SHOULD I STAY OR SHOULD I GO? FOUNDER POWER AND EXIT VIA INITIAL PUBLIC OFFERING.

Vangelis Souitaris (corresponding author)

Professor of Entrepreneurship, Cass Business School, City, University of London

106 Bunhill Row, London EC1Y 8TZ, UK

And

University of St. Gallen, Global Center for Entrepreneurship & Innovation,

Dufourstrasse 40a, CH9000 St. Gallen, Switzerland

v.souitaris@city.ac.uk

Stefania Zerbinati

Senior Lecturer (Associate Professor) in Entrepreneurship, Cass Business School, City, University of London

106 Bunhill Row, London EC1Y 8TZ, UK

stefania.zerbinati.1@city.ac.uk

Bo (Grace) Peng

Southwestern University of Finance and Economics, Chengdu, China

And

Lecturer (Assistant Professor) in Management, Birkbeck, University of London
Malet Street, Bloomsbury, London WC1E 7HX, UK

b.peng@bbk.ac.uk

Dean Shepherd
Ray and Milann Siegfried Professor of Entrepreneurship, University of Notre Dame,
Mendoza College of Business, Department of Management and Organization
Notre Dame, IN, USA
dshephe1@nd.edu

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Biographical sketches:

Vangelis Souitaris (v.souitaris@city.ac.uk) is a professor of Entrepreneurship at Cass Business School, City, University of London and the University of St. Gallen. He received his PhD from the University of Bradford (UK). His research is in the field of entrepreneurship, including entrepreneurial decision making, entrepreneurial finance and academic entrepreneurship.

Stefania Zerbinati (stefania.zerbinati.1@city.ac.uk) is a Senior Lecturer in Entrepreneurship at Cass Business School, City, University of London. She has a background in political science and she received her doctorate from the University of Portsmouth (UK). Her research focuses on entrepreneurial exit, entrepreneurial finance and entrepreneurship in the public sector.

Bo, Grace Peng (b.peng@bbk.ac.uk) is lecturer at the Department of Management, Birkbeck, University of London and visiting researcher at the Southwestern University of Finance and Economics, China. She received a Ph.D. from the Cass Business School, City, University of London. Her research focuses on entrepreneurial finance and entrepreneurial exit.

Dean Shepherd (dshephe1@nd.edu) is the Ray and Milann Siegfried Professor of Entrepreneurship at the Mendoza College of Business, Notre Dame University. Dean received his doctorate and MBA from Bond University (Australia). His research and teaching is in the field of entrepreneurship: decision making, opportunities, learning from failure, and strategies.

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ABSTRACT

Founders can voluntarily exit their ventures via initial public offerings (IPOs). In this study, we build on power theory to develop and test a model of founder exit using a dataset of 313 founders from 177 entrepreneurial IPOs between 2002 and 2010. We largely find support for the model—a negative relationship between founder power and full exit. To capture the underlying mechanism of the power-exit relationship, we conducted two experiments in which we randomly assigned decision makers to either a high- or low-power condition. We find that decision makers in the low-power condition are more likely to use a full exit via IPO than those in the high-power condition and that frustration mediates this relationship. However, founders can also engage in partial exits, including a managerial partial exit in which the founder leaves management but keeps ownership and a financial partial exit in which the founder divests ownership but remains in management. We find that the negative relationship between founder power and exit is more negative for full exits than partial exits. With this paper, we contribute to the literature on exit by identifying a novel mechanism—frustration—underlying power's influence on the likelihood and type of founder exit.

Keywords: Entrepreneurship, entrepreneurial exit, founder power, IPO, frustration.

INTRODUCTION

Founder exit is a key event in the entrepreneurial process (Aldrich, 2015; DeTienne & Wennberg, 2016; Wasserman, 2003). However, despite considerable scholarly interest in founder entry through the creation of new ventures (De Carolis, Litzky, & Eddleston, 2009; Eesley, 2016; Haveman, Habinek, & Goodman, 2012; Newbert & Tornikoski, 2012), only recently has there been a concerted effort to understand how and why founders exit their ventures (DeTienne, 2010; DeTienne, McKelvie, & Chandler, 2015). Founder exit has been found to be more likely for ventures that are older, larger, and at a later stage of development presumably because these ventures' development has outpaced their founders' skills and knowledge (Boeker & Karidhalil, 2002; Dobrev & Barnett, 2005) such that the founders need to be replaced by professional managers (Boeker & Wiltbank, 2005; DeTienne & Cardon, 2012; Hambrick & Crozier, 1985; Wasserman, 2003).

Although there has been research on why founders are forced to exit when their ventures are performing well (Ewens & Marx, 2017; Wasserman, 2003) and performing poorly (Laitinen, 1992; Wiklund, Baker, & Shepherd, 2010) as well as why founders choose to exit their ventures to avoid further losses (DeTienne, Shepherd, & De Castro, 2008; Gimeno et al., 1997; Thorburn, 2000), there has been less research on why founders might decide to leave their successful ventures (DeTienne & Wennberg, 2016). This insufficient scholarly attention on founders' exits from high-potential ventures is surprising. In particular, we focus on initial public offerings (IPOs), which firm stakeholders perceive as a sign of high venture performance (Hochberg, Ljungqvist, & Lu, 2007; Shane & Stuart, 2002) and firm founders view as a primary vehicle to harvest their investments in their ventures.

The time leading up to an IPO involves considerable uncertainty, negotiation, and turmoil for founders (Certo et al., 2001; Krigman, Shaw & Womack, 1999; Pollock, Rindova, & Maggitti, 2008). This period of uncertainty creates a context that invites the use of power

(Finkelstein, 1992; Mintzberg, 1983) because, under uncertainty, decisions are not programmable or easily specified (Tushman, 1977) and thus people likely differ in their preferred choices—i.e., there are conflicting preferences (Mintzberg, 1983; Pettigrew, 1973). In situations of conflicting preferences, power is used to influence decisions and outcomes (Finkelstein, 1992; Pettigrew, 1973) creating winners and losers in an atmosphere of frustration (Eisenhardt & Zbaracki, 1992; Pettigrew, 1973). Indeed, lack of power emerged as an important cause of founder exit in our exploratory interviews (see Appendix 1 for a description of these interviews), as the following quote illustrates:

> The IPO was a difficult process. You find that your shareholding is very much reduced; you no longer have power over the company; and on top, you have many people that don't understand the business, make bad decisions, and they don't even listen. And I think this was the same for a lot of people that went through an IPO and then exited.

Given that power is useful in uncertain contexts, such as those surrounding an IPO, we ask the following: how and why does founders' power influence their decision to exit from their ventures via IPO?

To address the above question, we build on theories of power (Child, 1972; Finkelstein, 1992; Finkelstein & Hambrick, 1996; Nakauchi & Wiersema, 2015) and frustration (Fox & Spector, 1999; Spector, 2002; Storms & Spector, 1987) to theorize on how founders' lack of power at the time of IPO leads them to exit their ventures (rather than continue with their ventures) and how power is more explanatory for full exits than for partial exits. To test our power model of founder exit, we constructed a novel dataset of 313 founders from the total population of 177 first-time listings of UK entrepreneurial firms on the London Stock Exchange between 2002 and 2010 and used binary and multinomial regression for the analyses. The findings from these initial analyses largely support our proposed model. Following a mixed-methods approach (Edmondson & McManus, 2007; Molina-Azorin, 2012), we also conducted two experiments. The first experiment (181 entrepreneurial decision makers) provides evidence of causality, and the second experiment (190 managers taking an

entrepreneurship course) captures frustration as the underlying mechanism in the relationship between founders' power and venture exit.

Through our theorizing and findings, we make four primary contributions to the literature on entrepreneurial exits. First, prior research on founder exit has focused on the reasons why "others" decide to replace founders from their highly (Ewens & Marx, 2017; Wasserman, 2003) and poorly (Boeker & Wiltbank, 2005; Laitinen, 1992; Wiklund, Baker, & Shepherd, 2010) performing ventures and how founders "close down" their ventures to avoid bankruptcy (DeTienne et al., 2008; Gimeno et al., 1997; Shepherd, Wiklund, & Haynie, 2009). We extend this stream of research by providing new insights into why *founders decide* to exit their high-potential ventures via IPO. Specifically, over and above the potential financial incentives for founders' to exit their firms, we explain the role that power (i.e., low power) plays in this exit decision.

Second, the extant literature has investigated founders' exit strategies (Bruce & Picard, 2006; Ryan & Power, 2012) and modes of exit (DeTienne, et al., 2015; Wennberg, Wiklund, DeTienne, & Cardon, 2010) and has explained the likelihood of exit (Cefis & Marsili, 2012; DeTienne et al., 2008; Gimeno et al., 1997). The often implicit assumption in this stream of research is that founder exit is "all or nothing": the founder either exits completely from the venture—full exit—or continues fully with his or her venture. We extend this current conversation of founder exit (or not) to highlight founders' use of managerial and financial partial exits. We provide insights into the nature of partial exits and distinguish them from full exits based on the role of founder power.

Third, prior research has highlighted a "coercive" effect of power on exit; CEOs (Allen & Panian, 1982; Boecker, 1992; Shen & Cannella, 2002) and founder-CEOs in particular (Wasserman, 2003) can lose power and consequently be forced out. We propose an alternate role of power—namely, a mechanism that involves the mediating effect of frustration in the

relationship between low power and the founders' decision to exit. We also reveal how this frustration mechanism differs for full exits vis-à-vis partial exits. Finally, by doing so, we add to the entrepreneurship literature on the role of emotions in starting (e.g., passion [Baron, 2008; Cardon et al., 2005]) and closing a venture (e.g., grief [Shepherd, 2003; Shepherd, Wiklund, & Haynie, 2009]) by highlighting the role of frustration in founders' decisions to exit their ventures.

This paper proceeds as follows: First, we introduce the IPO event, distinguish CEO dismissal from founder exit, theorize on founder exit based on low power over the venture, and distinguish full exits from partial exits based on the role of power. Second, we describe the method for Study 1, which is based on secondary data, and offer the corresponding results. Third, we detail the method for Study 2, which is based on two experiments, and present the corresponding results. Finally, we conclude with a discussion of the implications of the current study for the exit literature.

THEORY AND HYPOTHESIS DEVELOPMENT

The literature on the IPO phenomenon has largely focused on explaining the success of a venture's IPO based on, for example, the involvement of venture capitalists (Brav & Gompers, 1997; Gompers, 1996), the reputation of underwriters (Carter & Manaster, 1990; Ellis, Michaely, & O'hara, 2000), the composition of the board of directors (Certo, 2003; Filatotchev & Bishop, 2002; Kroll, Walters, & Le, 2007), and the replacement of the founder as CEO in preparation for the IPO (Jain & Tabak, 2008; Pollock, Fund, & Baker, 2009). Of particular interest to our study, replacing the founder CEO in preparation for an IPO appears to be a strategic decision forced on the founder by powerful investors who lack confidence in the founder's ability to continue to manage and grow the company (Jain & Tabak, 2008; Wasserman, 2003 and 2008).

IPO Context and CEO Dismissal

As mentioned earlier, IPOs are shrouded in uncertainty, negotiation, and political turmoil (Certo et al., 2001; Krigman et al., 1999; Pollock et al., 2008), creating a context that invites the use of power (Finkelstein, 1992; Mintzberg, 1983). Indeed, considerations of power were prominent in our exploratory interviews, specifically regarding exit. For example, one founder noted the following:

> Losing power and influence over the business is the fear that entrepreneurs have: they believe in their own decision making, rightly or wrongly, and therefore, when they lose that ability for their decision making to affect their wealth, then they would rather pack their bags and make their own decisions somewhere else.

