So, I conjectured that the differences in the sample characteristics of previous studies could potentially explain some of the inconsistency in prior research findings. Particularly, when considered in conjunction with organization life cycle theory, it might provide more clear evidence about when a founder-CEO presence will likely contribute to firm performance. So I intentionally chose the sample of large technology-heavy market index –FTSE



NASDAQ 500 – with different time periods of after year 2000. By doing so, I could complement the previous studies with unique sample group and examined inter-temporal differences compared to previous researchers too.

## **II. Motivation of This Paper**

In early studies, for example, Daily and Dalton (1992) studied the performance consequences of founder-managed versus professionally-managed firms in 186 U.S. small firms (the criteria was less than 500 total number of employees and less than \$20 million annual sales) and presented that there were no significant differences between them. However, Jayaraman et al. (2000) implied that founder CEO performed differently and there could be inflection points as they grew and time passed. Also, Certo et al. (2001) investigated IPO (initial public offering) stage of firms, and presented finding that the firm valuation and first-day stock return are significantly affected by the fact that whether the founder is still CEO though it could not infer the long-term performance. Then, Villalonga and Amit (2006) indirectly showed that founder-CEOs performed better in family-owned and family-control setting of Fortune 500 firms from 1994 to 2000. However, Miller et al. (2007) argued that it is hard to attribute superior performance to founder management with examinations both Fortune 1000 firms and a random sample of 100 much smaller public firms. And recently, Abebe et al. (2012) studied the declining stage of firm growth and presented an evidence of no significant relationship between founder-CEO status and likelihood of turnaround among declining firms' sample.

So, my paper described here was intended to contribute to potential

reconciliation of past research findings' inconsistency by testing the possibility that the value of founder management will differ across the firms that vary by the size of firm and the age of firm. The following Theoretical Background and Hypotheses section presents the base for the following research as well as the hypotheses. This is followed by a description of sample, data sources and measures. The findings of the research are presented in the Results section. Finally, the Discussion and Conclusion section details the implications and limitations of the research, and it identifies promising directions for future research.

### **III. Theoretical Background and Hypotheses**

#### **1. Founder-CEO Effect**

Organization life cycle theorists argue that different managerial and organizational skill demands are required to the top managers across an organization's life cycle or phases of growth curve (e.g., Clifford 1975; Hanks 1990, 1993). For instance, Norburn and Birley (1988) argued that CEOs in larger firms may have little impact on organizational processes and outcomes, because the organizational complexity may constrain their capability to initiate change (Dalton and Kesner 1983). Consistent with this study, Daily and Dalton (1992) found no difference in financial performance, as measured by accounting measures (ROE and ROA), between small founder-managed and other non-founder-managed firms. Willard et al. (1992), likewise, found no significant difference in firm performance, assessed using 11 accounting- and market based measures, between founder-managed versus professionally-managed firms among fast-growing companies. Begley (1995) observed, however, that founder-managed firms tend to have a higher ROA than other firms.

In short, prior literatures that have directly or indirectly tested the value of founder management have yielded inconsistent and contradictory results. It is, therefore, particularly important to try to understand what theoretical arguments

can be made regarding the likely value of founder management. There are numerous reasons why one might expect that founder-CEOs will often possess skills and face incentives that translate into firm performance superior to that attained by non-founder-CEOs. For example, founders may be generally superior CEOs because they highly value their reputational stake in the firm (Rao 1994) and, hence, exert a greater effort than non-founder-CEOs to ensure success. Also, founders tend to own a significant proportion of their firm's stake (e.g., Villalonga and Amit 2006). Significant equity ownership on the part of management can serve as an effective mechanism for reducing principal-agent conflicts of interest (see Fama and Jensen 1983; Eisenhardt 1989 for detailed review), in other words, agency costs between owners and managerial agents can be "advantageously low if there is close alignment or even identity between the interests of owners and managers" (e.g., Miller and Le Breton-Miller 2006). Specifically, since their personal fortunes are often tied to those of their firms, founder-CEOs may be especially likely to work diligently and/or have an incentive to invest in developing their managerial skills.

