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# Financial wealth, socioemotional wealth, and founder exits: an empirical examination of Chinese IPOs

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## ABSTRACT



Initial public offerings (IPOs) are typically viewed as the peak of entrepreneurial success, providing founder-CEOs a chance to profitably exit. Founder-CEOs, however, are often motivated by non-financial considerations in addition to the desire to amass wealth. According to the behavioral agency model, the founder-CEOs' framing of gains vs. losses of their wealth creation at IPO determines their risk aversion vs. risk taking behaviors. In addition, the behavioral agency model argues that founder-CEOs with a great deal of socioemotional wealth fear losing that wealth. This fear will attenuate their aversion to losing financial wealth. To test our model, we collected a sample of 130 entrepreneurial IPOs from 2004 to 2009 in China whose founder-CEOs left the firm after it went public. The results confirm a U-shaped relationship between the founder-CEOs' financial wealth and their exit speed after the IPO. A high level of socioemotional wealth, exemplified by the CEOs' tenure, a higher ratio of insiders on the board, and the age of the stock market, negatively moderates the effect of financial wealth. We contribute to the literature by providing empirical support for the behavioral agency model and founder-CEO exits in China by examining both financial and socioemotional wealth.

## KEYWORD0053

Behavioural agency model; China; founder exit; IPO; socioemotional wealth

## Introduction

Initial public offerings (IPOs) are considered the pinnacle of entrepreneurial success, allowing shareholders and founder-entrepreneurs to exit from the venture profitably (Souitaris et al. 2020). For founders it offers the ability and resources to realize their own financial goals after their companies go public<sup>1</sup> (Cumming, Walz, and Werth 2016; DeTienne 2010; DeTienne and Cardon 2012; Wennberg et al. 2010). There has been a considerable effort to understand why founders are forced to leave when their ventures are performing poorly (Wiklund, Baker, and Shepherd 2010) as well as why founders choose to do so to avoid further losses (DeTienne, Shepherd, and De Castro 2008). However, there has been less research on why founders would make such intentional exit decisions at the height of entrepreneurial success (DeTienne 2010; DeTienne and Cardon 2012; Ferreira, Fernandes, and Kraus 2019; Guenther, Oertel, and Walgenbach 2016). Researchers have called for more studies to 'pay attention to the factors contributing to their choice of exit route' (Wennberg et al. 2010, 361). Jain and Tabak (2008) also suggested that, 'An interesting area of future research is to study the extent and causes of CEO turnover after the IPO' (p. 43).

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According to the behavioural agency model, CEOs' accumulated financial wealth creates risks and the desire to protect their wealth, both leading to their intentional exit (Allcock and Filatotchev 2010; Wiseman and Gomez-Mejia 1998). As for post-IPO founder-CEOs, we argue that they tend to behave more as self-interested agents than pro-organizational stewards (Davis, Schoorman, and Donaldson 1997). Therefore, the swing between risk-taking and loss aversion due to performance and ownership leads to a nonlinear relationship between founder-CEOs' stock ownership and exit speed. The reason why the level of stock equity shifts CEOs' preferences from risk-taking to loss avoidance and the relationship between founder-CEOs' stock ownership and exit speed need to be explored. However, the research on CEOs employing a behavioural agency model perspective has typically focused on their financial wealth, particularly their pay, and how it impacts their decisions (Certo et al. 2003; Martin, Gomez-Mejia, and Wiseman 2013).

One problem with this approach is that it relies too heavily on financial considerations. Scholars increasingly recognize that founders' wealth consists of both financial (Certo et al. 2003; Jain and Tabak 2008) and non-financial, socioemotional aspects (Leitterstorf and Rau 2014; Marin, Campbell, and Gomez-Mejia 2016). Family entrepreneurship researchers such as Gomez-Mejia et al. (2007) initially developed the concept of socioemotional wealth as non-financial motivations including considerations related to family, identity, flexibility, desire to influence, legacy, and brand association.

Finally, few studies have considered a founder's exit and socioemotional wealth after an IPO (Walters, Le, and Kroll 2015), particularly in emerging markets. Indeed, emerging markets like China provide a useful lab for testing the boundaries of the theory and the possibility of expanding it based on the context (Tsui 2007). Therefore, we collected a sample of 130 entrepreneurial IPOs from 2004 to 2009 in China whose founder CEOs left the firm after it went public. The results confirm a U-shaped relationship between the founder-CEOs' financial wealth and their exit speed after the IPO. A high level of socioemotional wealth, exemplified by the CEOs' tenure, a higher ratio of insiders on the board, and the age of the stock market, negatively moderates the effect of financial wealth. The Chinese context is appropriate for our study because of its tendency to risk aversion. After ventures go public through IPOs, founder-CEOs tend to exhibit more loss aversion. They rush to cash out their stock options in part due to the uncertainty of the market conditions. Moreover, in emerging markets the underdeveloped mechanisms for controlling the CEOs' exits and cash outs call for more policy intervention.

Using Chinese data and a novel empirical analysis, this paper challenges the dominant paradigm, which assumes that CEOs are forced to leave involuntarily due to poor performance or negative events (Wiersema and Zhang 2013). Therefore, the behavioural agency model perspective yields an important managerial and policy insight into the 'dark side' of venture IPOs: 'Once the entrepreneur has sold some shares, he/she may become less committed to the firm's long-term growth after the IPO' (Ding, Nowak, and Zhang 2010, 175). Second, this study extends the behavioural agency model by linking founder-CEOs' financial wealth and socioemotional wealth with their post-IPO exit. The behavioural agency model argues that founder-CEOs with a great deal of socioemotional wealth fear losing that wealth. This fear will attenuate their aversion to losing their financial wealth. We maintain that socioemotional wealth can raise the reference point, reducing the CEOs' tendency to exit to secure their financial wealth. Expanding the notion of socioemotional wealth from family businesses to founder-CEOs (Berrone et al. 2010; Gomez-Mejia et al. 2007), this study shows that while financial wealth matters to the CEOs' departure, it is moderated by considerations related to their socioemotional wealth (Jain and Tabak 2008; Wasserman 2006).

This study contributes to the behavioural agency model in two important ways. First, its perspective successfully integrates the competing viewpoints regarding the founders' risk taking vs. loss aversion. Specifically, the agency view would have predicted that, by aligning executive and shareholder interests, CEOs' ownership would prompt them to take risks and remain with the venture. Yet, because we consider the framing issue of certain gains after an IPO, we modified the prediction and integrated both the agency and behavioural agency model into the prediction, resulting in the

U-shaped relationship. This is an important finding because prior literature tends to assume that, 'if the entrepreneur decides to leave the venture, it must be due to poor performance' (DeTienne and Cardon 2012, 351).