In the context of top management, power refers to an actor's capacity to exert his or her will on organizational decisions and actions (Finkelstein, 1992; French & Raven. 1959; Hickson, Hinings, Lee, Schneck, & Pennings, 1971).[1] For instance, top managers' power has been shown to influence strategic decisions, organizational processes, and performance outcomes (Child, 1972; Eisenhardt & Bourgeois, 1988; Finkelstein, 1992; Finkelstein & Hambrick, 1996; Nakauchi & Wiersema, 2015). Power derives from a manager's formal position in the hierarchy (what is called structural power), but there are also other sources of power, such as power from ownership, expertise, and prestige (Finkelstein, 1992). The literature has informed us that even CEOs who have, by definition, high structural power are more likely to be dismissed from their ventures when they lack other forms of power to influence decisions (Allen & Panian, 1982; Boeker, 1992; Ocasio, 1994; Weisbach, 1988).

In the context of an IPO, since it creates a liquid market for a venture's stock, it creates an opportunity for founders to voluntarily exit their ventures (Poulsen & Stegemoller,

[1] In this study, we conceptualize power as an individual attribute rather than a relational concept (Fleming & Spicer, 2014). Thus, power is based on the focal actor's attributes (e.g., structural role, expertise, ownership, and prestige), which reflect the actor's perceived capacity to exert his or her will (Finkelstein, 1992), rather than power as the obverse of relational dependence in a bilateral relationship (Emerson, 1962). Therefore, our conceptualization is individual and subjective rather than dyadic and objective. We adopt this conceptualization of power because it is suitable for explaining individual-level decisions (e.g., founder exit decisions), which are affected by perceptions of power, consistent with research on CEOs and corporate governance (Cannella & Shen, 2001; Krause, Priem, & Love, 2015; Krause, Filatotchev, & Bruton, 2016; Ocasio, 1994; Zazac & Westphal, 1996).

2008; Wennberg & DeTienne, 2014). Founder exit from a venture via IPO is distinct from the phenomenon of CEO dismissal for a number of reasons. First, CEO dismissal is an involuntary exit from a role (Boeker & Karichalil, 2002), whereas founder exit via IPO is typically a voluntary decision. Since nobody can "force" founders to sell their shares, full exits and financial partial exits of founders are, by definition, voluntary acts. Managerial partial exits also happen by choice, on most occasions. While, in theory at least, a founder can be fully forced out of management, there is evidence that the majority of "replaced" founder-CEOs remain in their companies in different managerial roles (Rubenson & Gupta, 1992; Wasserman, 2003). Our exploratory interviews indicated that even "replaced" founders who leave their companies, do so after turning down offers to stay in different managerial roles. Indeed, investors prefer founders to remain involved in some managerial capacity even when removed from the helm (Wasserman, 2008). As a founder put it, "investors totally ousting a founder from the venture at IPO—not just from the CEO role—is such drastic action, sending the wrong market signals, and is, therefore, a rare event."

Founder exit is also different from CEO dismissal because, compared to hired CEOs, founders are more likely to strongly identify with and have an emotional attachment to the ventures they created (Dobrev & Barnett 2005; Fischer & Pollock, 2004; Shepherd, 2003). Finally, the impact of power on CEO dismissal has largely been considered from the perspective of investors exercising power under conditions of poor firm performance (Allen & Panian, 1982; Boeker, 1992; Kesner & Sebora, 1994; Shen & Cannella, 2002). Therefore, current arguments and findings on power and CEO dismissal are unlikely to be directly transferable to founder exit via IPO, to which we now turn.

Founder Power and Full Venture Exit via IPO

At the time of IPO, individual founders may have already given up some (or most) control over their ventures' strategic decision making (Beckman & Burton, 2008; Nelson,

2003); however, founders can still influence the direction of their ventures via soft power. Soft power is based on "subtle influence mechanisms that cause others to willingly behave in ways that benefit the focal agent," which is distinct from hard power, which is based on "coercion, direct rewards, and extensive resource deployment to force others' behaviors" (Santos & Eisenhardt, 2009: 663; Nye, 2004). The following statement from an interview with a founder indicates the influence exerted by soft power:

> My soft power comes largely from alignment, and that is in two ways: the first way, internally, the internal team works well with me. . . . The more important one has to do with the external stakeholders. So, in order to replace me, they would need to find someone that could command the same alignment. . . . Since that is not easy, I remain influential, and people listen to what I have to say.

However, not all founders can maintain this sort of soft power. When founders lack power, they likely become *frustrated* by their inability to exercise their will over their ventures (that they [co]created), which may ultimately influence their exit decisions. Frustration is a negative emotional state caused by "interference with goal attainment or goal-oriented activity" (Spector, 1978: 816). In simple terms, frustration occurs when something or someone blocks one's efforts toward a desired goal (Fox & Spector, 1999). For example, Buchholtz, Amason, and Rutherford (2005) found that when the top management team is not given sufficient discretion to make strategic decisions (i.e., they have low power), they become frustrated. Similarly, Buono, Bowditch, and Lewis (1985) found that managers of acquired firms often lose power and feel frustrated as a result. Indeed, it appears that low power has the potential to transform an individual's psychology (Keltner, Gruenfeld, & Anderson, 2003)—that is, to change the lens by which information is interpreted (Anderson & Galinsky, 2006; Fiske, 1993; Galinsky, et al., 2006; Smith & Trope, 2006). For example, individuals with low power perceive negative situations as more threatening than those with high power (Keltner et al., 2003) because they perceive a lack of control to rectify such situations (Fast, et al., 2009; Spector & Fox, 2002; White & Ruh, 1973).

In our context, low-power founders are likely to experience frustration at IPO because IPOs often involve transformational changes in ventures (Fischer & Pollock, 2004). This frustration is likely to be especially high when founders lack the power to respond to such changes (Daily & Johnson, 1997; Eisenhardt & Bourgeois, 1988) and when the changes affect objects they feel strong ownership over (Bartunek, 1993). The following quote from a founder reflects the relationship between low power (i.e., blocked influence) and frustration well:

> You get the chairman and other people in the board to say "Right, this is what we want to do now," and the business becomes different from what you first intended. For me, it was more the case of going down a particular route for the product. But I felt that the rest of the board was more interested in raising more money, bringing the product to market. . . . When you lose the liberty to drive something the biggest feeling you experience is actually frustration. Frustration!

Frustration, such as that experienced from low power, leads to three possible behavioral reactions in the organizational context (Maier, 1949; Spector, 1978). First, a somewhat common reaction to mild frustration is to find an alternative path to achieve one's original goal (Fox & Spector, 1999; Spector, 1978). Second, frustration can lead to aggression toward those obstructing the path to the actor's goal (e.g., Dollard et al., 1939; Storms & Spector, 1987). The third possible response to frustration is withdrawal from the situation (e.g., disengagement [Rothmann & Hamukang'andu, 2013], intention to quit [Spector & Michaels, 1986], and turnover [Marrow, 1972; O'Connor et al., 1984]). Withdrawal usually happens under conditions of high frustration, especially when other courses of action are inhibited and aggression is punished (Lazar et al., 2006; Spector, 1978; Storms & Spector, 1987). Indeed, because those low in power perceive change (e.g., changes from going public [Fischer & Pollock, 2004; Williams, 2013]) as threatening (Cortina & Magley, 2009; Keltner et al., 2003), they are likely to withdraw from the situation altogether (Fugate, Prussia, & Kinicki, 2012; McCrae, 1984). Therefore, founders frustrated from low power may decide to have nothing to do with their firms and may thus fully exit via IPO. As one founder put it,

> I left fully! I found that being on the stock market was an incredibly horrible experience. I wanted to leave because I thought the board was making bad decisions, and I had no confidence in my business partners, and there is no way I would have kept equity in something I had no control over and did not think it was running in ways in which I wished to run it. For me, there was only one option: take my money and go. I did not want to be involved in management after leaving. I did not want anything to do with the people on the board after I left.

Based on the above, we propose that founders' lack of power can lead to frustration and withdrawal from their ventures—namely, full exit. We offer two hypotheses regarding full exits—one about the direct relationship between power and full exit and the other on the mediating role of frustration:

> *Hypothesis 1. The lower a founder's power at IPO, the more likely he or she will fully exit from the venture via IPO vis-à-vis maintaining involvement in the venture.*
>
> *Hypothesis 2. Frustration mediates the relationship between a founder's power at IPO and his or her likelihood of fully exiting via IPO vis-à-vis maintaining involvement in the venture. That is, a founder's power at IPO is negatively related to frustration, and frustration is positively related to full exit.*

Founder Power and Partial Venture Exit via IPO

As we mentioned earlier, full exit or full continuation are not the only choices open to founders via IPO; some founders may decide to partially exit their ventures. Specifically, a founder can resign from his or her managerial position but keep ownership shares in the venture (i.e., a managerial partial exit) or can sell his or her ownership shares in the venture but retain a managerial role (i.e., a financial partial exit). While lack of power could still lead to a partial exit, we theorize that a founder's lack of power is more influential in full exits than in partial exits. Specifically, lack of power has a strong impact on complete withdrawal (Lazar et al., 2006; Marrow, 1972; O'Connor et al., 1984; Spector, 1978; Storms & Spector, 1987)—in this case, full exit—because powerful actors obstruct the individual from pursuing and achieving desired outcomes, which causes frustration and, consequently, withdrawal (Fast, et al., 2009; Spector & Fox, 2002; White & Ruh, 1973). Compared to a full exit, a partial exit represents a finer-grained course of action that founders can engage in for

multiple purposes unrelated to low power. Moreover, partial exits are not well suited for dealing with frustration from low power because frustration tends to spill over into other domains. We elaborate below.

A partial exit provides a mechanism for founders to realign their evolved roles in their ventures with their desired goals, which may be unrelated to frustration from low power. Specifically, ventures can evolve (Boeker & Wiltbank, 2005; Fisher, Kotha, & Lahiri, 2016), and so too can founders' goals (Collewaert, et al., 2016; Levesque, Shepherd, & Douglas, 2002). A partial exit can help founders realign their evolved managerial roles in their ventures with their desired managerial goals. Indeed, one founder told us, "I am a serial entrepreneur, and it is natural for me to start something new after the IPO. I love this business, but my work is done here." Another founder told us the following: "I was kind of tired of running the business, and I wanted to have more time off for other things in my life (my family, my music, etc.). On the other hand, I knew that the company could grow more. Why sell?" Such a desired change in lifestyle has little to do with frustration from low power and can be addressed through a managerial partial exit.

Founders can also choose financial partial exits to reflect the evolution of their ventures and changes in their personal goals. For example, after IPO, a venture may no longer need its founder's investment to grow further (e.g., Black & Gilson, 1998; Certo et al., 2001), and/or with increased wealth from venture success, a founder may become more risk averse (consistent with prospect theory [Tversky & Kahneman, 1981]) such that he or she financially exits the venture to re-invest this personal wealth in a more diverse set of assets. As explained by a founder who used a financial partial exit, "I enjoyed my role in the company; running R&D is an exciting and influential job. I just found a good chance to cash out my shares. There were no hard feelings when I sold." Therefore, while full exits can arise from founders' frustration due to lack of power over their ventures, partial exits represent a

more nuanced approach by founders attempting to realign either their managerial or financial roles to the current circumstances regardless of their level of power over their ventures.