Moreover, a ready willingness to undertake risks and a high need for achievement are typical founder's characteristics that one might expect to generate and sustain superior performance over time. Empirical evidences suggest that these characteristics may be higher among founder- than non-founder-CEOs (e.g., Begley 1995; Chandler and Jansen 1992). Also entrepreneurs tend to start enterprises in industries where they already have

managerial experiences, and this experience may give founder-managed firms competitive advantages which can be translated into superior performance over non-founder-managed firms (Duchesneau and Gartner 1990). In a nutshell, the effect of these situations could be attributed to superior firm performances.

From the different theoretical lens, however, it is possible to envisage of opposed scenarios under which founder management could be detrimental to the performance of companies. For example, to the extent that a founder's interests diverge from those of the firm's other shareholders (and stakeholders) and manifest themselves in the form of excessive perquisite consumption (see Burkart, Panunzi and Shleifer 2003), poor performance may result (Jensen and Meckling 1976). Similarly, in their desire to retain control over corporate affairs and resources, founder-CEOs may be particularly likely to refrain from adopting liberal cash payout or dividend policies—an action that could reduce the firm's market value.

Concerning the relationship between founder-CEO status and firm performance, therefore, it is conceivable that founder-CEO status may affect firm performance. Nonetheless, as the preceding arguments indicate, the likely direction of the potential effect of founder-CEO status on firm performance is not straightforward at all. Fortunately, arguments based on life cycle theory and the related researches offer the possibility of clarifying the organizational conditions under which a founder-CEO's influence on firm performance might be expected to vary. Such arguments are presented below.

## **2. Founder-CEO Effect and Firm Size & Firm Age as Moderator**

A founder's ongoing involvement in general management activities may be decreasingly valuable or even detrimental to a company's success as the firm grows. It is well documented that founders often have difficulty delegate the authority of control and management of their company to individuals who is suitable to maximize the value of larger firms (e.g., Flamholtz 1986; Adizes 1989). Tushman and Romanelli (1985) argued that the entrepreneurial challenge of establishing firm viability becomes less significant and then the administrative challenge associated with managing larger, more complex organizational systems increases in significance. Different skills are needed to effectively manage the exploration and exploitation challenges (March 1991), and it is a rare individual who possesses all skills needed to grow a firm from its inception to a stage of maturity where a complex organizational architecture is typically required (Stevenson and Jarillo 1990). Consistent with the preceding points, many founders whose skills well match the entrepreneurial challenge may be unable to develop the new administrative skills needed to effectively manage in a large organizational context (Wasserman 2003), or these founders may not perceive that their entrepreneurial skills are any less valuable than they were when their organizations were smaller (Willard et al. 1992). In either case, the value likely to be added by the founder may not be as great as when the firm was smaller, and the founder's continued management may, in fact, represent a

hindrance to firm performance. Therefore, I propose the following hypothesis.

*HYPOTHESIS 1: The impact of founder-CEO presence on firm performance is moderated by firm size, such that the beneficial effects of firm size is more positive for smaller firms than larger firms.*

The age of the firm may be another potential moderator of the firm financial performance generated by founder-CEOs. Especially, in an early or young organization the opportunities for dominant coalitions involvement in organizational processes across the organizational hierarchy are numerous and varied (Cyert and March 1963). Certainly founder CEOs will characteristically be highly involved in most, if not all, significantly in their organizations functioning processes. Routines, systems, and standard operating procedures are consciously created or otherwise emerge as firms grow old (Blau and Scott, 1962), a result of this developing organizational architecture is that senior managers will have less need to become involved in operating decisions, or even all strategic decisions, since various aspects of structure, broadly defined, will now be substituting for their managerial discretion (Mintzberg 1979). Therefore, organizational age may have the effect of limiting the ‘required’ involvement of founder-CEOs, and one might consequently expect a negative relationship between the strength of the effects of founder management and organizational age.