## **Theoretical foundation and hypotheses**

### ***The behavioural agency model***

The behavioural agency model incorporates concepts from prospect theory into the agency view of incentive alignment and monitoring (Wiseman and Gomez-Mejia 1998). A key aspect of the behavioural agency model is that executives are willing to sacrifice significant upside potential in order to protect probable gains, even if it is at the expense of other shareholders. In other words, people's risk aversion behaviours change with their mental framing (Devers et al. 2008; Martin, Gomez-Mejia, and Wiseman 2013). Positively framed problems occur when available options of varying risk and return promise acceptable expected values to those making the choice (Gomez-Mejia et al. 2007). Negatively framed problems occur when available options promise unacceptable expected values (Wiseman and Gomez-Mejia 1998). Decision makers will pursue the risk-averse preferences when selecting from among positively framed prospects and will exhibit risk-seeking preferences when selecting from among identical but negatively framed prospects (Wiseman and Gomez-Mejia 1998).

### ***Founders' exits***

Founder-CEOs play a central role in the strategic development of entrepreneurial firms (Hambrick 2007) and their ultimate success (Certo et al. 2001; Hambrick and Mason 1984). To date, most of the research on CEO exits assumes that they leave their firms involuntarily (Wennberg et al. 2010). Shen and Cho (2005) pointed out that, 'research on executive turnover primarily has focused on understanding both the antecedents and organizational implications of involuntary turnovers' (p. 843). Wiersema and Zhang (2011) concluded that, 'poorly performing firms are more likely to experience involuntary CEO turnover' (p. 1161). However, founders may also leave firms voluntarily to cash in on their entrepreneurial success (Cumming, Walz, and Werth 2016; Wennberg et al. 2010).

### ***Financial wealth and founder-CEOs Exits after IPOs***

Wennberg et al. (2010) suggested that entrepreneurs' exit decisions are contingent on whether an entrepreneurial project is framed as a gain or as a loss. As their stock ownership goes up, founder-CEOs tend to create a certain-gain framing (DeTienne and Cardon 2012), and be more concerned with 'minimizing losses to present wealth' after an IPO. 'The greater the value of a CEO's stock ownership, the more loss averse the CEO is likely to become' (Zhang et al. 2008, 245). Gino and Pierce (2009) also reported that the presence of abundant wealth leads to a perception of inequity (i.e., focusing on loss aversion) that results in a misalignment between their interests and those of their shareholders. Founder-CEOs' risk aversion is especially problematic in Chinese culture in which risk aversion is a stronger factor than in Western society. One of the drivers of such loss aversion is the uncertainty of the market. The underdeveloped mechanisms governing venture IPOs and the financial system may give rise to more cautious attitudes for founders who take firms public. Thus, we expect to find a positive, linear relationship between financial wealth and founder-CEOs' exits due to their loss aversion.

Alternatively, their financial wealth must reach a certain point before the framing of certain gain or positively framed prospects come into play (Chrisman and Patel 2012). Thus, only beyond a certain threshold level will stock equity lead to loss aversion and potential misalignment between the interests of a founder-CEO and those of the shareholders. The reason is related to the founder-CEO's aspirations and confidence in the venture's future potential given the firm's strong track record

before the IPO. To be eligible for an IPO, a venture must demonstrate and maintain a positive performance history (Beckman, Burton, and O'Reilly 2007). Such a positive track record generates high expectations and aspirations for the founder-CEO. In such a situation, the founder is less concerned with loss aversion or the preservation of existing wealth and more concerned about potential gains.

According to the behavioural agency model, the key factor that shifts CEOs' preferences from risk-taking to loss avoidance is related to the reference level of the firm's stock equity (McGuire 2000). While potential gain is the CEOs' initial focus, their loss aversion tends to dominate as their level of ownership of the company is diluted (Bruton et al. 2010). When founders own a smaller proportion of the company's stock and a more stringent control system is introduced after an IPO, they likely become frustrated by their inability to exercise their will over their ventures. Their possible response to this frustration is their intention to exit (Spector and Michaels 1986) and turnover (O'Connor et al. 1984; Gomez-Mejia et al. 2007). 'As the ownership of equity in a firm increases, the wealth of the firm's CEO becomes more dependent on the firm's stock performance and the CEO may try to minimize firm risk and, thus, the riskiness of his personal portfolio' (Certo et al. 2003, 645). Founders frustrated by their lack of power may decide to have nothing to do with their firms and may thus fully exit via an IPO. The swing between risk-taking and loss aversion due to performance and ownership leads to a U-shaped relationship with the CEOs' level of stock ownership. When CEOs own a large proportion of the company's stock, they are willing to take risks. However, as their ownership dilutes over time, their loss aversion takes over (Gomez-Mejia et al. 2007). We argue that the right-hand side of the U-shaped curve indicates that when CEOs own a large proportion of the company's stock, they will be more likely to exit due to the perception of certain gain in the form of the wealth created by the IPO and their subsequent loss aversion based on owning such a large amount of the company's stock. We, thus, hypothesize that:

**Hypothesis 1:** There is a U-shaped relationship between the level of the founder-CEOs' stock ownership and their exit from their ventures.

### ***Financial wealth and socioemotional wealth***

Scholars have recognized that entrepreneurs are concerned not only with financial currency but also with socioemotional currency (Wasserman 2006). Financial currency involves money, whereas socioemotional currency involves relational issues, including the need for belonging, affect, and intimacy (Zellweger et al. 2012). Family entrepreneurship researchers such as Gomez-Mejia et al. (2007) initially developed the concept of socioemotional wealth as non-financial motivations including considerations related to family, identity, flexibility, desire to influence, legacy, and brand association. Specifically, socioemotional wealth is defined as the non-financial aspects of the firm that meet a founder's affective needs, such as identity, ability to influence internal decision-making, the stability of the operation and surrounding environment (Leitterstorf and Rau 2014; Mensching, Kraus, and Bouncken 2014; Pierce, Kostova, and Dirks 2001), and the firm's performance (Adjei et al. 2019). Socioemotional wealth can influence entrepreneurial activities (Goel et al. 2013) and innovation activities (Ribeiro-Soriano, Roig-Tierno, and Mas-Tur 2016). Berrone et al. (2010) found that family-controlled public firms protect their socioemotional wealth through their desire for control and identity. Chrisman and Patel (2012) also explained that family firms are usually more concerned than nonfamily firms about preserving their socioemotional wealth and do so by gaining more control over the company. They maintained that, 'the behavioral agency model has been used to explain why a family's desire to preserve the socioemotional wealth associated with firm control' (p. 978). Therefore, we contend that the research boundary of socioemotional wealth needs to be expanded from pure family firms to founder-CEOs in general.