Furthermore, as power in a role decreases, frustration with that role likely increases. These feelings of frustration can spill over into the individual's other roles, which makes a partial exit less effective for dealing with the low-power situation. Spillover in the organizational context highlights how an individual's perceptions, emotions, and behaviors generated by an event in one domain influence his or her perceptions, emotions, and behaviors in another domain (Judge & Illies, 2004; Kahn, et al., 1964; Rantanen, et al., 2008). For example, frustrations at work can spill over into the home, and frustrations at home can spill over into work (Bolger, et al., 1989; Judge et al., 2006). Indeed, Takeuchi, Yun, and Tesluk (2002) found that expatriates specific issues related to living conditions developed into a generalized frustration with the host country investigated, which in turn reduced their overall job satisfaction. In turn, job dissatisfaction among expatriates has been associated with withdrawal intentions, such as prematurely terminating assignments and returning home early (Parker & McEvoy, 1993; Shaffer & Harrison, 1998). Therefore, it appears that frustration in one domain at work can spill over to influence a "global attitude toward the organization"—that is, a belief that there is an unbalanced social exchange with the organization (Neves, 2012: 966). For example, an employee's negative global attitude about the organization may spill over to that employee's negative attitude about his or her supervisor (Stinglhamber & Vandenberghe, 2003; Vandenberghe, Bentein & Stinglhamber, 2004). Similarly, an employee's negative emotions at work, such as frustration, can reduce his or her affective commitment to the organization (Ng, Feldman & Lam, 2010)—namely, reduce his or her identification with the organization (O'Reilly & Chatman, 1986) such that he or she is less willing to "give energy and loyalty to the organization" (Kanter, 1968: 499).

This reduced affective commitment can lead to withdrawal in the form of absenteeism and turnover (Somers, 1995).

In our context, as the founder loses power and feels greater frustration in one domain (e.g., the founder's managerial role), that frustration is likely to spill over into other domains (e.g., the founder's ownership role). In such an instance of "spilled-over" frustration, a partial exit (e.g., a managerial partial exit) is less likely to address the founder's negative global attitude toward the venture, and as a result, the founder is more likely to turn to a full exit. In other words, a partial exit is less effective for dealing with founders' frustration from low power than a full exit.

Based on the above two lines of reasoning that (1) founders sometimes use partial exits for purposes unrelated to power and (2) founders' partial exits are not well suited for dealing with frustration from low power, we offer the following:

> *Hypothesis 3. A founder's power at IPO has a weaker association with his or her likelihood of a partial exit (managerial and financial) than a full exit from the venture via IPO.*

METHODS

Overview

To test the relationship between founder power and exit via IPO, we used a mixed-methods approach (Edmondson & McManus, 2007; Molina-Azorin, 2012). Specifically, we conducted two complementary studies: (1) an observational study with archival data from the London Stock Exchange (LSE) to test the main effects in a large sample and (2) a lab study consisting of two randomized experiments with entrepreneurial decision makers to establish causality, control for alternative explanations, and observe the mechanism for the effects (mediation). We begin with Study 1.

STUDY 1

Data and Sample

We started with an initial sample of all UK companies that listed on the main market of the LSE and the sub-market of the LSE (AIM) for smaller growing companies between 2002 and 2010, resulting in a total of 2,180 firms. Consistent with the work by Filatotchev and Bishop (2002), we excluded firms falling into the following categories: (1) cases of re-admission and those transferred from the AIM to the main market (917 firms) because these firms were not listed for the first time; (2) investment trust IPOs (462 firms) because these organizations have unique governance characteristics that make it difficult to identify the founders (Chahine, Filatotchev, & Wright, 2007); (3) IPOs representing de-mergers, equity carve-outs, reverse takeovers, or equity re-organizations (45 firms) because these do not represent entrepreneurial ventures; (4) investment and acquisition vehicles (233 firms) since the founders are typically no longer involved with these ventures; and (5) firms incorporated more than 10 years before IPO (234 firms) because we focus on entrepreneurial exits, so we wanted to ensure the firms in our sample were still in the entrepreneurial phase of their life cycle (also consistent with Carpenter, Pollock, & Leary, 2003; Eisenhardt & Schoonhoven, 1990; Talaulicar, Grundei, & Werder, 2005). Using company prospectuses, we also identified and eliminated firms that were subsidiaries (32 firms) and spinoffs (20 firms) as well as firms for which it was not possible to identify the founders (60 firms) (Jain & Kini, 1999; Kroll, Walters, & Le, 2007). This selection process resulted in a final sample of 313 founders nested in 177 entrepreneurial firms at risk of full or partial exit at the time of IPO.

Dependent Variables

We aimed to predict these founders' exits from the listed companies within 24 months after their lock-up period. Lock-ups are contractual agreements between existing shareholders and underwriters stating that the shareholders will not sell their shares for a specified period. Lock-up agreements in the United Kingdom vary between 6 and 24 months (Espenlaub, Goergen, & Khurshed, 2001). We chose 24 months after the end of the lock-up period as a

cutoff point because founders can realistically sell all their shares during this time. A longer period would make any exit distal from the IPO, which is our focal anchor event, and a shorter period could be problematic since insiders can sell their shares only to the underwriter during the first 12 months after the lock-up period.

As we discussed above, founders can exit their ventures in full or in part—managerially or financially. We operationalize a *full exit* as when a founder leaves the top management team and the board of directors and holds less than 3% ownership of the firm 24 months after the lock-up period. We used a 3% shareholding cutoff because below 3% is considered negligible by the investment community and is not reported in annual reports. We operationalize a *managerial partial exit* as when a founder leaves the top management team and the board of directors but still holds 3%, or more, ownership in the venture 24 months after the lock-up period. We operationalize a *financial partial exit* as when a founder sells all his or her shares but remains in the top management team and on the board of directors (as presented in the annual report) 24 months after the lock-up period.

Independent Variables

Finkelstein (1992) built upon earlier work on individual power (French & Raven, 1959) to offer four dimensions of managerial power: structural, ownership, expert, and prestige power (see also Bach & Smith, 2007). Following Finkelstein (1992), we set the independent variables to be proxies for the four different dimensions of power held by founders at the time of IPO. We used the ventures' IPO prospectuses to collect most of the information for coding, to which we now turn.

Structural power refers to power based on formal organizational structures and hierarchical authority (Brass, 1984; Hambrick, 1981). In the context of ventures going for IPOs, founders who have the role of CEO *or* board chair have the opportunity to steer their companies toward their visions, so they have high structural power (Finkelstein, 1992). The

CEO is the top executive responsible for the venture's strategy and direction (Boeker & Karichalil, 2002). Similarly, the chair of the board can influence the board of directors, which is the venture's ultimate decision-making body (Harrison, Torres, & Kukalis, 1988). Consistent with Wasserman (2017), we combined executive and board influence into a categorical variable to capture structural power; 0 represents founders who were neither CEO nor chairperson, 1 represents founders who were CEO *or* chair of the board at IPO but did not hold both roles together, and 2 represents founder-CEOs who also chaired the board.[2]

Ownership power derives from actors' proportional shareholding (Finkelstein, 1992). Ownership helps founders safeguard their influence in public companies; founders with relatively large shareholdings have more influence on their boards and can influence important decisions (Finkelstein, 1992). Therefore, we operationalized ownership power as a founder's ownership *relative* to the ownership of the largest shareholder at IPO (consistent with Attig, Ghoul, & Guedhami, 2009). We derived this information from the firms' IPO prospectuses (typically in the "Directors' and other interests" or "Significant shareholdings" sub-sections).

Expertise power arises from founders' ability to deal with environmental contingencies and contribute to the success of their firms (Crozier, 1964; Hambrick, 1981; Hickson et al., 1971; Mintzberg, 1983; Tushman & Romanelli, 1983). Expert founders feel more powerful (than those with less expertise) because they possess the ability to manage their "grown-up" ventures in the new post-IPO environment (Fischer & Pollock, 2004). For example, if a founder is the inventor or main developer of the primary product, he or she will enjoy special technical status in the company (Ibarra, 1993). Therefore, as the first proxy of expertise power, we

[2] As a robustness check, we tried two alternative four-category measures to capture structural power. (1) We coded founders who were neither CEO nor chairperson as 0, founders who were chairperson of the board as 1, founders who were CEO as 2, and founder-CEOs who were also the chair of their board as 3. This measure assumes that the CEO has more structural power than the chairperson. (2) We coded founders who were neither CEO nor chairperson as 0, founders who were CEO as 1, founders who were the chairperson as 2, and founder-CEOs who were also the chair of their board as 3. This measure assumes that the chairperson has more structural power than the CEO. The regression results for both these alternative measures of structural power were consistent with the reported main results for the three-category measure.

measured whether the focal founder was *the inventor or the main developer* of his or her venture's product (dummy coded 1 and 0 otherwise). Again, we found the relevant information in the IPO prospectuses (typically in the introduction, the section on R&D, or the founder's resume). Industry experience is another characteristic linked to expert power (Datta, Guthrie, & Rajagopalan, 2002; Haynes & Hillman, 2010). A founder with more industry-specific experience generally has better networks, is better equipped to steer the company through difficulties, and is more highly regarded by investors (Bach & Smith, 2007; Cooper, Gimeno-Gascon, & Woo, 1994; Goodall & Pogrebna, 2015; Pennings, Lee, & Witteloostuijn, 1998). Therefore, we included relevant *industry experience* as another proxy of expertise power, measured as the number of years the founder worked in an industry related to the focal IPO firm before founding his or her firm (Kotha, & George, 2012). We captured founders' experience using the resumes reported in the IPO prospectuses, which we corroborated using information from company websites and social media (e.g., LinkedIn). We considered a founder's experience to be relevant if he or she gained that experience in the same Industry Classification Benchmark super sector as the focal IPO venture (19 super sectors in total).

Prestige power derives from people's status, which influences others' perceptions of their importance (Dalton, Barnes, & Zaleznik, 1968; Finkelstein, 1992). Prestige enhances founders' credibility and makes them legitimate leaders of their companies (D'Aveni, 1990). Furthermore, high-prestige founders can improve their firms' market status (Chahine, et al., 2011) and therefore perceive themselves as more powerful (Finkelstein, 1992). Founders can enhance their prestige power by participating in other firms' boards of directors (Daily & Johnson, 1997), which signals that they belong to a managerial elite and offers access to contacts and valuable information (D'Aveni & Kesner, 1993; Tushman & Romanelli, 1983). Another way for entrepreneurs to acquire prestige power is to gain popularity through the media (Porter & Sallot, 2005), thus becoming figureheads for their firms (Trevino et al., 1990).

Therefore, we captured a founder's prestige power using two proxies: *number of directorships* in other firms during the five years before the IPO (consistent with Finkle, 1998; Higgins & Gulati, 2003) and *media coverage* (Nguyen, 2015). We selected a five-year window for the number of directorships because this figure is reported in IPO prospectuses and is visible to investment audiences and because prestige from a directorship is not ephemeral (compared to the number of current directorships) but has a lasting impact. We calculated media coverage as the number of news items mentioning a founder together with his or her company from company founding until the IPO. We obtained news data from the Nexis UK database, which includes coverage in national and regional newspapers. In line with prior literature (Kotha, Rajgogal, & Rindova, 2001; Milbourn, 2003), we randomly inspected approximately 10% of the total pieces of media and found that the coverage was overwhelmingly positive. We concluded that the extent of potential negative coverage was negligible, and in any case, the total media coverage, both positive and negative, increases attention and is positively related to personal reputation (Castellucci & Ertug, 2010; Kotha, Rajgogal, & Rindova, 2001; Milbourn, 2003). Therefore, we considered total media coverage as a good proxy of founders' prestige power.