The literature on leadership life cycles also has a bearing on the matter



of how organizational age may affect the value of founder management. Since, founder-CEOs are usually taking CEO position from the start of a focal firm; the organizational age is the same as the time span of CEO tenure, except founder-CEOs ceased to be CEO and return, which would be a very rare case. Hambrick and Fukutomi (1991) observation on the relationship between CEO tenure and firm performance is pertinent. Specifically, Hambrick and Fukutomi (1991) argued that a CEO's tenure can be described in terms of various 'seasons', each with its own challenges and demands on the CEO position. In the early season of a CEO's tenure, the CEO's task knowledge was argued to be accumulating, and his or her most positive effects on firm performance would not yet be felt. Hambrick and Fukutomi (1991) theorized that CEOs would have their more positive impact in firm performance during the intermediate seasons due to this being the era of their highest task knowledge and interest. And during the final seasons of a CEO's tenure, '[j]ob mastery gives way to boredom; exhilaration to fatigue; strategizing to habituation' (Hambrick and Fukutomi 1991: 731), and firm performance declines. In short, Hambrick and Fukutomi (1991) argued that an inverse U-shaped relationship between CEO tenure and firm performance among long-tenured CEOs.

A relationship between CEO tenure and firm performance has been documented by empirical research too. Although this research does not consistent with the aforementioned inversed U-shape relationship between CEO tenure and firm performance, Miller (1991) did find a negative, albeit indirect

relationship between CEO tenure and various dimensions of firm financial performance. In his study of the CEOs of 95 small and medium-size firms, Miller observed that long-tenured CEOs (operationally defined as those serving more than ten years), for reasons of paradigm inertia, belief immutability, mental stagnation, and the like, are less likely than short-tenured CEOs (those serving less than ten years) to create and maintain an effective alignment between their firms' strategy characteristics and environmental attributes. It is this poor strategy-environment fit that directly results in poor performance.

Given the aforementioned arguments on the age of firm among founder management, Miler's (1991) findings, in conjunction with the preceding observations, support the following hypothesis:

*HYPOTHESIS 2: The impact of founder-CEO presence on firm performance is moderated by firm age, such that the beneficial effects of firm age is more positive for younger firms than older firms.*

## **IV. Methods – Sample, Data Sources, and Measures**

I used the FTSE NASDAQ 500 index (hereafter, NASDAQ 500) to construct the founder-CEO versus non-founder-CEO matched sample firms from 2004 to 2010. Since previous literatures investigated the founder-CEO status before year 2000 (e.g., Andersen and Reeb 2003; Jayaraman et al. 2000; Villalonga and Amit 2006), I deliberately focused on the periods of after year 2000 to construct the founder-CEO and its matched sample firms for previously tested hypotheses in different timeframe.<sup>1</sup> NASDAQ 500 index launched in 2005 and tracked NASDAQ's 500 largest firms by market capitalization which covered around 82 percentage of NASDAQ Composite index in terms of market capitalization (FTSE Group 2013).

My data collection procedure involves following phases. First, I utilized FTSE NASDAQ Index Series Review from FTSE Group to construct year-by-year NASDAQ 500 constituents from 2004-2010.<sup>2</sup> Second, I complied

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<sup>1</sup> I initially tried to construct the focal founder-CEO sample from Standard & Poors 500 firms or Fortune 500 firms for comparability purpose. Although previous researchers reported that family firms represented significant proportions in major indices (e.g., Anderson and Reeb 2003; Shleifer and Vishny 1986), surprisingly, the founder-CEO firms in such major indices were prohibitively small after year 2000 to test my conjectures. So I turn to another major U.S. indices and deliberately select FTSE NASDAQ 500 index to construct the sample.

<sup>2</sup> For year 2004, I matched the FTSE NASDAQ 2005 index constituents and Compustat Annual Files by firm name to construct year 2004 sample constituents.

founder-CEO presences during 2004-2010 following the criteria of previous studies (see Villalonga and Amit 2006 for details). In doing so, I constructed the preliminary NASDAQ 500 (I excluded the financial services and utilities firms<sup>3</sup>) founders list. Third, I searched annual reports of NASDAQ 500 firms from 2004 to 2010 whether the founders were presented as CEO. Finally, I collected 282 firm-year observations to analyze 2004-2010 periods. Fourth, I selected the focal control sample of non-founder-CEO firms that (1) were also listed in the NASDAQ 500 over the same period for which the founder-CEO firms were listed, (2) were in the same industry (as measured by three-digit SIC code), and (3) was closest in firm size (total assets) using propensity score matching to the founder-CEO firms (see Jayaraman et al. 2000).