IPOs introduce potential changes in the founders' socioemotional wealth in terms of their identity, ability to influence internal decision-making, and the stability of the operation and surrounding environment (Allcock and Filatotchev 2010; Bell, Filatotchev, and Aguilera 2014). The socioemotional wealth perspective accentuates the importance of emotions, social capital, and noneconomic goals after IPOs (Chrisman and Patel 2012). A post-IPO exit is one of the most critical and consequential decisions that a founder can make in an entrepreneurial firm (Andrews and Welbourne 2000; Wennberg et al. 2010). The behavioural agency model argues that founder-CEOs with a great deal of socioemotional wealth fear losing that wealth. This fear will attenuate their aversion to losing financial wealth. We therefore borrow from the behavioural agency model to investigate if and how founder-CEOs' socioemotional wealth moderates the impact of their financial wealth on their exiting from the venture after it goes public (Hoskisson et al. 2017).

The behavioural agency model also predicts that there is a reference point at which founder-CEOs will compare the gains against the reference point for their loss aversion. This reference point will raise the threshold of the gains for financial wealth to reach decisions about loss aversion. We posit that the level of the CEO's socioemotional wealth is that reference point. If the founders have accumulated enough socioemotional wealth, the reference point will be raised so high that it becomes harder for them to frame the certain gain. In such cases, they will be less likely to leave the company. Furthermore, we maintain that the CEOs' tenure, a higher ratio of insiders on the board, and the age of the stock market are the key factors in assessing their level of socioemotional wealth.

### *CEOs' tenure*

CEOs' tenure within an IPO firm increases their identity with it, and promotes their desire to pursue collective goals (Davis, Schoorman, and Donaldson 1997; Wasserman 2006). It also contributes to the strong leadership and collective goal setting that the founder-CEOs build along with the top management and based on their extensive knowledge about the firm and its industry over the years (Certo et al. 2001; Wang and Song 2016). These factors result in increased socioemotional wealth for the founder-CEOs (Berrone et al. 2010).

The strong identity with the firm will increase the CEOs' socioemotional wealth, offsetting concerns associated with the loss of financial wealth. Thus, a longer tenure with the firm before the IPO will make founder-CEOs place a high priority on maintaining their identity and increase their willingness to accept more risk, ultimately reducing the likelihood of their exit after an IPO. Leaders narrow their focus of attention to their aspiration point because of the salience and uniqueness of their position (DeTienne and Cardon 2012). Such a focus of attention can be even more significant when founders have held the CEO position for a longer time (Huybrechts, Voordeckers, and Lybaert 2013). Such aspirations encourage founder-CEOs to bear more risk, assume more responsibility for shareholders, and stay with the firm after an IPO, rather than cashing out and leaving (Martino, Rigolini, and D'Onza 2020). Fischer and Pollock (2004) have shown that the tenure of a CEO at an IPO firm provides important buffering during the structural transformations that reduce the likelihood of the firm's failure after it goes public. Thus, the predictions for exit made by the behavioural agency model on the rising side of the U-shaped relationship in Hypothesis 1 will be flatter as a founder-CEO's socioemotional wealth derived from tenure increases. Therefore:

**Hypothesis 2:** The relationship between ownership and exit will be negatively moderated the longer the founder-CEO's tenure.

### *Ratio of insiders on the board*

Another aspect of socioemotional wealth involves the nature of the behavioural control and evaluation of a founder-CEO by the board (Basco and Calabro 2017). Behavioural agency model scholars have introduced the monitoring by the board as a moderator of the relationship between the framing of the problem and risk bearing (Wiseman and Gomez-Mejia 1998). The board can

consist of inside and outside directors, and each group approaches its work very differently. The inside directors prefer an involvement-oriented culture, where they work closely with CEOs (Arthurs et al. 2008; Kroll, Walters, and Le 2007). The outside board's decision-making revolves around data analyses, and such data-focused analyses typically do not result in the board members working closely with CEOs (Eisenhardt 1989; Wang and Song 2016). Thus, insider board members are more likely to promote group consensus (McGuire 2000), which is consistent with socioemotional wealth. Outside directors, in contrast, are more likely to challenge and overturn founder-CEOs' decisions, potentially creating affective conflict (Certo 2003).

As a result, the increasing representation of outside directors who are not familiar with the business can hurt founder-CEOs' socioemotional wealth. These outside directors may regard the firm's strategic behaviours as ambiguous and biased (Wiseman and Gomez-Mejia 1998). Such assessments may damage founder-CEOs' socioemotional wealth and threaten their control of the company. As a result, they may become more loss averse about their financial wealth tied up in their stock equity and more likely to leave after an IPO (Stockmans, Lybaert, and Voordeckers 2010). In contrast, the presence of more insider directors is likely to support the work of the founder-CEOs, making them less likely to want to just cash out after an IPO (Deephouse and Jaskiewicz 2013). Therefore:

**Hypothesis 3:** The relationship between ownership and exit is negatively moderated by a higher ratio of insiders on the board.

### *Stock market's age at the firm's IPO*

The socioemotional wealth for founders can be extended from the individual level (i.e., their tenure) and firm level (i.e., the ratio of inside board members) to the macro market level (Cesinger et al. 2016). Gomez-Mejia et al.'s (2010) theoretical study acknowledged the multidimensional nature of the social ties involved in socioemotional wealth. Chrisman and Patel (2012) suggested that socioemotional wealth includes dimensions such as the preservation of a family firm's social capital. China has seen a rapid evolution of its stock markets over the last 20 years (Wang and Song 2016). This evolution has included the establishment of new exchanges similar to the NASDAQ in the United States that consist of young firms. These new exchanges and their regulators, investors and underwriters have rapidly evolved (Pollock, Porac, and Wade 2004). Their newness can affect founders' socioemotional wealth and ultimately their decisions about leaving and cashing out (Ding, Nowak, and Zhang 2010).

We contend that when a stock market is well developed, founder-CEOs involved in an IPO will gain more social capital with market players, encounter less severe market uncertainty, and feel a greater sense of control, which contributes to their socioemotional wealth. Therefore, the age of the stock market can serve as a proxy of their socioemotional wealth at and after an IPO. Market uncertainty is especially problematic in Chinese culture, which is more risk averse than Western society. One of the key drivers of such loss aversion is the uncertainty involved in trading on an underdeveloped market. The underdeveloped institutions and financial systems governing such markets and IPOs might make founders who take their firms public more cautious.