Control Variables

To rule out alternative explanations for founders' exit decisions, we included several control variables. At the individual level, *founder's age* can be a determinant of exit. Compared to younger founders, older founders are closer to retirement, which might increase their likelihood of exit. Since feelings of attachment to the company may differ between men and women (Rosenstein & Horowitz, 1996), we also controlled for founders' gender, coding female 1 and male 0. Also, compared to other types of founders, serial entrepreneurs are usually more passionate about the initial founding process and are familiar with selling their firms (Cardon, Wincent, Singh, & Drnovsek, 2009). We dummy coded *serial entrepreneurs* (founders who

had exited from earlier companies) as 1 and 0 otherwise. Finally, other founders' power may decrease the focal founder's likelihood of exit if the team is united or increase the focal founder's likelihood of exit if the team is divided (Hellerstedt & Aldrich, 2008). To take into account these possibilities, we controlled for the share of *ownership of other founders* as well as *the percentage of board seats occupied by other founders* at IPO. For example, in a firm with two founders who are both members of a board with five seats, the 'percentage of board seats occupied by other founders' would be 20 (one board seat of the other-cofounder—i.e., other than the focal founder—over five board seats in total).

We also used controls at the firm level. As firms mature, founders may become less qualified to manage them, which increases the probability of founder exit (Boeker & Karichalil, 2002; Dobrev & Barnett, 2005). Therefore, we controlled for *firm age*, measured as the number of months since incorporation. The amount of money founders could gain through selling their shares could also influence founder exit, so we controlled for the *average market value of the firm* between IPO and 24 months after the lock-up period. Because firm growth might induce a founder to stay, we included *annualized turnover growth* in the three years before IPO as a control. Additionally, companies that receive more private financing before IPO often face higher pressure from their institutional investors to replace founders with a professional management team (Hellman & Puri, 2002; Wasserman, 2003). Therefore, we included the proportion of *ownership by institutional investors* as a control variable. Moreover, *board size* might influence founder exit. On the one hand, larger boards include broader expertise, which decreases the impact of individual founders and may thus facilitate exit (Boeker & Karichalil, 2002). On the other hand, larger boards with broader expertise could benefit performance, which might encourage founders to continue with their firms. We also controlled for *length of lock-up period* in months since it might influence founders' exit decisions.

Finally, we controlled for the influence of the industry and the broader economy. Compared to traditional sectors, firms in growing and fast-changing industries need to adjust their top management teams' capabilities more frequently (Virany, Tushman, & Romanelli, 1992), which might increase the possibility of founder exit after IPO. We dummy coded firms operating in *information technology* (IT) and *biotechnology* as 1 and 0 otherwise since those were rapidly growing and changing industries during the period of analysis. We also controlled for *hot period* effects regarding IPO volume. We dummy coded firms that went public during 2004 and 2005 as 1 and 0 otherwise because the IPO volume was considerably higher in those two years than in the rest of the data period (52% of the total number of IPOs between 2002 and 2010 happened in 2004 or 2005).

Method of Analysis

We first employed a binary probit model to test the relationship between founder power and full exit after IPO vis-à-vis maintaining involvement with the business (i.e., continuing or exiting partially only). We then employed multinomial logit regression to explore the factors associated with the type of founder exit. We created a fine-grained categorical dependent variable: continuation, full exit, managerial partial exit, and financial partial exit. The multinomial logit model compared the estimates for full exit, managerial partial exit, and financial partial exit vis-à-vis continuing with the business. In our sample, 75.7% of the founders were part of a founding team and therefore shared the same firm-level data with their co-founders. To ensure valid statistical inferences, we applied a robust clustered standard errors estimation process to control for possible heteroskedasticity caused by data clustered at the firm level (Kennedy, 2003).

Results

In Table 1, we observe that among the 313 founders, 40.25% of the founders exited from the business within 24 months after the lock-up period and 59.75% fully continued. Of

the exits, 61.12% of founders exited from the business totally, 25.40% left management but retained ownership, and 13.49% sold all their shares but continued to work in the company in some managerial role. We present the descriptive statistics and correlations matrix in Table 2. The average age of entrepreneurs in our dataset was 46.32 years, and only 6.71% were female. The mean ownership held by each founder was 15.62% at the time of IPO, and 40.58% of them were the largest shareholders in their firms. Also, 40.89% of founders held the position of CEO or board chair. Specifically, 92 founders (29.39%) were CEOs but not board chairs, 29 founders (9.27%) were board chairs but not CEOs, and seven founders (2.24%) held both roles. On average, founders had 13.39 years of experience in a related industry before founding their companies, 29.07% of founders were serial entrepreneurs, 13.74% of founders were the inventors or main developers of their firms' products; and the founders served on an average of 7.31 boards (other than the focal company) in the five years before IPO.

Insert Table 1 and then Table 2 about here

In Table 3, we present the descriptive statistics for different exit routes. We observe differences in the mean values of each power dimension between continuation and full exit. These differences, in most cases, are less pronounced between continuation and partial exit (managerial or financial) than between continuation and full exit. We note that 35.29% of founders who continued were CEOs at IPO compared to 22.08% of founders who had a full exit. Founders who continued held 17.93% of ownership at IPO on average compared to 10.53% for founders who had a full exit and 14.76% for founders who had a managerial partial exit. Further, 17.11% of founders who continued were the inventors or main developers of their firms' products compared to 3.90% for founders who had a full exit and 9.38% for founders who had a managerial partial exit. Founders who continued had an average of 14.58 years of experience working in a related industry compared to 10.58 years for founders who had a full

exit and 12.12 years for founders who had a financial partial exit. Founders who continued served on 8.09 boards on average during the five years before IPO, whereas founders who had a full exit served on 5.49 boards during the same period compared to 6.50 boards for founders who had a managerial exit. Finally, founders who continued were reported in the news 15.20 times on average compared to 12.00 times for founders who had a full exit.

Insert Table 3 about here

In Tables 4 and 5, we report the regression results. Model 1 in Table 4 includes the control variables, which explain 8.09% of the variance in the dependent variable—founders' full exit (vis-à-vis maintaining involvement). Turnover growth before IPO (*beta = -0.159, p =0.027*) and the average market value of the firm (*beta = -0.148, p=0.069*) are the statistically significant control variables, and both have a negative association with founders' full exit. These findings suggest that pre-IPO growth and high market value of the firm are negatively related to full exit (vis-à-vis maintaining involvement).

The inclusion of the independent variables in Model 2 increases the model's explanatory power significantly by 13.61% to 21.70% of the variance. The categorical variable for founders' CEO/board chair status has a marginally significant negative association with full exit (*beta = -0.293, p = 0.071*) and indicates that founders with greater structural power (CEOs and/or board chairs) are less likely to fully exit their ventures via IPO vis-à-vis maintaining involvement. Specifically, a one-unit increase on the structural power scale is associated with a 7.19% decrease in the likelihood of full exit. The relative proportion of the founder's ownership at IPO has a negative and significant association with full exit (*beta = -0.907, p =0.002*). Specifically, all else equal, one standard deviation more relative ownership at IPO is associated with a 8.25% lower probability that the founder will fully exit his or her venture after IPO (vis-à-vis maintaining involvement). Being the inventor or main developer of the

product (*beta = -1.402, p <0.001*) and having more industry-related experience (*beta = -0.028, p = 0.002*) have a negative and significant association with founders' full exit (vis-à-vis maintaining involvement). Specifically, on average, being the main developer/inventor is associated with a 24.33% lower probability of full exit, and an increase of one standard deviation in related industry experience is associated with a 6.83% lower probability of full exit. These results suggest that expert power is related to a lower probability that a founder will fully exit from his or her venture after IPO (vis-à-vis maintaining involvement). The model also shows a negative and significant association between the number of directorships held by a founder in other businesses within five years before IPO and the probability of full exit (*beta =-0.026, p =0.012*). Specifically, an increase of one standard deviation in directorships is associated with a 5.92% lower probability of full exit. These findings indicate that prestige power is related to a lower likelihood of full founder exit after IPO.

Overall, these results provide support for Hypothesis 1 that the lower a founder's power at IPO, the more likely he or she will fully exit from the venture via IPO vis-a-vis maintaining involvement with the venture. Specifically, except for the non-significant results for media coverage (*beta = 0.024, p = 0.758*), all the other proxies for structural, ownership, expertise, and prestige power have a significant negative association with founders' full exits from their ventures.

Insert Table 4 about here

We then employed multinomial logit regression, using the categorical outcomes of full exit, managerial partial exit, and financial partial exit as mutually exclusive dependent variables vis-à-vis continuation (see Table 5). First, we observe that the multinomial model confirms the binary regression results for full exit. The power dimensions are negatively and significantly associated with full exit compared to continuation with the venture even in the

presence of the partial exit categories, which increases our confidence in the results supporting Hypothesis 1. Regarding the control variables, we see that founders who were serial entrepreneurs (*beta = 1.345, p =0.002*) were 11.66% more likely to have a partial managerial exit than founders who were first-time entrepreneurs. Further, one extra year of founder age at IPO (*beta = 0.052, p =0.050*) equates to a 0.30% greater likelihood of partial managerial exit, and female founders (*beta = 1.320, p = 0.046*) were 16.32% more likely to have a partial managerial exit than their male counterparts. We also find that male founders (*beta = -12.459, p <0.001*) were 5.79% more likely to have a partial financial exit than female founders and that founders of firms that went public during the hot period (*beta = 1.916, p =0.014*) were 7.22% more likely to have a partial financial exit than IPO founders outside the hot period.

The dimensions for founder power generally have limited association with partial exits except for media coverage (*beta = -1.000 for news log-transformed, p =0.026*): an increase of one standard deviation in media coverage (*for news log-transformed*) decreases the likelihood of financial partial exit by 5.07%. Instead, partial exits are associated with factors related the founder (e.g., age, gender, and being a serial entrepreneur) and the financial market context (i.e., IPO during the hot period).

Insert Table 5 about here

Additionally, we measured founder power with an index, calculated by standardizing and adding our six proxy measures of power, and compared the effect size of power on different exit routes (see Tables 6 and 7). For the power-index models, we also included a variable capturing the *average market value of the founders' holding shares,* to control for the financial incentives to exit. The measure is the product of the amount of shares the focal

founder held and the average share price, between the IPO and 24 months after the lock-up period[3].

The power index has a significant negative association with full exit vis-à-vis continuation, over and above the effects of financial incentives; a one–standard deviation decrease in the power index increases the likelihood of full exit by 11.05%. Founder power also has a weaker, but still statistically significant, association with partial managerial exit vis-à-vis continuation. A one standard deviation decrease in the power index increases the likelihood of managerial partial exit by (only) 3.85%. Financial partial exit is not significantly explained by founder power.

Interestingly, regarding the financial incentives, we observed a negative relationship between the average value of founders' holding shares and the probability of exit. When the shares appreciate in value, founders might feel more confident in the long-term prospects of their firm, which would reduce their desire to exit. This empirical observation could be explained by research on the 'endowment effect', which shows that by owning an asset, the focal person begins to value that asset more, especially if the asset is expensive, and thus the person is less likely to sell the asset at its market value (Kahneman, Knetsch & Thaler, 1991; Knetsch & Sinden, 1984; Morewedge & Giblin, 2015).

Insert Tables 6, 7 & 8 about here

In Table 8, we report the contrast of margins between full exit and partial exit for all the measures of power, as well as the power index. We find significant differences in the increase of the exit probabilities between full and partial exits when power drops for the

[3] The market value of the founders' holding shares could not be used in the models with separate measures of power because of multicollinearity issues; the measure was, as expected, highly correlated with ownership power (one of the predictors) and with the average market value of the whole business (a control variable).

majority of power measures, including the power index. For example, with a one–standard deviation decrease in the power index, the probability of full exit increases by 7.45% more ($p = 0.027$) than the probability of managerial partial exit. Additionally, for a one–standard deviation decrease in the power index, the probability of full exit increases by 11.82% more ($p < 0.001$) than the probability of financial partial exit. These differences in the effect size are both meaningful and statistically significant, suggesting that power is generally a stronger predictor of founders' full exits compared to partial exits (managerial or financial). Overall, our results support Hypothesis 3.