The final dataset consists of 282 firm-year observations of founder-CEO firms and the matched control sample of 282 firm-year observations from 2004-2010 periods so that the total of 564 observations were used for the said hypotheses.

*Founder-CEO Status.* I identified founders in at least two public data sources such as proxy statements and SEC documents, Hoovers, corporate websites, and web searches about company histories for robustness purpose. The founder-CEO may have founded either a focal sample firm or a merged

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<sup>3</sup> See Anderson and Reeb (2003; 2004). These were consisted of about 8.5 percentage among NASDAQ 500 firms in terms of market capitalization.

firm. If the latter is the case, I investigated the nature of merger and if the controlling stake were not belonged to predecessor firms, I excluded such founder-CEO firms from the sample. Also, I followed the Villalonga and Amit (2006)'s definition that "the person who is generally recognized as a firm's founder is the one responsible for the firm's early growth and development into the business that it later became known for, yet this need not be the same individual who started and incorporated the company or a predecessor business, nor the one who took the company public". I used *founder-CEO dummy* which equals one for founder-CEO firms, and zero otherwise.

*Firm Size.* I estimated the company size using natural logarithm of the total assets from Compustat at  $t$ , consistent with prior literatures (e.g., Wang, 2006).<sup>4</sup> And I computed an interaction variable by multiplying the founder-CEO dummy with the natural logarithm of the total assets variable. I used the alternative measure of the number of employees from Compustat database but the regression results was qualitative same.

*Firm Age.* The *firm age* variable is included, given that an organization's ability to survive is tightly linked to its organizational age (Hannan, 1998). I estimated the company age using natural logarithm of the

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<sup>4</sup> The following regression results were robust at  $t-1$ , consistent with previous studies (e.g., Farrell and Whidbee, 2003).

number of years since the inception of the firm or the oldest of its predecessor companies (Anderson and Reeb 2003; Villalonga and Amit 2006). I identified the *firm age* since founding dates (e.g., Certo, Covin, Daily and Dalton 2001) in public data sources such as proxy statements and SEC documents, Hoovers, corporate websites, and web searches about company histories.<sup>5</sup> I used the Field-Ritter dataset of company founding dates of 9,826 IPO firms that went public in the U.S. during 1975-2013 for robustness purpose.

*Return on Asset.* I used ROA (return on assets) as the dependent variable of my study for measuring firm performance. I computed ROA in two ways. In one way, I obtained ROA by using operating income scaled by the book value of total assets from COMPUSTAT database. In another way, I used earnings before interest, tax, depreciation, and amortization (EBITDA) divided by the book value of total assets (Anderson and Reeb, 2003), though it is unreported, such alternative measure showed very similar results for every regressions.

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<sup>5</sup> Some researchers used the data on the year of the firm's incorporation as a proxy for firm age for founder-management studies (e.g., Jayaraman et al. 2000). Although I did not include the IPO dates as proxy for firm age, my regression results were generally robust to the use of said alternative specifications.

## V. Analyses and Results

### 1. Descriptive Statistics and Correlation Matrix

Table 1 shows comparative descriptive statistics for all firms and the sub-samples of founder-CEO firms and non-founder-CEO control firms. I included data on firm size (total assets from Compustat database from 2004-2010), firm age (based on public searches on company founding dates), and ROA (operating income scaled by total assets which obtained from Compustat).

Table 1. Descriptive Statistics of NASDAQ 500 (2004-2010): All Firms, Founder-CEO Firms, and Control Firms

Panel A.		All Firms (n=558)				
	Mean	Std. Dev.	Median	Max	Min	
Firm Size <sup>a</sup>	6273.5	14878.2	1619.7	119574.2	2.497	
Firm Age <sup>b</sup>	23.73	19.29	20.43	113	4	
ROA	0.0395	0.162	0.0582	0.361	-1.791	

  

Panel B.		Founder-CEO Firms (n=279)				
	Mean	Std. Dev.	Median	Max	Min	
Firm Size <sup>a</sup>	5042.1	9882.5	1429.1	75183	23.64	
Firm Age <sup>b</sup>	17.65	11.50	16	74	4	
ROA	0.0445	0.139	0.0547	0.361	-0.737	

  

Panel C.		Control Firms (n=279)				
	Mean	Std. Dev.	Median	Max	Min	
Firm Size <sup>a</sup>	7509.4	18526.5	1770.1	119574.2	2.497	
Firm Age <sup>b</sup>	29.83	23.25	24	113	5	
ROA	0.0346	0.183	0.0598	0.340	-1.791	

a. Firm size is measured in terms the dollar value (\$MM).

b. Firm age is measured in terms of year based on the date of focal firm's founding dates.