More specifically, as stock markets develop over time, founder-CEOs will build external social capital in the stock market through their ties with regulators, investors and underwriters. The maturity of the market and the CEOs' resulting social capital will lead to a greater sense of control. For instance, their ties with regulators will be more stable. They will also have more access to the market players through analyst meetings and media coverage (Pollock, Rindova, and Maggitti 2008). Thus, the time gap between the launch of the new stock market and the focal firm's IPO reflects the maturity of the market and is positively related to the founder-CEOs' external social capital in the stock market. The more mature the stock market, the more time CEOs have to accumulate socioemotional wealth, moderating their likelihood of leaving. Therefore,



**Hypothesis 4:** The relationship between ownership and exit is negatively moderated by the age of the local stock market.

## Data and method

### *Sample and setting*

We tested our hypotheses in a single nation—China. Doing so allowed us to control for the legal, cultural and disclosure requirements for CEOs' to exit after the issuance of an IPO (Cumming, Fleming, and Schwienbacher 2006). Founder-CEOs in China with controlling power typically cannot sell more than 25% of their shares even after the lock-up period expires. However, if they leave the CEO position, they can sell up to 50% of the shares after the first six months following their exit. Due the limit on the percentage of shares that can be sold, a founder-CEO's exit after an IPO is widely considered both internally and externally as a strong signal that the CEO is cashing out from the firm.<sup>2</sup> Interviews with founders, investors and numerous media reports also confirm that founders' exits after an IPO can be a strong motive for cashing out and has raised significant legal risks (Cumming, Fleming, and Schwienbacher 2006).

Following previous researchers on China (Ding, Nowak, and Zhang 2010; Velamuri and Liu 2017), we used data from 327 IPOs from 2004 to 2009 from the SME board on the Shenzhen Stock Exchange, China. All firms' prospectuses were gathered from WIND Data Services, a leading provider of financial databases in China. Based on each company's self-description in its prospectus, we dropped 85 firms that were state-owned enterprises or other government-owned organizations because a high level of government interference affects CEOs' exits. Based on the description of the firm's founders and managers in the prospectus, we also dropped companies managed by non-founder CEOs when the IPOs were issued because this study focuses only on firms that were managed by founders who accumulated socioemotional wealth from the ventures they created (Wang and Song 2016).

Our final sample consists of 130 IPOs managed by founder-CEOs. We chose the 2004–2009 period for three reasons. First, China officially launched a second stock exchange tailored for small and high-growth ventures called the 'Growth Enterprise Market' (the G board) in December of 2009 to further fuel the growth of entrepreneurial financing. Including IPOs after 2009 would have created a significant selection bias in that founders and ventures must choose on which exchange to be listed and there are different regulatory procedures for SME and GEM. Second, the global financial crisis started to accelerate in the second half of 2009 and caused serious damage to the Chinese IPO market. As a result, very few companies have gone public since 2010. Indeed, China officially shut down the IPO market from 2012 to 2014, one of the seven such IPO closures in Chinese stock market history. Third, since 2010 the CRSC [Editor's note: Write out the abbreviation] has removed many loopholes and enforced new regulations to limit the ability of founders to cash out after an IPO. For instance, in 2014, CRSC imposed stronger controls on CEOs' exits for new IPO firms. Therefore, using the IPOs issued between 2004 and 2009 ensured that the regulatory environment was consistent across the sample firms.

Following Shen and Cannella Jr (2002) and Zhang (2008), we adopted two more approaches to double-check the CEOs' voluntary or intentional exits. The first approach relied on news reports (Sina, Sohu, and other major Chinese financial websites) to exclude the possibility that the CEOs' exit was due to health problems, the acceptance of a similar position at another company, a merger or acquisition, firing, or death. The second approach relied on the CEOs' age and continuity as a board member at the time of succession. A CEO exit was classified as voluntary if the CEOs terminated their service as both CEOs and board members before the age of 64 for reasons other than health problems, acceptance of a similar position at another firm, the occurrence of a merger or acquisition, or death. Using these criteria, we identified 42 founder-CEO exits following IPOs.



## ***Dependent variable***

### ***Founder-CEO exits***

This variable measures the number of months from the IPO to a founder-CEO exit (i.e., month  $t1$  when the CEO left the position – month  $t0$  when the firm issued an IPO). To provide further justification for using the CEO's exit as a proxy for cashing out, we conducted robustness checks using the shares sold by the founder-CEOs and their tunnelling activities. Models 7 and 8 in Table 3 provide the respective results (Dow and McGuire 2009; Matt and McGuire 2008). In addition, the models empirically ruled out the alternative causes of the CEOs' exit such as poor performance and forced departures by the board and powerful shareholders.

## ***Independent variables***

### ***CEO ownership***

Consistent with Certo et al. (2003) and Fischer and Pollock (2004), CEO ownership is defined as the sum of the CEO's direct and indirect equity holdings of the firm. This measure equals the proportion of shares outstanding owned by the CEO after an IPO.

### ***CEO tenure***

Consistent with Zhang (2008), this variable measures CEO tenure by the number of months that the CEO served in that position in the firm until the IPO.

### ***Ratio of inside board members***

Consistent with Certo et al. (2001), this variable is a continuous variable calculated as the ratio of insider members of the board at the time of the firm's IPO. A director is classified as an outside director if he or she is not a member or a relative of a member of the top management team at or before the time of the IPO.

### ***Age of the stock market when the firm's IPO is issued***

This variable is calculated as the number of months that elapsed between the focal firm's IPO and the start of the new SME board in China (in this case, June of 2004). The larger the number is, the more mature the mechanism for dealing with an IPO. For example, since the launch of the SME board in 2004, CSRC has made numerous policy amendments regarding underwriting, insider trading, and disclosures—five in 2004, three in 2005, and two in 2006—further underscoring its policy uncertainty.

## ***Control variables***

In accordance with past research, we also used control variables for the firm and founder-CEO (Cumming, Schmidt, and Walz 2010). In addition, we controlled for short-term and long-term firm performance after the IPO to rule out the alternative explanations for a founder-CEO's exit due to a decline in performance or a forced departure by the board and powerful shareholders. The short-term controls include total proceeds raised (the exact amount raised from the IPO), underwriter quality (the market share of the lead underwriter during the sample period = the total number of IPOs brought to market over the time period for each lead underwriter divided by the total number of all IPOs issued), a dummy for venture capital backing at the time of the IPO, IPO retained ownership (the percentage of ownership in the firm not issued to the public but retained by the focal firm), board size (number of directors on the board at the firm's IPO), and the firm's age (the time in months from the incorporation of the firm) and size (natural log of the number of employees).

The long-term performance controls include the performance measures one year after the IPO: net income, IPO stock turnover, change in stock price, and return on equity (ROE). It also controls for the firm's location, industry, and founder's social capital: the marketization index of the firm's

location (a quantitative index of marketization for the province where the headquarters of the listed firms are located), a dummy indicating whether the firm is in the information technology industry, and founder-CEOs' external wealth (the number of external affiliations of the founder-CEOs).