Robustness Checks

Founder power and the control variables (e.g., firm performance) may change over time after IPO. Thus, to examine the temporal sensitivity of our hypothesized relationships, for each venture, we collected longitudinal data for our variables in six-month intervals from the end of the lock-up period until 24 months later. With the time-varying variables, we conducted a discrete-time hazard model (complementary log-log [cloglog]) (Allison, 1982) and a multinomial logit model to examine whether temporary founder power affects the hazard of imminent founder exit (within the next six months). Because of missing values in the construction of the longitudinal variables, we worked with a slightly smaller sample for these longitudinal analyses than the analyses reported above. Specifically, 303 founders were at risk of full exit at the end of the lock-up period (1,092 observations for the cloglog regression analysis). We then excluded 22 of these 303 founders who had already exited managerially by the end of the lock up period, so 281 founders were at risk of all types of exits (including managerial partial exit) for the multiple exit route estimation model (1,049 observations).

In general, the results of the longitudinal analyses provide additional support for our hypotheses (see Tables 9 and 10). Founders' time-varying structural, ownership, expert, and

prestige power measured as directorships in other business are all negatively associated with the hazard of full exit in the next six-month period. Further, media coverage of the founder has limited impact on full exit vis-à-vis maintaining involvement, which is consistent with the cross-sectional results.

Regarding partial exit, we do not observe a significant relationship between founders' temporary power and the hazard of an imminent partial exit, with two exceptions. First, there is a negative and significant association between founders' relative ownership and their hazard of partial financial exit. However, this result may be due to the difficulty of selling a large number of shares within a short period (Mikkelson & Partch, 1985). In other words, the effect could be attributed to the way the model was structured (the amount of ownership at time t could be negatively related to the probability of selling all shares within the next six months) and thus may not necessarily be a power-related effect.[4] Second, structural power is negatively associated with managerial partial exit during the following six months. Moreover, the longitudinal analyses show that partial exits are associated with founders' gender and experience as a serial entrepreneur as well as with the time of the IPO (hot period) in ways consistent with our cross-sectional results. To check the stability of our results, we also carried out a number of robustness checks with different specifications and measurements. Specifically, we ran models with the exit deadline set at 12 and 18 months after the lock-up period instead of 24 months; we ran models with founder power measured at the end of the lock-up period instead of at the time of IPO. The pattern of results in these additional analyses is consistent with the initial results, providing additional support for our findings.

Insert Table 9 & 10 about here
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[4] We note that this was the key drawback of the longitudinal models with time spells, which is why the role of these analyses in our study was to complement and reinforce—rather than replace—our main cross-sectional models with a 24-month cut-off point for exit via IPO.

STUDY 2

Despite its empirical strength, Study 1 has some inherent methodological limitations: we could not (1) control for all possible alternative explanations as we lack personal data for the founders that could affect their exit decisions (e.g., state of health and marriage status), (2) empirically establish the direction of causality, (3) exclude the possibility that managerial partial exits were involuntary, and (4) capture the underlying mechanism for the power-exit relationships (thus, we cannot support or reject Hypothesis 2). To tackle the above limitations, we complement the archival data of Study 1 with two laboratory experiments in which we randomly assigned participants to conditions of high versus low power at IPO. This method using scenario-based experiments is known as the "factorial survey approach" (Rossi & Anderson, 1982), to which we now turn.

First Experiment

The first experiment was designed to test the causality of the relationship between founder power and both full and partial exits after IPO. To increase ecological validity, we recruited 181 participants directly involved in the entrepreneurial ecosystem in London—namely, nascent entrepreneurs (75), active entrepreneurs (64), exited entrepreneurs (13), and entrepreneurship mentors (29). We recruited participants from formal programs dedicated to creating and growing start-ups (e.g., incubators and accelerators). Most of the participants were male (61.33%), the mean age was 29.13 years (S.D. = 7.09), and 42.54% of the participants had entrepreneurship experience (i.e., had started at least one venture). To avoid leading participants to conclusions, we did not brief them about the study's purpose; we simply explained to them that because of their interest in entrepreneurship, they were selected to participate in a brief experiment.

We randomly assigned participants to one of two conditions: high or low power at the time of IPO. We presented participants with a scenario (vignette) that portrayed them as a co-

founder of a venture that had just achieved an IPO and then described their respective conditions regarding power. We merged the power dimensions into a single description (the equivalent of a power index) to create the two alternative conditions (see Table 11). There is no significant difference in participants' gender, age, or prior entrepreneurial experience across the two conditions, which indicates that the random allocation of subjects to the two conditions worked well. After reading the scenario, participants indicated the likelihood that they would exit the described firm with a full exit, a managerial partial exit, and a financial partial exit using a seven-point scale (1 = very low likelihood to 7 = very high likelihood). We note that in the design of the experiment, we did not provide information about financial gains. We wanted participants to focus on the information we presented them about their power position, keeping financial gains (and other alternative predictors of exit) 'out of the picture'. Even if participants thought about potential financial gains, and/or differed in their perceptions of how much money they could make by exiting, this would unlikely influence the results because we randomly assigned participants to either the treatment or the control group. Indeed, random assignment is one of the key advantages of an experimental design, in which the researcher can focus on the treatment effect without other systematic differences between the two groups."

To test Hypotheses 1 and 3, we compared the means for the likelihood of exit for the different exit options across the two power conditions using t-statistics (see Table 11). The results show that founder power at IPO significantly and negatively affects the likelihood of full exit (*mean difference = 1.806, p < 0.001, Cohen's d effect size = 1.088*). The effect of founder power at IPO on managerial partial exit is also negative and significant (*mean difference = 0.929, p = 0.001, Cohen's d effect size = 0.519*) but significantly weaker (*by 52.30%, p < 0.001*) than the effect of power on full exit. Finally, founder power does not significantly affect partial financial exit (*mean difference = -0.228, p = 0.315, Cohen's d effect size = -0.150*) and is significantly weaker (*by 113.79%, p < 0.001*) than the effect of

power on full exit. The pattern of results in the experiment is consistent with the pattern of results from the secondary data.

Insert Table 11 about here

Second Experiment

The second experiment replicated the design of the first experiment but had the additional aim to test whether frustration mediated the relationship between power and full exit. We measured frustration with a seven-item scale selected from Spector's (1975) item list for organizational frustration. We selected items that had face validity for the current context of founders at the time of IPO: "I would find that every time I try to do something at work I run into obstacles," "I would feel thwarted in my efforts to be creative," "I would feel that I am accomplishing something worthwhile at work" (reverse coded), "I would enjoy my work" (reverse coded), "I would feel trapped in the work," "I would feel my work is not at all fulfilling," and "I would feel frustrated at work." We collected responses on a six-point scale (-3 = disagree completely to +3 = agree completely). We find the scale to be reliable with a Cronbach's alpha of 0.86. After reading the scenario of high or low power (the scenarios remained the same as in the first experiment), participants were asked to report on how they would feel about the situation using the above frustration scale. Subsequently, they indicated the likelihood that they would exit the described firm with a full exit, a managerial partial exit, and a financial partial exit using the same scales as in the previous experiment.

We recruited 190 participants enrolled in an MBA program at a London-based business school. The participants were managers taking a concentration course in entrepreneurship and were aspiring, nascent, or active entrepreneurs. Of the participants, 15.79% had previously set up at least one business, 63.16% were male, and the mean age was 30.86 years (S.D. = 7.34). We randomly assigned participants to one of the two power conditions. As shown in Table 12,

there is no significant difference in participants' gender, age, or entrepreneurial experience across the two conditions. We first used t-tests to test the relationship between power and frustration as well as the likelihood of different exit routes (see Table 12). The results show that founder power has a significant and negative impact on the likelihood of full exit (*mean difference = 1.562, p < 0.001, Cohen's d effect size = 0.945*) and a significant and negative impact on the likelihood of managerial partial exit (*mean difference = 1.083, p < 0.001, Cohen's d effect size = 0.585*). The effect of founder power on managerial partial exit is significantly weaker *(by 38.10%, p = 0.015*) than the effect of power on full exit. Power has no significant impact on the likelihood of financial partial exit (*mean difference = -0.001, p = 0.995, Cohen's d effect size = -0.001*), which is significantly weaker (*by 100.11%, p < 0.001*) than the effect of power on full exit. These results are consistent with the first experiment and with the regression analysis.

Furthermore, participants in the low-power condition at IPO reported significantly greater frustration than those in the high-power condition (*mean difference = 1.827, p < 0.001, Cohen's d effect size = 1.680*). In the bivariate correlation analysis presented in Table 13, we observe that frustration is significant and positively associated with full exit (*r = 0.49, p < 0.001*) and managerial partial exit (*r = 0.21, p = 0.003*) but is not significantly associated with financial partial exit (*r = 0.01, p = 0.842*).

Insert Tables 12 and 13 about here

We used regression analysis to test the mediation effect of frustration on the relationship between power and full exit following the three-step procedure outlined by Baron and Kenny (1986). As shown in Table 14 and consistent with previous t-tests, the low-power condition has a significant positive association with the likelihood of full exit (*beta = 1.625, p < 0.001*) and frustration (*beta = 1.846, p < 0.001)*. In addition, when frustration is included in

the full exit model, it has a significant and positive association with the likelihood of full exit (*beta = 0.462, p < 0.001*), whereas the effect of power on the likelihood of full exit is reduced (*beta = 0.773, p = 0.028*), which indicates partial mediation. We also applied a bootstrapping technique to confirm the mediating effect of frustration (Preacher & Hayes, 2004). The results also show a significant indirect effect of power on the likelihood of full exit through frustration (*beta = 0.852, p < 0.001*). These findings provide support for Hypothesis 2. We also note that the regression analyses did not indicate a significant relationship between frustration and partial exits (managerial or financial).

Insert Table 14 about here

Robustness Checks for Study 2

We note that in the experiments, we asked participants to evaluate the probability of making each one of the possible decisions rather than forcing them to choose one of the alternatives (as in the observational data). Hence, we had a slightly different operationalization of the dependent variable in Study 2 than in Study 1. To create a one-to-one comparison between the two studies, we developed a robustness check. We reconstructed the dependent variable in the experiments as a categorical variable (continuation, full exit, managerial partial exit, financial partial exit) based on the highest likelihood in the participants' answers. We used a two-step process. First, we identified a participant's highest score (capturing the likelihood of exiting) among the following alternatives: (1) full exit, (2) managerial partial exit, and (3) financial partial exit. Second, we coded the focal respondent with respect to a four-option categorical dependent variable. If the highest likelihood was 4 or larger (on a seven-point scale), then we assumed that the participant would exit via this focal route. If the highest likelihood for an option was 3 or lower, we coded the participant in the continuation category. To have a more conservative and "cleaner" coding process, we excluded participants (27 in the first

experiment and 23 in the second experiment) whose highest score appeared for more than one exit route. Analyses using this measure of exit route produced results consistent with those reported for the main analyses above.

Moreover, it is possible that frustration could predict exit only after it exceeds a certain level. To test for this possibility, we coded frustration as a binary variable in two alternative ways: a) above the mean versus below the mean and b) above 75% versus below 75%. In both these estimations with a binary (categorical) measure of frustration, we found no substantive change in the mediation analysis results.

In sum, given the experimental manipulation of founder power and the random assignment of participants to the two conditions, the two laboratory experiments provide evidence of the direction of causality and help rule out some alternative explanations. We also set founder exit as a voluntary decision in the experiments, thus overcoming the empirical limitation of the secondary data (of Study 1) that founders may not choose managerial partial exit. Moreover, the second experiment allowed us to test Hypothesis 2 regarding frustration as a mechanism underlying the relationship between power and exit.