Table 1 presented that the founder-CEO firms in the NASDAQ 500 sample tend to be smaller, on average, than the industry- and size-matched control firms, with the mean total assets of \$5,042 million and \$7,509 million, respectively. The founder-CEO firms also younger, on average, than the industry- and size-matched control firms. These findings are consistent with previous studies' finding that founder-CEO firms tend to be smaller and younger than non-founder-CEO firms (e.g., Begley 1995; Jayaraman et al. 2000).

Table 2. Zero-Order Correlation Matrix (*p*-value), n=558

	Founder-CEO	Firm Size	Firm Age	ROA
Founder-CEO	1			
Firm Size	-0.0577 (0.171)	1		
Firm Age	-0.277*** (0.000)	0.122** (0.004)	1	
ROA	0.0304 (0.474)	0.175*** (0.000)	0.0757 (0.074)	1

*p*-values in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Table 2 presents the correlations for all research variables. Since no inter-item correlation is above the threshold level of 0.65 (Tabachnick and Fidell 1996:88), multicollinearity do not appear to be serious sources of potential bias in my data. The variables used for interaction terms were mean-centered to minimize the problem of multicollinearity between interaction terms



and their components (Aiken and West, 1991; Cohen et al. 2003). The variable inflation factor for each variable was lower than the suggested threshold of 4.0, which further verifies the absence of multicollinearity.

## **2. Performance Comparison of Founder-CEO Firms versus Control Firms in NASDAQ 500 Firms**

Table 3 presents the results of the regression analyses performed to test the research hypotheses. Model 1 reveals that the Founder-CEO status dummy variable does not contribute to return on assets after controlling for firm-specific effects of firm size and firm age. Statistically speaking, there is no main effect which suggests that founder-CEO firms do not significantly differ than do professional-CEO firms in terms of firm financial performance. This findings is consistent with earlier researches (e.g. Daily and Dalton 1992) but not current researches in firm control literatures (e.g., Villalonga and Amit 2006), though their empirical tests were conducted after controlling governance variables. So, I could use such literatures to extend whether the main effects of founder management will do significant when after controlling board independence, ownership structures, and so forth.

Still, it may seem curious that the founder-CEO status is not significantly related to firm performance, yet founder-CEO presence has a more positive impact on firm financial performance among smaller than larger firms (Hypothesis 1), though. However, this situation is explained by the fact that

founder-CEO status is positively related to firm financial performance among smaller firms and negatively related to firm financial performance among larger firms. The directional effects of founder-management on firm performance can cancel each other out in a heterogeneous sample of firms, resulting in the absence of a main effect as documented in the prior researches (Daily and Dalton 1992; Jayaraman et al. 2000; Willard et al. 1992). Indeed, Jayaraman et al. (2000) presented monotonicity tests for firm size and firm age and reported that there are “inflection points at which the impact of founder management on firm financial performance changes from positive to negative”. They revealed that founder-CEO contributed to firm financial performance among “firms with market capitalization values of less than \$718.38 million and among firms that were less than 21.74 years old”. Thus, while founder-CEO may have no strong main effect on firm financial performance, such management can either help or hinder the financial performance of a firm depending on that firm’s size and age.

Hypothesis 1 is supported by the data at the  $p < 0.01$  level. Model 2 reveals that the inclusion of the cross-product of the founder-CEO status dummy variable and the log of firm size adds significantly to the predictive power of the regression analysis, and the sign of the cross-product term is in the negative direction implied by the hypothesis. Thus, the impact of founder-CEOs on firm financial performance is positive among smaller than larger firms.