## Models

The dependent variable measures the number of months from the firm's IPO to the CEO's exit (i.e., month  $t1$  when the CEO left the position – month  $t0$  when the firm issued its IPO). Therefore, we cannot use the traditional OLS framework for the regression model. Instead, we have to use the survival model. The Cox model has the advantage of not making strong assumptions about the baseline hazard function. This characteristic of the Cox model is important because incorrect parametric assumptions may yield biased estimates of the effects of covariates on the hazard rate. Consistent with the literature, we used the Cox regression model to analyse our time-to-event data. The basic model is defined as:

$$\text{Log}h_i(t; X_i) = \lambda_0(t) + X_i\beta \quad (1)$$

where  $h_i(t; X_i)$  is the hazard rate for CEO  $i$  at time  $t$  (the odds that CEO  $i$  will exit at time  $t$  given that he/she has survived until time  $t-1$ ).  $\lambda_0(t)$  is the base hazard rate.  $X_i$  is the vector of covariates.  $\beta$  is the vector of regression coefficients. Cox's proportional models allow us to estimate  $\beta$  without specifying or estimating the baseline hazard  $\lambda_0(t)$ . We conducted the Cox regression analyses using the SAS PHREG procedure (Piao and Zajac 2016; Xia, Tan, and Tan 2008).

## Results

### Descriptive statistics

Table 1 lists the descriptive statistics. The average 'waiting' time from IPO to a founder-CEO's exit is 32 months, shorter than the typical 36-month lock-up period for founder-CEOs adopted by most companies on the SME board (Arthurs et al. 2009). To further rule out the alternative explanation that poor operational or stock market performance drove out the CEO, we included a number of control variables regarding the firm's short-term and long-term performance at and after the IPO. Table 2 presents the Cox regression results. The maximum value of the VIFs is 7.42, below the threshold value of 10. Therefore, multicollinearity is not a serious concern for our models.

Examining all of the models reveals that the firm's age and stock turnover rate positively affect a founder-CEO's exit after an IPO. The stock turnover rate in the short-term impacts the valuation of the stock, and investors' flipping activities indicate their confidence in the venture's IPO (Aggarwal 2003; Pollock and Rindova 2003). Thus, founders managing and leading the more successful IPOs and more established firms tend to exit even faster to capture the peak of the stock price after the issuing of the IPO. This finding confirms the argument that the CEOs' accumulated financial wealth prompts them to leave voluntarily to cash out their positions.

To mitigate the concern of overfitting, we note that the model excluding all control variables produces results consistent those of the main models with the control variables in Table 2.<sup>3</sup> The likelihood ratio test between the non-control models and the models in Table 2 show that the models in Table 2 fit the data better. Therefore, we included the control variables in the models. Second, we also removed the data of 2009 to see whether the results still hold. The sub-sample analysis gives us more confidence that overfitting may not be a serious issue. Third, predicted R-squared can help determine how well a regression model makes predictions. This statistic identifies cases where the model provides a good fit for the existing data but is not as good at making predictions. A predicted R-squared that is significantly lower than the adjusted R-squared and close to zero is a warning sign that the model is overfitted. Following the recommended procedure, we calculated the predicted R-squared for Models 2 and 6 in Table 2. The results indicate that the

Table 1. Descriptive statistics ( $N = 130$ ).

	Mean	Std Dev	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1. Months elapsed from IPO to the exit	32.17	17.82	1.00																			
2. Whether the founder-CEO exits	0.32	0.47	-0.45	1.00																		
3. Founder-CEOs' tenure (f. tenure)	48.15	34.67	0.08	-0.03	1.00																	
4. Founder-CEOs' ownership (f.own)	0.39	0.22	-0.14	-0.06	-0.15	1.00																
5. Ratio of inside board members (ins.ratio)	0.43	0.13	0.01	0.01	-0.20	0.26	1.00															
6. Age of stock market (mkt.age)	43.08	18.06	-0.58	-0.25	0.01	0.15	0.03	1.00														
7. Total proceeds raised	0.45	0.36	-0.29	-0.14	-0.12	0.15	-0.04	0.48	1.00													
8. Firm's age	4.12	2.86	0.09	0.03	0.98	-0.18	-0.19	-0.06	-0.17	1.00												
9. Firm's size	6.75	0.86	0.05	0.06	0.03	-0.02	-0.02	-0.02	0.34	0.00	1.00											
10. IT industry	0.16	0.37	-0.06	-0.04	0.11	-0.14	-0.02	0.12	-0.02	0.08	-0.20	1.00										
11. Underwriter quality	0.02	0.03	-0.02	-0.16	-0.11	0.02	-0.06	0.16	0.23	-0.12	0.14	0.03	1.00									
12. Net income	0.06	0.06	-0.07	-0.10	-0.14	0.20	0.04	0.23	0.80	-0.16	0.39	-0.07	0.20	1.00								
13. Board size	8.52	1.51	0.16	-0.04	0.05	-0.20	-0.18	-0.11	-0.04	0.05	0.08	-0.04	0.07	0.04	1.00							
14. VC-backed firm	0.42	0.49	-0.03	-0.12	-0.03	-0.11	-0.31	0.09	0.03	-0.01	0.10	0.20	0.00	0.29	1.00							
15. Stock turnover rate	0.73	0.10	-0.36	0.01	-0.03	0.07	0.06	0.51	0.07	-0.06	0.04	0.07	0.08	0.09	-0.05	0.06	1.00					
16. Marketization index of firm's location	8.99	1.47	0.01	-0.21	-0.11	0.10	0.09	0.07	0.14	-0.17	-0.05	-0.05	0.04	0.01	-0.05	0.03	-0.04	1.00				
17. IPO retained ownership	0.74	0.03	-0.12	-0.12	-0.08	0.19	0.11	0.36	0.21	-0.09	0.00	0.05	0.10	0.37	0.09	0.09	0.16	-0.03	1.00			
18. Stock price change	-0.02	0.10	0.01	-0.06	-0.01	0.02	0.14	0.13	0.20	-0.02	0.09	0.23	0.13	0.11	0.11	0.07	-0.07	0.06	0.06	1.00		
19. ROE	0.21	0.09	-0.11	-0.15	-0.06	0.14	0.14	0.25	0.41	-0.12	-0.01	0.08	0.26	0.33	-0.07	-0.07	0.00	0.12	0.19	0.21	1.00	
20. Founder-CEOs' social capital	2.69	3.02	0.04	-0.02	0.08	0.00	0.02	0.08	0.24	0.07	0.19	-0.03	0.08	0.29	0.22	0.06	0.04	0.05	0.14	-0.07	0.00	1.00

Note: Correlations with the absolute value larger than 0.14 are significant at 10%.