DISCUSSION AND CONCLUSION

IPOs create a great deal of uncertainty for entrepreneurial ventures and their founding teams and are characterized by changes in ventures' control and direction (Fischer & Pollock, 2004; Pagano, Panetta, & Zingales, 1998; Pollock, Rindova, & Maggitti, 2008). IPOs represent opportunities for founders to raise funds to grow their businesses and offer them the chance to exit. Interestingly, our results show that while most founders continue to be fully involved with their firms after IPO (59.75%), a substantial proportion uses an IPO as an exit route. Of the founders in our sample, 24.60% fully exited their ventures within 24 months after the lock-up period, 10.22% exited from management but kept their shares, and 5.43% sold their shares but remained in their firms as employed managers. The main aim of our study was to theorize and

test the association of founders' power at the time of IPO with their likelihood of exiting their ventures via IPO with a full exit, a managerial partial exit, and a financial partial exit.

Consistent with our model, the results show that founders with less power at the time of IPO are more likely to fully exit via IPO than maintain involvement with their ventures. This finding is robust across models and studies, and the results hold for multiple dimensions of power—namely, structural, ownership, expertise, and prestige power. Based on our experimental design, we also find that founders' frustration mediates the relationship between founders' lack of power and the decision to fully exit from the venture. Furthermore, we find that power is more influential on full exits than partial exits, and it appears that power is more influential on managerial partial exits than on financial partial exits. Indeed, we find that founder power has a non-significant relationship with financial partial exits.

Overall, we can portray the effect of founder power on exit via IPO along a continuum. A full exit is strongly related to power, managerial partial exit has a weak association with power, and financial partial exit does not appear to be related to power. We theorized that if the focal actors lack power over their projects, they would become frustrated and disassociate from them. Thus, full exit is a vigorous response to frustration, and this response is a possible reason why full exit is strongly related to low founder power at IPO. Managerial partial exit could also be a more moderate response. Withdrawing from one's managerial role provides immediate relief from the day-to-day issues arising from low power while maintaining ownership shares still links the founder to the venture.

Although not hypothesized, we also find that founders' partial exits are associated with founder and financial factors unrelated to power. Specifically, managerial partial exits are positively related to founders' age and experience as a serial entrepreneur. These relationships suggest possible career motivations for managerial partial exits. For example, perhaps older founders are tired of running their businesses and wish to retire from management while

retaining their ownership shares. Serial entrepreneurs could choose managerial exit to allow them to redeploy their managerial attention to other new ventures. In contrast, financial partial exit is positively related to hot periods in the IPO market, which points to a financial motivation for this form of partial exit. Financial partial exits are also related to gender (males are more likely to use a financial partial exit), which could be explained by findings showing that men are more motivated to make money than women on average (Cromie, 1987).

A more detailed view of the results reveals that while, in some of the models, lack of structural power is related to managerial partial exit and ownership power is related to financial partial exit, expertise power is not significantly related to partial exit but is significantly related to full exit. Interestingly, this evidence supports our assumption that partial exits are independent choices from full exit as opposed to full exit simply being the union of managerial and financial partial exits. Future research can explore how and why different dimensions impact the type and likelihood of exit differently and in combination (e.g., interactions and configurations). Although there is more work to be done, this paper's findings provide a number of theoretical contributions, to which we now turn.

Theoretical Contributions

The above model and findings provide a number of insights into the exit literature specifically and the entrepreneurship literature more broadly. First, entrepreneurship research has largely focused on founders creating (De Carolis, Litzky, & Eddleston, 2009; Eesley, 2016; Haveman, Habinek, & Goodman, 2012; Newbert & Tornikoski, 2012) and growing their ventures (Davidsson, 1991; Delmar & Wiklund, 2008; McKelvie & Wiklund, 2010), but less scholarly attention has focused on founders exiting their ventures (DeTienne, 2010; DeTienne, et al., 2015). The little research on founder exit has focused on involuntary exit (under conditions of high performance [Wasserman, 2003] and low performance [Laitinen, 1992; Wiklund, et al., 2010]) and exit to avoid bankruptcy (Gimeno et al., 1997; Thorburn, 2000;

Wennberg et al., 2010). We extend this research to founders' voluntary exits from their ventures via IPO and, in doing so, begin to address calls for research on why founders decide to leave their successful ventures (DeTienne & Wennberg, 2016). Specifically, by explaining why founders decide to exit their high-potential ventures (i.e., those going public [Hochberg, et al., 2007; Shane & Stuart, 2002]), we gain new insights into the entrepreneurial decision-making process leading to an important action—exit—based on low founder power.

Second, whether about exit strategies (Bruce & Picard, 2006; Ryan & Power, 2012), exit modes (DeTienne, et al., 2015; Wennberg, et al., 2010) or the likelihood of exit (Cefis & Marsili, 2012; DeTienne et al., 2008; Gimeno et al., 1997), research on founder exit has largely focused on full exit as the outcome. The implicit assumption of this exit research is that founders' options are to either fully exit from or fully continue with their ventures. However, we find that exit is more nuanced than this dichotomous categorization—there are instances when founders neither fully exit nor fully continue with their ventures but rather partially exit. Founders partially exit by withdrawing managerially or financially from their ventures, and these partial exits differ from full exits in terms of the role of power: power is more influential in the latter than in the former. More research is needed to explain the antecedents and consequences of the different forms of partial exit vis-à-vis each other, full exit, and continuation.

Third, although the literature has acknowledged the role of power in exit (Jain & Tabak, 2008; Pollock et al., 2009), power has largely been explored from the decision-making perspective of stockholders who "force out" individuals from the CEO position (some of whom are also founders [Wasserman, 2003]). We explore power from a different perspective—the founder's perspective. In this study, we provide new insights into how founders' power influences their full exit via IPO. Indeed, taking the founder's perspective enables insights into the mechanisms linking power to exit. Specifically, we introduce an emotional component to

the exit decision by highlighting how founders' frustration mediates the relationship between power and exit. In doing so, we also meet calls for more entrepreneurship research to investigate the role of various emotions in the entrepreneurial decision-making process (Baron, 2008; Cardon, Foo, Shepherd, & Wiklund, 2012), to which we now turn.

Fourth, the entrepreneurship literature, in general, has begun to highlight the important role of emotions at various stages of the entrepreneurial process (Baron, 2008; Cardon et al., 2005). For example, research has highlighted the importance of passion in the creation and emergence of new organizations (Cardon et al., 2009; Uy et al., 2017), positive emotions in sustaining the effort needed to manage an entrepreneurial venture (Foo, Uy, & Baron, 2009; Gielnik, Uy, Funken, & Bischoff, 2017), and entrepreneurs' grief over the "death" of their businesses (Shepherd, 2003; Shepherd, et al., 2009). We extend this emerging stream of research by theorizing and finding that frustration is a key mechanism underlying the power-exit relationship. Future research might find that frustration is an important mediator (or moderator) of other key relationships in different stages of the entrepreneurial process. For example, perhaps frustration is an important mechanism explaining the breakdown of social relationships critical to the success of entrepreneurial teams, the success of acquisitions and mergers as part of growth strategies, and customers as sources of innovation. With a better understanding of frustration, entrepreneurs are likely to be better positioned to avoid, manage, or regulate this emotion when making decisions about exiting their ventures.

Finally, our theorizing and findings on frustration also contribute to power theory (Finkelstein, 1992; Finkelstein & Hambrick, 1996; Nakauchi & Wiersema, 2015) by changing the way we think about the mechanisms by which managerial power impacts exit. The exit literature on power has argued that managers' lack of power leads to involuntary dismissal via a coercive mechanism—that is, managers are forced out of their jobs by powerful stakeholders (Allen & Panian, 1982; Boeker, 1992; Ocasio, 1994; Weisbach, 1988). In this study we

highlight an alternative emotional mechanism (i.e., frustration) to explain how power influences managers' (in our context, founders') *decision* to exit from their high-potential ventures. Also, we put forward the novel thesis that this frustration mechanism is stronger for full exits than for partial exits. The reported weak or non-significant effects of power on partial exits are an integral part of our theoretical contribution because they demonstrate the boundary conditions of the frustration mechanism. The latter is emotional, and we show that while it applies for full exits (a vigorous withdrawal response to frustration), it is less relevant for partial exits, which, because of their nature (the founder keeps an association with the venture), are less emotional decisions (at least in terms of frustration).

Practical Implications

We echo Wasserman's (2008) message that founders face a "rich versus king" dilemma. If staying in the business and remaining influential (i.e., being the king) is a personal goal for the founder, then reducing power to obtain investment is likely to be a poor decision. Our results show that given the founder's goals, reduced power would cause frustration to lead to exit. In contrast, those founders who accept that their main goal is to become wealthy might be more prepared to share power with investors without becoming so frustrated and could exit the business consciously (often partially) to improve venture performance (Wasserman, 2017) or achieve other life goals. The main message from our results for entrepreneurs is that if they clarify their goals and recognize the implications of their strategies, they can better manage their emotions and make sound exit decisions.

Moreover, our findings have implications for investors, who need to realize that reducing the power of founders may cause frustration and lead them to fully exit their firms. When the founder's invovlement is no longer needed for venture success, full exit might be a good outcome for investors. However, if some founder involvement is beneficial to the firm, then investors could work with the founder to help find a suitable partial exit. Indeed, the effect

of the exact role played by founders after partial exits on future venture performance is an important area for further research. For example, what are the implications when a founder who engages in a managerial partial exit still exerts influence on board decisions via large ownership?

Limitations and Future Research

This paper advances knowledge on the relationship between power and exit but has certain limitations. In our first study, as in other studies using secondary sources of data to investigate exit, it is difficult to pinpoint the exact mechanisms underlying founder exit. For example, we cannot distinguish between cases of founders whose decision to exit influenced their structural power at IPO from cases of founders whose structural power at IPO influenced their subsequent exit decision. In our defense, the power dimensions, apart from structural power, could be considered exogenous to the IPO event: founder ownership is mostly determined by valuations, while expertise and prestige are built over the long term and are not necessarily related to the IPO event. Our experiments (Study 2) were a major empirical step toward resolving issues of causality, thus complementing our findings from Study 1. Also, we focused only on IPOs on the LSE and are conscious that generalizing our results to different geographies and IPO markets requires replications and perhaps theoretical extensions. Additionally, although we investigated power through its dimensions and as an index, we find that founder power is not a monolith (e.g., technical expertise power is negatively associated with ownership and prestige power). Future research can explore the inter-relationship of the power dimensions (including their configurations) and their relationships to both founder frustration and exit. Finally, in this study, we did not consider how financial gain might tie into frustration. Founders may be more or less willing to deal with frustration if they stand to gain a substantial amount by exiting or staying at their company. Future research could provide a

more thorough consideration of how financial upside or gain might interact with frustration to drive founder exit.

Conclusion

In this paper, we set out to understand why and how founders' power impacts their decisions to exit their ventures via IPO. We learned that low founder power likely leads to a full exit and that this relationship is mediated by frustration. This power-frustration-exit relationship contributes to our understanding of (1) entrepreneurial exit by extending knnowledge of why founders leave their high-potential ventures (i.e., those going public), (2) power and leader succession by taking the perspective of the founder and his or her reasons for exit, and (3) entrepreneurial decision making by introducing the mediating role of founder frustration (an important emotion) in the power-exit relationship. We hope that these new insights trigger additional research to further advance our understanding of founder exit.

Appendix: A Brief Description of the Exploratory Interviews

We conducted nine qualitative interviews with founders in 2016 and 2017—seven men and two women. Seven individuals had exited and two had continued with their firms. Our aim was to understand why founders exit via IPO and, more specifically, to explore whether and how lack of power leads to exit. The interviews were semi-structured and lasted 60–90 minutes. In general, we asked interviewees to recall and reflect on why they exited (or not), to explain their thinking process and the practicalities of the exit (or continuation) decision, and to describe how they felt before and after the decision to exit (or continue).