Hypothesis 2 is not supported, surprisingly, by the NASDAQ 500 data that is inconsistent with previous studies (e.g., Jayaraman et al. 2000). Model 3

shows that the cross-product of the founder-CEO status dummy variable and the log of firm age is not statistically significant. As a side note, similar no statistically significant results were found when an alternative measure of firm age—IPO dates—was used in the analysis. Though, the negative coefficient interaction term of founder-CEO dummy and firm age implies that the impact of founder-CEO management on firm financial performance is somewhat more positive among younger than older firms, its significance level is not even at a modest level.

So my study partially supported the previous studies of organization life cycle theory literatures. Prior studies emphasized the position that high levels of organizational performance will result when senior managers' skills are well aligned with the demands of their organizational contexts – e.g., as defined in terms of requirements imposed by the organization's size and age. Although some studies supported to the evidence of the diminishing value of founders (e.g., Hanks et al. 1993; Covin and Slevin 1997) to their organizations over time since founding entrepreneurs face new and different challenges as they grow their organizations, the moderating effect of firm age on the founder-CEO impact did not significant over the time in established large high-tech firms over the time. This might be caused by strategic adaptation of high-tech firms. Most of high-tech firms were financed from venture capital firms and they usually supplied not only the capital needed and but also the education and talents their portfolio firms needed. It may consequently lowered the

organizational failure rates of survived portfolio firms. Or, it is simply because the pace of growth is faster than the previous periods of before 2000s in NASDAQ 500 firms.

Table 3. Pooled OLS Regression Analysis Results. (Dependent variable = ROA).

VARIABLES	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)
Constant	-0.158*** (0.000444)	-0.260*** ( $<0.0001$ )	-0.160*** (0.00305)	-0.251*** ( $<0.0001$ )	-0.244*** (0.000180)
Founder-CEO Dummy	0.0193 (0.171)	0.212*** (0.00382)	0.0232 (0.682)	0.197** (0.0214)	0.196** (0.0217)
Log of Firm Size	0.0189*** ( $<0.0001$ )	0.0308*** ( $<0.0001$ )	0.0190*** ( $<0.0001$ )	0.0308*** ( $<0.0001$ )	0.0312*** (1.88e-06)
Founder-CEO Dummy * Log of Firm Size		-0.0253*** (0.00736)		-0.0257*** (0.00697)	-0.0259*** (0.00652)
Log of Firm Age	0.0151 (0.103)	0.0186** (0.0450)	0.0156 (0.193)	0.0161 (0.177)	0.0184 (0.123)
Founder-CEO Dummy * Log of Firm Age			-0.00135 (0.943)	0.00646 (0.734)	0.00746 (0.694)
Year Dummy_2005					-0.0365 (0.179)
Year Dummy_2006					0.0159 (0.554)
Year Dummy_2007					-0.00862 (0.744)

Year Dummy_2008					-0.0375 (0.152)
Year Dummy_2009					-0.0449* (0.0878)
Year Dummy_2010					-0.00441 (0.868)

Observations	558	558	558	558	558
R-squared	0.037	0.049	0.037	0.050	0.067

*p*-values in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

## **VI. Discussion and Conclusion**

Research over past decades has yielded direct and indirect substantial evidence that founder-CEO status affects organizational outcomes (e.g., Jayaraman, Khorana, Nelling, and Covin 2000; Villalonga and Amit 2006), though the empirical findings were inconsistent. I used mainly the organization life cycle perspective to investigate the founder-management firm performance difference to matched firms and supplied complementary theoretical backgrounds of agency theory, stewardship theory, and family firm literatures.

My primary objective has been to examine the founder management was different in performance-consequence and whether it will be moderated by the size of the firm and the age of the firm in different time frame of previous studies (before and after 2000s) with different sample groups. Though, the firm size was moderated strongly the performance of founder management but the findings on the age of firm as moderator revealed different results than previous researches (e.g., Jayaraman et al. 2000). So, my small but significant theoretical contribution would be the fact that we need to reconsider the possibility of different organizational age impact after 2000s.

There are also practical implications associated with my research. My study underscores the need for assessing founder's ability to enhance firm value through effective general management practices at different stages of the firm's life cycle, particularly depending on the firm size in established high-tech firms.