**Table 2.** Proportional hazard model predicting founder-CEOs' exit ( $N = 130$ ).

Parameter	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
f.own (H1)			0.06	0.18	0.06	0.19	0.21	0.19	0.08	0.18	0.27	0.21
f.own <sup>2</sup> (H1)			0.30*	0.14	0.23	0.16	0.55**	0.19	0.30*	0.14	0.61**	0.19
f.tenure*f.own (H2)					0.18	0.24					0.02	0.27
f.tenure*f.own <sup>2</sup> (H2)					-0.40 <sup>+</sup>	0.22					-0.82**	0.28
ins.ratio*f.own (H3)							-0.27	0.19			-0.26	0.21
ins.ratio*f.own <sup>2</sup> (H3)							-0.36*	0.17			-0.84**	0.24
mkt.age*f.own (H4)									-0.30 <sup>+</sup>	0.19	-0.37*	0.19
mkt.age*f.own <sup>2</sup> (H4)									-0.03	0.22	-0.01	0.23
f.tenure	-1.85*	0.74	-1.94*	0.76	-1.63*	0.77	-1.99*	0.78	-1.98*	0.77	-2.23**	0.80
ins.ratio	-0.05	0.20	-0.11	0.21	-0.17	0.21	0.19	0.27	-0.10	0.21	0.39	0.28
mkt.age	-0.18	0.28	-0.20	0.29	-0.11	0.30	-0.23	0.30	-0.39	0.34	-0.31	0.39
Total proceeds raised	0.59	0.46	0.55	0.47	0.46	0.48	0.39	0.46	0.78	0.53	0.23	0.52
Firm's age	1.72*	0.73	1.77*	0.74	1.85*	0.75	1.79*	0.74	1.79*	0.74	2.77**	0.85
Firm's size	0.19	0.19	0.25	0.19	0.28	0.19	0.21	0.19	0.23	0.19	0.27	0.19
IT industry	0.07	0.51	0.11	0.51	0.19	0.52	0.02	0.51	0.03	0.52	0.01	0.55
Underwriter quality	-0.66	0.41	-0.71 <sup>+</sup>	0.42	-0.77 <sup>+</sup>	0.45	-0.79 <sup>+</sup>	0.45	-0.62	0.40	-0.99 <sup>+</sup>	0.52
Net income	-0.52	0.44	-0.60	0.47	-0.59	0.47	-0.42	0.44	-0.82	0.53	-0.40	0.50
Board size	-0.07	0.18	-0.12	0.19	-0.14	0.19	-0.14	0.19	-0.09	0.19	-0.19	0.20
VC-backed firm	-0.46	0.41	-0.48	0.42	-0.61	0.44	-0.50	0.42	-0.50	0.42	-1.07*	0.51
Stock turnover rate	0.40 <sup>+</sup>	0.22	0.41 <sup>+</sup>	0.22	0.33	0.23	0.41 <sup>+</sup>	0.23	0.43 <sup>+</sup>	0.23	0.37	0.24
Marketization index of firm's location	-0.22	0.17	-0.22	0.17	-0.23	0.17	-0.19	0.17	-0.25	0.17	-0.06	0.18
IPO retained ownership	0.06	0.21	0.06	0.21	0.06	0.21	0.07	0.21	0.17	0.23	0.23	0.25
Stock price change	-0.01	0.16	-0.01	0.16	-0.03	0.16	-0.02	0.16	-0.02	0.16	-0.14	0.17
ROE	-0.01	0.20	-0.04	0.21	0.00	0.21	-0.15	0.22	-0.05	0.21	-0.09	0.22
CEO social capital	0.01	0.01	0.04	0.07	0.04	0.07	0.03	0.07	0.04	0.07	-0.01	0.07
Likelihood ratio (DF)	20.52(17)		24.89 (19)		29.65(21)		29.46(21)		27.31(21)		45.47(25)	

Note: +:  $p < 0.10$ , \*:  $p < 0.05$ , \*\*:  $p < 0.01$ .

predicted R-squared is in the normal range and not close to zero, confirming that there is no serious threat of overfitting.

### Testing the hypotheses

Hypothesis 1 predicts that there is a U-shaped relationship between a founder-CEO's stock ownership when the IPO is issued and the likelihood of an exit after the IPO. First, the results in Model 2 indicate that there is a significant and positive coefficient for the squared term of CEO's ownership ( $\beta = 0.30$ ,  $p < 0.05$ ). Second, the inflection point is calculated when the slope equals zero:  $\beta_1 + 2*\beta_2 \times \gamma = 0$ ;  $\beta_1 = 0$ ,  $\beta_2 = 0.30$ . Therefore,  $\gamma = 0$ . Given that we standardized the founder-CEO's ownership variable before the regression, the inflection point of the U-shape occurs when the CEO's ownership equals the mean (i.e., 39%). Third, the test also examines the sign and significance of the slope at both the left and right extreme points. The null hypothesis that the slope at the left and right extreme point equals 0 is rejected. Hypothesis 1 is supported.

Hypothesis 2 argues that the U-shaped relationship between a founder-CEO's ownership and the likelihood of exit is negatively moderated by greater socioemotional wealth represented by a longer tenure. More specifically, the rising trend of the U shape identified in H1 will be flatter when founder-