The interviews revealed a frustration-based mechanism for the relationship between lack power and full exit. We used this insight and tested the frustration mechanism with an experimental design. We do not claim that the interviews followed a formal qualitative methodology. The "sample" was based on convenience; we first managed to convince four IPO founders in our list to talk to us and then used their contacts to snowball to other founders that became available.

We use anecdotal quotes from the exploratory interviews to bring life to our theoretical claims. The technique was used in other papers (see Pontikes & Barnett, 2017; Wasserman, 2003). The interviews offer complementary material to our theoretical arguments and also provide some evidence of the practical importance of the topic. The cases are briefly presented in the table below:

Case number (name)	Industry of the Venture	Founder's Role at the Time of Exit Decision	Decision/Type of Exit	Founder's Role Subsequent to Exit Decision
1	Pharmaceuticals	CEO	Managerial exit	Set up new startup
2	Chemicals	CTO	Full exit	Set up new startup
3	Energy	CTO	Financial exit	CTO
4	Media	CEO	Full exit	Set up new startup
5	IT/Digital media	CEO	Continued	CEO
6	Media	CEO	Managerial exit	Spend more time with family
7	IT	CEO	Full exit	Angel investor
8	Media	CEO	Full exit	Angel investor
9	Manufacturing	CEO	Continued	CEO

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Table 1. Entrepreneurial Exit Routes after IPO (N = 313)

Selling Out Shares / Leaving TMT	*No*	*Yes*
No	Continuation (59.75%)	Partial financial exit (5.43%)
Yes	Partial managerial exit (10.22%)	Full exit (24.60%)

Table 2. Descriptive Statistics and Correlation Matrix

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1	Founder fully exits the business	0.25	0.43																					
2	Founder financially exits the business	0.05	0.23	-0.14*																				
3	Founder managerially exits the business	0.10	0.30	-0.19***	-0.08																			
4	CEO/chairperson status	0.43	0.54	-0.10+	-0.02	-0.07																		
5	Ownership relative to the largest shareholder	0.64	0.37	-0.15**	-0.04	-0.02	0.20***																	
6	Inventor/main product developer	0.14	0.34	-0.16**	0.11*	-0.04	-0.11*	-0.16**																
7	Experience in related industries	13.39	9.83	-0.16**	-0.03	0.02	0.04	-0.09	0.10+															
8	Directorships in other businesses	7.31	9.39	-0.11*	0.03	-0.03	0.19***	0.16**	-0.22***	-0.05														
9	News mentioned the founder before IPO[a]	1.44	1.21	-0.07	-0.12*	-0.03	0.21***	0.02	0.03	-0.05	0.04													
10	Serial entrepreneur	0.29	0.45	-0.01	-0.03	0.16**	0.14**	0.13*	-0.07	0.01	0.17**	0.00												
11	Founder's age	46.32	8.66	0.08	-0.11*	0.07	0.03	-0.15**	0.11*	0.30***	0.07	0.03	0.08											
12	Female entrepreneur	0.07	0.25	-0.03	-0.06	0.12*	-0.09+	0.04	0.08	-0.02	-0.01	0.02	-0.06	0.01										
13	Board size	5.80	1.60	-0.12*	-0.09+	0.12*	-0.09	-0.15**	0.02	-0.01	0.02	0.20***	-0.06	0.08	0.04									
14	Board seats by other founders (%)	0.36	0.17	-0.03	-0.06	0.04	-0.12*	0.01	-0.16**	0.00	0.09	-0.01	-0.07	0.00	0.00	-0.14*								
15	Ownership holdings by other founders	0.14	0.14	-0.11*	-0.07	0.08	-0.24***	0.14**	-0.13*	-0.06	0.04	-0.05	-0.02	-0.02	0.08	0.14**	0.55***							
16	Ownership holdings by institutional investors	0.23	0.22	0.04	-0.05	-0.09+	-0.07	-0.62***	0.28***	0.13*	-0.16**	0.07	-0.12*	0.15**	-0.05	0.15**	-0.20***	-0.37***						
17	Average market value of the business[a]	2.87	1.35	-0.15**	-0.03	0.05	0.02	-0.26***	-0.01	0.14*	-0.01	0.22***	0.00	0.13*	-0.01	0.39***	0.05	0.08	0.26***					
18	Business turnover growth before IPO	2.94	17.46	-0.08	-0.03	0.00	0.03	0.08	-0.01	-0.04	-0.01	0.00	0.02	-0.08	0.01	-0.05	-0.05	-0.01	-0.04	-0.03				
19	Firm age (month)	56.08	32.38	-0.05	-0.01	-0.03	-0.00	0.08	-0.08	0.13*	-0.06	0.23***	-0.12*	0.04	0.00	0.11+	-0.18**	-0.09	-0.02	0.12*	-0.01			
20	Hi-tech firm	0.20	0.40	0.04	0.05	0.01	-0.05	-0.13*	0.19***	0.10+	-0.06	-0.07	0.04	0.06	0.05	0.02	-0.19***	-0.21***	0.18***	-0.06	-0.04	-0.03		
21	IPO in the hot period	0.52	0.50	0.03	0.15**	-0.06	-0.04	0.02	0.09	-0.01	-0.05	0.11*	-0.06	0.03	0.08	-0.10+	0.03	0.03	-0.07	-0.04	-0.07	0.13*	0.11+	
22	Length of lock-up period	13.09	3.69	−0.00	0.07	-0.09+	0.02	0.07	0.18**	-0.05	-0.07	0.14**	-0.04	0.04	0.05	-0.06	0.04	0.04	-0.01	-0.04	-0.03	-0.06	0.08	0.16**

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 3. Descriptive Statistics for Different Exit Routes

	Continuation	*Full Exit*	*Partial Managerial Exit*	*Partial Financial Exit*
Structural power: Founder is the CEO	35.29%	22.08%	18.75%	17.65%
Structural power: Founder is the chairman of the board	9.09%	9.09%	12.5%	5.88%
Structural power: Founder holds a combination title of CEO and chairman of the board	2.14%	1.30%	0	11.76%
Founder's ownership proportion	17.93%	10.53%	14.76%	14.82%
Ownership power: Founder's ownership relative to the ownership of the largest shareholder	68.35%	53.91%	66.61%	57.55%
Expertise power: Founder is the inventor or main developer	17.11%	3.90%	9.38%	29.41%
Expertise power: Founder's experience in related industries	14.58	10.58	13.84	12.12
Prestige power: Founder's directorships in other businesses	8.09	5.49	6.50	8.53
Prestige power: News mentioning the founder before IPO	15.20	12.00	8.41	5.24
Serial entrepreneur	26.20%	28.57%	50.00%	23.53%
Founder's age	45.84	47.60	48.13	42.29
IPO in the hot period	49.73%	54.55%	43.75%	82.35%

Table 4. Association of Founder Power at IPO with Full Exit

Variables	Full Exit from the Business within 24 Months after the Lock-Up Period	
Serial entrepreneur	-0.041	0.044
	(0.191)	(0.201)
Founder's age	0.016	0.027*
	(0.010)	(0.012)
Female entrepreneur	-0.233	-0.212
	(0.320)	(0.324)
Board size	-0.071	-0.108
	(0.069)	(0.077)
Board seats by other founders (%)	-0.253	-0.575
	(0.729)	(0.766)
Ownership holdings by other founders	-0.408	-1.069
	(0.856)	(1.007)
Ownership holdings by institutional investors	0.244	-0.311
	(0.488)	(0.580)
Average market value of the business[a]	-0.148+	-0.178*
	(0.081)	(0.075)
Turnover growth within three years before IPO	-0.159*	-0.142+
	(0.072)	(0.075)
Firm age	-0.001	-0.001
	(0.003)	(0.003)
Hi-tech firm	0.110	0.182
	(0.259)	(0.275)
Length of lock-up period	-0.010	0.012
	(0.025)	(0.024)
IPO in the hot period	0.041	0.038
	(0.191)	(0.200)
Structural power: Founder's CEO/chairman status		-0.293+
		(0.162)
Ownership power: Founder's ownership relative to the largest shareholder		-0.907**
		(0.295)
Expertise power: Founder is the inventor or main developer		-1.402***
		(0.382)
Expertise power: Founder's experience in related industry		-0.028**
		(0.009)
Prestige power: Founder's directorships in other businesses		-0.026**
		(0.010)
Prestige power: News mentioning the founder before IPO[a]		0.024
		(0.078)
Constant	-0.231	0.860
	(0.677)	(0.774)
Pseudo R-squared	0.081	0.217
Observation	313	313

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 5. Multinomial Regression on Entrepreneurial Exit

Variables	Full Exit	Partial Managerial Exit	Partial Financial Exit
Structural power: Founder's CEO/chairperson status	-0.558^{+}	-0.635	-0.203
	(0.304)	(0.484)	(0.478)
Ownership power: Founder's ownership relative to the largest shareholder	-1.694**	-1.010	-0.895
	(0.569)	(0.820)	(0.824)
Expertise power: Founder is the inventor or main developer	-2.649**	-0.764	0.751
	(0.921)	(0.886)	(0.766)
Expertise power: Founder's experience in related industry	-0.056***	-0.022	-0.031
	(0.016)	(0.024)	(0.032)
Prestige power: Founder's directorships in other businesses	-0.049**	-0.038	0.038
	(0.019)	(0.026)	(0.027)
Prestige power: News mentioning the founder before IPO[a]	-0.023	-0.083	-1.000*
	(0.143)	(0.188)	(0.450)
Serial entrepreneur	0.319	1.345**	0.032
	(0.368)	(0.438)	(0.693)
Founder's age	0.056*	0.052*	-0.059
	(0.023)	(0.026)	(0.054)
Female entrepreneur	-0.142	1.320*	-12.459***
	(0.596)	(0.660)	(0.620)
Board size	-0.151	0.246^{+}	-0.583*
	(0.143)	(0.150)	(0.266)
Board seats by other founders (%)	-0.611	1.265	-3.079
	(1.335)	(1.438)	(2.075)
Ownership holdings by other founders	-2.537	-1.983	-1.062
	(1.822)	(2.178)	(2.440)
Ownership holdings by institutional investors	-1.040	-3.291*	0.445
	(1.182)	(1.559)	(1.562)
Average market value of the business[a]	-0.312*	-0.000	0.304
	(0.132)	(0.179)	(0.214)
Business turnover growth within three years before IPO	-0.292^{+}	-0.015	-0.127
	(0.153)	(0.016)	(0.162)
Firm age	0.002	-0.003	-0.004
	(0.006)	(0.008)	(0.008)
Hi-tech firm	0.486	0.460	-0.133
	(0.520)	(0.636)	(0.902)
Length of lock-up period	0.020	-0.106	0.052
	(0.041)	(0.093)	(0.085)
IPO in the hot period	0.152	-0.164	1.916**
	(0.376)	(0.457)	(0.781)
Constant	1.443	-2.573	3.707^{+}
	(1.508)	(1.974)	(1.942)
Pseudo R^2			0.224
Observation	313		

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 6. The Relationship between Founder Power Index and Full Exit

Variables	Fully exit from the business
Founder's power index	-0.188***
	(0.034)
Serial entrepreneur	0.102
	(0.206)
Age of founder	0.021*
	(0.010)
Female entrepreneur	-0.291
	(0.320)
Size of the board	-0.088
	(0.067)
Board seats by other founders (%)	-0.207
	(0.705)
Ownerships holding by other founders	-1.265
	(0.879)
Ownership holding by institutional investors	-0.514
	(0.562)
Average market value of founder holding shares [a]	-0.070+
	(0.040)
Total assets of business [a]	-0.053
	(0.054)
Turnover growth within 3 years before IPO	-0.134*
	(0.065)
Firm age	-0.001
	(0.004)
Hi-tech firm	0.034
	(0.277)
Length of lock-up period	0.011
	(0.025)
IPO in a hot period	0.029
	(0.197)
Constant	0.751
	(1.060)
Pseudo R-squared	0.188
Observations	313