Although it seems that founder-CEOs adds firm value even in large established high-technology firms, founder-CEOs impact were decreasing as their firms became larger. So, founder-CEOs should grow their organizations with the expectation in mind that some day, perhaps long before they are ready to retire, they may have to step down from their leadership positions for the good of their firms. This may be—and in fact often is—a hard lesson to act upon for founders with strong emotional attachments to the organizations they were instrumental in building. However, just as the evidence in my study and other prior research papers suggest that founders can be an asset to firm value to smaller firms, it may also suggests that the presence of founder-CEOs may generally erode the firm performance of larger firms.

My findings and implications of this research should be considered in light of its limitations. Three limitations are most noteworthy. First, the results are based on a relatively small number of firms: 558 observations in total. While the sample was composed of firms of different firm sizes, firm ages, and operating in different industries, the modest sample size calls for caution when generalizing from the results. Second, founder management literatures showed that findings are highly sensitive to the nature of the sample (e.g., Miller et al. 2007). My study's sample was composed of firms in U.S. NASDAQ 500 index. These firms are technology-heavy firms (almost 78 percentages of firms were belong to high-tech, bio-tech, and communications sectors), in other words,



they were generally more complex, uncertain, and high-velocity environments. So, the direct comparison with previous studies which used the S&P 500 (e.g., Anderson and Reeb 2003, 2004) or Fortune 500 (Villalonga and Amit 2006) samples would require more caution in interpretation. Third, and finally, this research explores the phenomenon of founder-CEO impact as an abstraction that is somewhat removed from actual managerial behaviors. In particular, while my study has identified an empirical link between founder-CEO status and firm performance, my study has not identified the specific managerial actions of founder-CEOs that either bolster or diminish the focal firms' value.

My study contributes to the growing body of literatures concerning the firm performance-related effects of founder management. Nonetheless, many interesting research questions remain unanswered. Future researchers on founder management may pursue the following paths for productive study. To my best knowledge, academic researchers do not fully know yet the mechanisms of how founder-CEO's managerial actions affect firm performance. So, first, in such vein, future researchers can test such mechanisms with the upper-echelons perspective (Hambrick and Mason 1984). For example, the founder's demographic characteristics and its top management team composition and compensation may be associated with the organizational outcomes. Furthermore, it is commonly found that an entrepreneur set an enterprise up with friends, relatives or family members and such founder-type is

also intriguing point since co-founding will help to share risks and create human capital synergy or vice versa. So, empirically testing such founder demographic variables might help us to accumulate more specific knowledge of early or later stages of entrepreneurial success. Second, future researcher should pay attention to attention-based view (Ocasio 1997) of the firm too since managerial attention is proposed as a channel to decision-making and tested as a mediator between managerial characteristics and firm outcomes (Cho and Hambrick 2006). Third, large research samples (vs. anecdotal evidence) could be used to study the performance-related antecedents and consequences of the transition from founder-CEO and professional CEO management.

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## 국문초록

# 창업 CEO 존재유무와 기업성과 간의 관계에 대한 재연구: NASDAQ 500 기업을 대상으로

서울대학교 대학원  
경영학과 경영학 전공  
차도형

본 논문은 창업 CEO의 존재유무가 기업성과에 미치는 관계에 대해서 미국 NASDAQ 500 지수에 포함된 기업을 대상으로 최근 2004년과 2010년 사이에 변화가 있었는지 확인하는 연구이다. 본 연구는 조직생애주기 이론 등을 주된 이론으로 삼고, 창업자 관련 연구들을 참고 삼아서, 창업 CEO의 존재유무가 기업성과에 미치는 영향에 대한 조절변수로 기업규모와 기업연령에 대해서 기존 연구와 달리 2000년대 이후 기업을 대상으로 실증분석 하였다. 이에 대한 연구 결과를 보면, 기존 가설과 달리 기업규모의 경우에만 조절변수로서 유의하였으며 이에 따라 기업연령에 대한 연구의 필요성을 확인하였다.

주요어: 창업 CEO; 조직생애주기; 기업규모; 기업연령; 기업성과  
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