**Table 3.** Robustness test.

	Model 7 DV = Number of net shares being traded by CEO after exit	Model 8 DV = Aggressive tunnelling from focal firm to other entities before exit	Model 9 Robustness check with additional controls
Parameter	Coeff. (S.E.)	Coeff. (S.E.)	Coeff. (S.E.)
CEO exit dummy (=1 if CEO departs)	-1.78(0.79)*	1.79(0.93)*	
f.own	-0.63(0.37) <sup>+</sup>	-0.07(0.37)	0.65(0.56)
f.own <sup>2</sup>			0.98(0.47)*
f.tenure*f.own			-0.64(0.53)
f.tenure*f.own <sup>2</sup>			-1.91(0.61)**
ins.ratio*f.own			-0.84(0.53)
ins.ratio*f.own <sup>2</sup>			-2.21(0.74)**
mkt.age*f.own			1.03(0.54) <sup>+</sup>
mkt.age*f.own <sup>2</sup>			0.45(0.60)
f.tenure	-1.30(1.95)	1.63(1.94)	-4.30(1.48)**
ins.ratio	0.38(0.40)	0.32(0.53)	1.32(0.62)*
mkt.age	0.15(0.60)	-0.49(0.65)	-1.51(1.03)
Total proceeds raised	1.05(0.81)	0.19(0.80)	-4.86(2.31)*
Firm's age	1.14(1.94)	-1.61(1.94)	4.94(1.66)**
Firm's size	0.23(0.40)	-0.46(0.46)	1.34(0.53)*
Underwriter quality	-0.18(0.37)	0.54(0.39)	-2.72(1.21)*
Net income	-0.40(0.73)	0.89(0.67)	1.11(1.93)
Board size	0.76(0.38)*	-1.32(0.57)*	-1.00(0.43)*
VC-backed firm	-0.28(0.78)	1.38(1.01)	-0.90(0.83)
Stock turnover rate	-0.35(0.43)	-0.51(0.54)	0.57(0.34)
Marketization index	-0.42(0.37)	-0.36(0.33)	-0.05(0.33)
IPO retained ownership	0.05(0.42)	0.23(0.36)	-1.06(0.66)
Stock price change	-0.55(0.37)	0.15(0.45)	-0.09(0.33)
ROE	-0.61(0.41)	-0.71(0.61)	0.49(0.51)
CEO's social capital	0.01(0.12)	0.03(0.14)	0.44(0.20)*
Intercept	-0.51(0.63)	-4.59(1.17)**	
IT industry	1.06(0.99)	-0.90(1.35)	Included
Industry dummies			
Industry P/E ratio			0.04(0.03)
ROE at departure			0.18(19.50)
Earnings per share at departure			2.45(1.60)
CEO's age at departure			0.21(0.06)*
Ownership concentration at departure			13.60(6.22)*
CEO's communist party membership			1.17(1.48)
Number of observations	130	130	105

Note: (1) <sup>+</sup>:  $p < 0.10$ , \* :  $p < 0.05$ , \*\* :  $p < 0.01$ ; (2) Models 7 and 9 use OLS and Model 8 uses logistic regression; (3) The variables and results in shaded cells are added as extra controls.

CEOs have a longer tenure. Model 6 shows a significant and negative coefficient for the interaction between the founder-CEO's tenure and the squared term of the founder-CEO's ownership ( $\beta = -0.82$ ,  $p < 0.01$ ). Figure 1 confirms that the rising side of the U shape will be flatter when founder-CEOs have a longer tenure. Hypothesis 2 is supported.

Hypothesis 3 predicts that the U-shaped relationship between a founder-CEO's ownership and the likelihood of exit is negatively moderated by greater socioemotional wealth represented by a higher ratio of inside board members. Model 6 shows a significant and negative coefficient for the

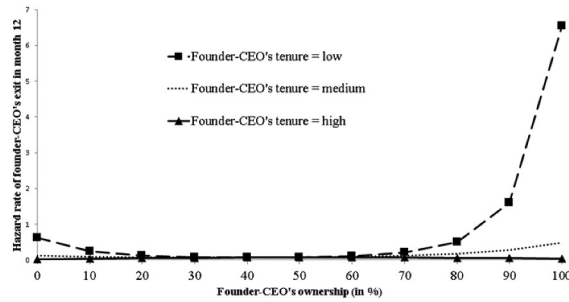


Figure 1. The negative moderating effect of founder-CEOs' tenure (H2).

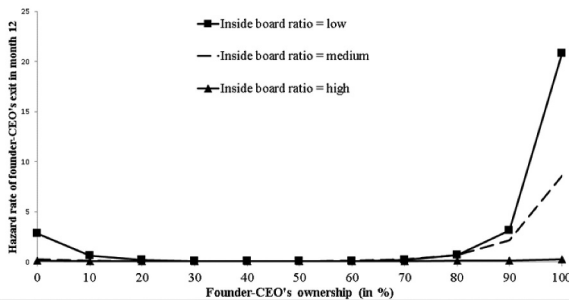


Figure 2. The negative moderating effect of the ratio of inside board members (H3).

interaction between this ratio and the squared term of the CEO's ownership ( $\beta = -0.84, p < 0.01$ ). Figure 2 illustrates that the rising trend of the U shape will be flatter when the ratio of inside board members is higher. Therefore, the findings support Hypothesis 3.

Hypothesis 4 predicts that the U-shaped relationship between a founder-CEO's ownership and the likelihood of exit is negatively moderated by greater socioemotional wealth represented by the maturity of the stock market when the firm goes public. Model 6 found a significant and negative coefficient for the interaction between the age of the stock market and a founder-CEO's ownership ( $\beta = -0.37, p < 0.05$ ). Figure 3 demonstrates that the rising side of U shape will be flatter when the stock market is older. Therefore, Hypothesis 4 is supported.

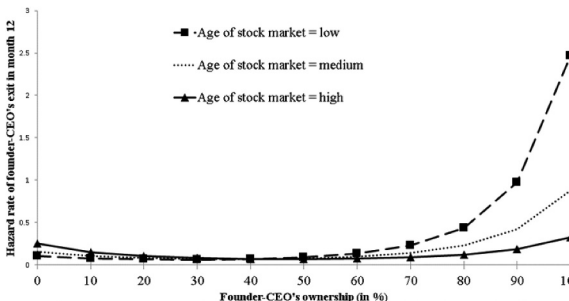


Figure 3. The negative moderating effect of the age of the stock market when the firm issues its IPO (H4).



### Robustness test

It is possible that a founder-CEO who does not have the intention of cashing out may still voluntarily exit the position after an IPO, for example, to let someone else more capable run the firm. To address this possibility, we gathered data on founder-CEOs' first-time stock trading from 2004 to 2012 for the same set of firms in the sample, including both founder-CEOs who left the firm, trading shares after their exit, and founder-CEOs who stayed with the firm. In Model 7, the results show that founder-CEOs who left their firms reduced the number of shares they owned significantly ( $\beta = -1.78, p < 0.05$ ). This outcome supports the cashing-out assumption that CEOs exit before the lock-up period to avoid any long-term risk to their financial gains.

Another common way CEOs cash out from public firms in China is through tunnelling. In accordance with prior studies on tunnelling in China (Dow and McGuire 2009; Jiang, Lee, and Yue 2010; Sun, Hu, and Hillman 2016), we divided the variable of 'all other account receivables' by the 'total assets' in the year preceding the CEO's departure to measure tunnelling. Then, we created a dummy variable based on the measure (1 = one standard deviation above the mean; 0 = otherwise) to assess whether the focal firm aggressively engaged in tunnelling activities before the exit. The results of logistic regression in Model 8 confirm that the firms that experienced founder-CEO departures may have engaged in aggressive tunnelling before the exit ( $\beta = 1.79, p < 0.05$ ).

Finally, in Model 9, we included additional control variables for robustness checks: the founder-CEO's age, communist party membership (dummy variable), return on equity (ROE) and earnings per share (EPS), ownership concentration of the five largest shareholders, more detailed classifications with industry dummies, and the industry's P/E ratio. The results are consistent with the main findings.

