SUMMARY

ONCE AN INNOVATOR, ALWAYS AN INNOVATOR? FOUNDER-CEO EFFECTS ON INNOVATION IN DIFFERENT STAGES OF THE LIFECYCLE

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Principal Topic

Scholars suggest that entrepreneurs are major sources of innovation (e.g., Drucker, 2002; Schumpeter, 1934) implying that the innovations are brought forward by entrepreneurs in startups and young ventures rather than large, established firms. However, there is limited knowledge on how entrepreneurs and the firms they found continue to innovate over time beyond their initial market offering (McKelvie et al., 2018). In this paper, we examine whether and when having the entrepreneurs in firms as founder-CEOs affect firm innovations over time, such as during their startup, growth and establishment stage, as compared to having professional CEOs. In doing so, we draw upon the upper echelons, organizational life-cycle, and corporate governance literatures and suggest that founder-CEOs produce more innovations than their professional counterparts in startup and establishment stages, but not in the growth stage. Moreover, how the top management and board of directors are composed moderate these relationships.

Method

We track 736 high-tech companies (Webb et al., 2018) that underwent an IPO during the period of 2000 to 2017 from their founding to two years post-IPO. We combined archival data with government data (e.g., USPTO) and Internet scraping from websites such as LinkedIn, TechCrunch and AngelList. We therefore have time stamped data at the firm-, CEO-, TMT-, board-, industry-, product-level and patent-level. We develop patterned and sequenced analysis of the timing of changes throughout the lifecycle of the ventures (startup stage-firm initiation until first major capital injection, growth stage-first major capital injection until IPO, and established stage-post IPO) within and across the companies over time.

Results and Implications

In our preliminary analyses, we find that having a founder-CEOs tends to produce greater innovation during the startup and establishment stages and less in the growth stage. In other words, during the growth stage, having professional CEOs yields greater innovation. However, if founders remain as CEO post IPO, their presence boosts innovation. Our analyses suggest some boundary conditions such as TMT compositions, governance structure, and share ownership that mitigate or amplify these relationships. Our findings have implications for a number of streams of work including literatures on founder-CEOs, innovations, upper echelon and corporate governance.

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