[a] In log form + p < .10, * p < .05, ** p < .01, *** p < .001

Table 7. The Relationships between Founder Power Index at IPO and Multiple Exit Routes

Variables	Full Exit	Partially Managerial Exit	Partially Financial Exit
Founder's power index	-0.351***	-0.283**	-0.083
	(0.068)	(0.111)	(0.135)
Serial entrepreneur	0.485	1.272**	0.142
	(0.370)	(0.449)	(0.617)
Age of founder	0.036+	0.054+	-0.059
	(0.019)	(0.029)	(0.050)
Female entrepreneur	-0.322	1.321+	-13.612***
	(0.613)	(0.700)	(1.563)
Size of the board	-0.107	0.257*	-0.263
	(0.121)	(0.129)	(0.291)
Board seats by other founders (%)	-0.151	1.746	-0.581
	(1.216)	(1.343)	(1.913)
Ownerships holding by other founders	-2.390+	-2.336	-2.118
	(1.528)	(2.088)	(3.100)
Ownership holding by institutional investors	-1.338	-2.958+	0.938
	(1.132)	(1.693)	(1.520)
Average market value of founder holding shares [a]	-0.263*	0.050	-0.399**
	(0.087)	(0.172)	(0.133)
Total assets of business [a]	-0.100	0.050	0.003
	(0.095)	(0.145)	(0.177)
Turnover growth within 3 years before IPO	-0.261*	-0.015	-0.117
	(0.134)	(0.016)	(0.230)
Firm age	-0.002	-0.002	-0.003
	(0.007)	(0.007)	(0.009)
Hi-tech firm	0.110	0.485	0.345
	(0.521)	(0.620)	(0.739)
Length of lock-up period	0.015	-0.092	0.080
	(0.043)	(0.082)	(0.093)
IPO in a hot period	0.191	-0.088	1.394+
	(0.372)	(0.474)	(0.803)
Constant	3.417	-6.371*	6.062+
	(2.214)	(2.889)	(3.198)
Pseudo R^2			0.211
Observation	313		

[a] in log form, + p < .10, * p < .05, ** p < .01, ***p<.001

Table 8. Margin Effect Comparison of Founder Power on Different Exit Routes

	Decrease in Power by	Full Exit	Managerial Exit	Financial Exit	Full Exit vs. Managerial Exit	Full Exit vs. Financial Exit
Structural power: Founder CEO/ chairperson	1 unit in the scale	6.20%	3.79%	0.08%	2.41%	6.13%
Ownership power: Founder's ownership relative to the largest shareholder	1 standard deviation	7.62%	1.50%	0.61%	6.12% +	7.02% *
Expertise power: Founder inventor/ main developer	1 unit in the scale	24.69%	2.49%	-7.12%	22.20% **	31.81% ***
Expertise power: Founder's experience in related industries	1 standard deviation	6.88%	0.39%	0.59%	6.49% *	6.29% **
Prestige power: Founder's directorships in other businesses	1 standard deviation	6.10%	1.88%	-2.16%	4.23%	8.26% **
Prestige power: News mentioning the founder[a]	1 standard deviation	-1.20%	0.45%	5.07%	-1.65%	-6.27%+
Power Index	1 standard deviation	11.05%	3.85%	-0.77%	7.45% *	11.82% ***

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 9. Association of Founder Power after the Lock-Up Period with Full Exit

Variables	Full Exit from the Business after the Lock-Up Period
Structural power: Founder's CEO/chairperson status	-1.241***
	(0.357)
Ownership power: Founder's ownership relative to the largest shareholder	-1.996***
	(0.438)
Expertise power: Founder is the inventor or main developer	-1.585**
	(0.601)
Expertise power: Founder's experience in related industries	-0.036**
	(0.014)
Prestige power: Founder's directorships in other businesses	-0.022^{+}
	(0.013)
Prestige power: News mentioning the founder before IPO[a]	0.189
	(0.143)
Serial entrepreneur	0.362
	(0.304)
Founder's age	0.037*
	(0.018)
Female entrepreneur	0.352
	(0.370)
Ownership holdings by institutional investors	-0.554
	(0.679)
Total assets of the business[a]	-0.342***
	(0.095)
Business turnover growth	-0.066
	(0.073)
IPO in the hot period	0.162
	(0.275)
Constant	2.354
	(1.443)
Log-likelihood	-195.393
Observations	1092

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 10. Multinomial Regression on Entrepreneurial Exit (after the Lock-Up Period)

Variables	Full Exit	Partial Managerial Exit	Partial Financial Exit
Structural Power: Founder's CEO/chairperson status	-1.379***	-1.606***	-0.006
	(0.377)	(0.423)	(0.438)
Ownership power: Founder's ownership relative to the largest shareholder	-2.325***	-0.124	-10.152***
	(0.576)	(0.692)	(3.196)
Expertise power: Founder is the inventor or main developer	-1.958**	0.190	-0.124
	(0.698)	(0.542)	(0.650)
Expertise power: Founder's experience in related industries	-0.045**	0.001	0.005
	(0.017)	(0.022)	(0.028)
Prestige power: Founder's directorships in other businesses	-0.028+	-0.006	-0.009
	(0.015)	(0.018)	(0.034)
Prestige power: News mentioning the founder[a]	0.121	-0.136	0.038
	(0.160)	(0.175)	(0.221)
Serial entrepreneur	0.658+	1.191**	1.228*
	(0.368)	(0.405)	(0.570)
Founder's age	0.056**	0.036	0.013
	(0.022)	(0.025)	(0.032)
Female entrepreneur	0.128	0.471	-12.462***
	(0.498)	(0.563)	(0.775)
Ownership holding by institutional investors	0.321	0.619	-1.570
	(0.878)	(1.067)	(1.033)
Total assets of the business[a]	-0.388***	0.093	-0.314+
	(0.112)	(0.118)	(0.177)
Business turnover growth	-0.081	0.004	-0.052
	(0.088)	(0.054)	(0.051)
IPO in the hot period	0.232	-0.179	1.265*
	(0.321)	(0.384)	(0.518)
Constant	2.791	-5.248*	3.648
	(1.763)	(2.286)	(3.006)
Pseudo R2			0.231
Observations	1049		

[a] In log form, + p < .10, * p < .05, ** p < .01, *** p < .001

Table 11. Scenarios and Results (T-Test) for the First Experiment

High-Power Scenario	Low-Power Scenario
You are the cofounder of an entrepreneurial venture. After five years of hard work, you have just completed an initial public offering (IPO). You feel that despite the turmoil of the IPO process, you ended up with a position of power in the firm. You are the CEO and a member of the board of directors, you own a substantial proportion of the equity, and your technical and managerial expertise is needed for the company to progress. You are also a high-profile founder sitting on the board of other firms and often appearing in the media.	You are the cofounder of an entrepreneurial venture. After five years of hard work, you have just completed an initial public offering (IPO). You feel that in the turmoil of the IPO process, you ended up with a low-power position in the firm. You are not the CEO or the chairperson of the board, you own a relatively small proportion of the equity, and your technical and managerial expertise is not enough anymore for the company to progress. You are also a low-profile founder with few external board seats or appearances in the media.

Condition	N	Full Exit	Partial Managerial Exit	Partial Financial Exit
Low power at IPO	88	4.386	4.67	2.159
(S.D.)		(1.790)	(1.747)	(1.294)
High power at IPO	93	2.581	3.742	2.387
(S.D.)		(1.527)	(1.829)	(1.707)
Difference		1.806***	0.929***	-0.228
(t-statistics)		(7.313)	(3.489)	(-1.008)

* p < .05, ** p < .01, ***p < .001

T-Test for Control Variables

Condition	N	Age	Female	Experienced Entrepreneur
Low power at IPO	88	29.193	0.420	0.398
(S.D.)		(7.144)	(0.496)	(0.492)
High power at IPO	93	29.065	0.355	0.452
(S.D.)		(7.074)	(0.481)	(0.500)
Difference		0.129	0.066	-0.054
(t-statistics)		(0.122)	(0.903)	(-0.730)

* p < .05, ** p < .01, ***p < .001

Table 12. T-Tests for the Second Experiment

Condition		Frustration	Full Exit	Partial Managerial Exit	Partial Financial Exit
Low power at IPO	87	0.823	4.494	4.597	2.241
(S.D.)		(1.145)	(1.649)	(1.985)	(1.414)
High power at IPO	103	-1.004	2.932	3.515	2.243
(S.D.)		(1.037)	(1.658)	(1.731)	(1.382)
Difference	190	1.827***	1.562***	1.083***	-0.001
(t-statistics)		(11.534)	(6.487)	(4.017)	(-0.007)

T-test for Control Variables

Condition		Age	Female	Experienced Entrepreneur
Low power at IPO	87	30.310	0.333	0.195
(S.D.)		(6.503)	(0.474)	(0.399)
High power at IPO	103	31.320	0.398	0.126
(S.D.)		(7.978)	(0.492)	(0.334)
Difference	190	1.010	0.065	-0.069
(t-statistics)		(0.945)	(0.919)	(-1.302)

* p < .05, ** p < .01, *** p < .001

Table 13. Descriptive Statistics and Correlation Matrix for the Second Experiment

	Variables	Mean	S.D.	1	2	3	4	5	6	7
1	Full exit	3.65	1.82							
2	Partial managerial exit	4.01	1.92	0.23***						
3	Partial financial exit	2.24	1.39	0.08	-0.06					
4	Low-power condition	0.46	0.50	0.43***	0.28***	-0.00				
5	Frustration	-0.17	1.42	0.49***	0.21**	0.01	0.64***			
6	Age	30.86	7.34	0.12+	-0.08	-0.02	-0.07	0.01		
7	Female	0.37	0.48	-0.03	0.09	0.17*	-0.07	0.07	-0.26***	
8	Experienced entrepreneur	0.16	0.37	0.04	0.04	0.02	0.09	0.16*	0.14+	-0.00

+ p < .10, * p < .05, ** p < .01, *** p < .001

Table 14. Mediation Analysis for the Effect of Frustration

Variable	Frustration	Full Exit		Partial Managerial Exit		Partial Financial Exit	
Age	0.016	0.041*	0.034^{+}	-0.010	-0.011	0.004	0.005
	(0.012)	(0.021)	(0.019)	(0.020)	(0.021)	(0.016)	(0.016)
Female	0.409*	0.179	-0.010	0.381	0.361	0.496*	0.502*
	(0.167)	(0.257)	(0.254)	(0.301)	(0.318)	(0.211)	(0.212)
Entrepreneurial experience	0.346	-0.143	-0.303	0.073	0.056	0.054	0.058
	(0.238)	(0.339)	(0.309)	(0.343)	(0.344)	(0.268)	(0.267)
Low power at IPO	1.846***	1.625***	0.773*	1.093***	1.003**	0.031	0.058
	(0.160)	(0.242)	(0.348)	(0.280)	(0.354)	(0.205)	(0.250)
Mediator							
Frustration			0.462***		0.049		-0.014
			(0.118)		(0.128)		(0.085)
C	-1.716***	1.589*	2.381***	3.667***	3.750***	1.901***	1.877***
	(0.402)	(0.688)	(0.674)	(0.687)	(0.742)	(0.516)	(0.539)
R-squared	0.445	0.208	0.279	0.092	0.092	0.028	0.028
N	190						

* p < .05, ** p < .01, *** p < .001