### Discussion

IPOs are considered the pinnacle of entrepreneurial success. But for founder-CEOs they also offer them the resources and ability to cash out and realize their financial goals. Utilizing a unique data set of information on founder-CEOs' exits in China following IPOs, this study extends the behavioural agency model by linking founder-CEOs' financial wealth with their socioemotional wealth in their determinations about whether to leave their companies after the firms go public. On one hand, the substantial monetary wealth these CEOs have accrued might lead to them want to avoid risks and cash out sooner. On the other hand, their ownership gives them an identity as a leader and increases their socioemotional wealth, which they might fear losing if they leave the company. We document that there is a tipping point between these two concerns. Until the ownership level reaches a certain point founder-CEOs do not focus on loss aversion. However, when the potential loss becomes too great to ignore, founder-CEOs exit the firm in the manner suggested by behavioural agency model. We identify the factors involved in this decision.

The results also show that founder-CEOs' socioemotional wealth will negatively moderate the impact of financial wealth on their likelihood of leaving after an IPO. Greater socioemotional wealth will raise the reference point for maintaining this wealth and attenuate the driving force of financial ownership on their exit. The behavioural agency model argues that amassing a great deal of socioemotional wealth will make founder-CEOs less inclined to risk losing it when faced with the choice of losing their financial wealth (Chrisman and Patel 2012). Longer tenure leads to stronger identity with the firm. This increase in socioemotional wealth will offset a founder-CEO's concerns associated with the loss of financial wealth. Having more insider board members is likely to promote group consensus (McGuire 2000). Given that socioemotional wealth increases with more insider directors, founder-CEOs' tendency to exit simply to cash in on the stock they have accumulated will be attenuated. In addition, in more mature stock markets, founder-CEOs will build external social capital with regulators, investors, and underwriters. In such a situation, the trend of increasing exit as ownership increases will be negatively moderated. Overall, we found a strong interaction between financial wealth and socioemotional wealth. Thus, founder-CEOs in post-IPO ventures tend to

consider both the choices of becoming rich (financial wealth) and remaining the king (socioemotional wealth).

This study makes several important contributions to the entrepreneurial literature. First and foremost, we provide new, alternative perspectives on founders' exits through the behavioural agency model (Cumming, Walz, and Werth 2016). We challenge the assumption of prior studies that CEOs are forced to leave involuntarily due to poor performance or negative events (Wiersema and Zhang 2013). The CEOs' departure is the result of more than performance and can instead be a function of the framing of their wealth, particularly when the behavioural agency model predicts that founder-CEOs frame their wealth as certain gains. The tension between the CEOs' desire to profit financially from an IPO and the substantial changes and risks after an IPO makes their exit an appropriate risk-avoidance behaviour within the behavioural agency model. Thus, the findings answer the call for alternative perspectives on the factors that affect CEO turnover (Boivie, Graffin, and Pollock 2012; Wasserman 2006).

This study also contributes to the behavioural agency model by introducing the new theoretical perspective of the founder's socioemotional wealth into the model. While scholars have made numerous efforts to disentangle various types and mixes of financial wealth and compensation for executives such as ownership and stock options, confusion remains as to what types of wealth matter for executives' risk-taking and turnover. Socioemotional wealth is a more intangible factor than financial wealth that can raise the desire to exit to pursue the latter. By including CEOs' socioemotional wealth in the behavioural agency model, we clarify how this intangible factor interacts with financial wealth within the behavioural agency model and shapes the tension between them. With a better understanding of socioemotional wealth, entrepreneurs are likely to be better positioned to manage or regulate this emotion when making decisions about exiting their ventures. Thus, we extend the socioemotional wealth construct from the traditional family business literature to the founder-CEO research in the behavioural agency model.

Finally, this study also offers a new understanding of the post-IPO dynamics in emerging markets by providing evidence about 'the extent to which CEO retained equity influences post-IPO risk taking' (Certo, Holcomb, and Holmes Jr 2009, 1357). The literature on the exit strategy of entrepreneurial firms suggests that the reasons for the founders leaving when the firm reaches maturity include the desire to harvest their investment and the need for liquidity (DeTienne 2010; Ding, Nowak, and Zhang 2010).

Choosing Chinese IPOs provides an appropriate context for using the CEOs' exit to understand the risk aversion of their founders. In such a setting we can more easily control the founders' exposure to financial and firm risk by observing their exit decisions rather than changing the firms' strategic risk or reducing the equity holdings. As Tsui (2007) explained, 'deep contextualization' of the specific empirical context can lead to precision in theorization and enrich the discussion on the implications of the findings. Chinese culture is particularly risk averse. After an IPO, Chinese founder-CEOs tend to exhibit more loss aversion as they rush to cash out. Part of their decision is based on culture, part of it is based on the uncertainty of the market conditions and part of it is based on the underdeveloped mechanisms controlling their exits and cash outs.

## Limitations and future research

First, the study would benefit from more longitudinal observations and variables. Expanding the time periods either in China or in other markets with similar regulations would allow such a longitudinal study. Although we stated the reasons why we terminated our sample collection in 2009, it would still be useful to examine the relationship between policy changes and the choice of cashing out after 2009. Second, future studies could also compare the culture and institutions of China and other developing and developed countries. Cross-national studies would offer more insights into the behavioural agency model, socioemotional wealth, and entrepreneurial exit in other countries and expand the research context. Third, future studies may also incorporate the

behavioural measures of each founder-CEO's expectations of or aspiration for the firm's performance as well as their job performance. The data about each founder-CEO's own assessment of these performance measures might provide interesting insights into whether and how these assessments about perceived performance interact with their perceptions about gains and losses to shape their intentions of leaving. Fourth, future research would also benefit from more information on the institutionalization process of the market. While the age of the stock market can reflect its maturity, the finely grained measures of the founder's external social capital amassed by engaging with various market participants in a new market may advance our understanding of the effects of different facets of external social capital on the founder-CEOs' socioemotional wealth and risk perceptions.

## Notes

1. 'The home run for the CEO is to take the company public, so just achieving the IPO is the incentive.' Joe Chan, partner at Mindworks Ventures. CEOs are starting to bank billion-dollar bonuses with IPOs (<https://www.bloomberg.com/news/articles/2018-07-23/china-ceos-start-to-get-1-billion-ipo-bonuses-to-go-public>).
2. <http://www.chinanews.com/stock/2010/10-26/2611487.shtml>[http://finance.ce.cn/rolling/201108/26/t20110826\\_16627631.shtml](http://finance.ce.cn/rolling/201108/26/t20110826_16627631.shtml)<https://finance.qq.com/a/20111123/001376.htm>
3. The results can be obtained upon request.

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## Disclosure statement

No potential conflict of interest was reported by the authors.

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