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Kashefi Pour, Eilnaz

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Author: Eilnaz Kashefi Pour

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Title: IPO Survival and CEOs' Decision-Making Power: The Evidence of China

Order of Authors: Eilnaz Kashefi Pour, Ph.D.

University of Birmingham
Accounting and Finance
Edgbaston Park Road
Birmingham
United Kingdom
Phone: +4401214144882
E-mail: e.kashefipour@bham.ac.uk

Abstract: This research examines the impact of a CEO's (Chief Executive Officer) decision-making power on a firm's survival after an initial public offering (IPO), using data from the period 2001 to 2011 in China. Following the CEO literature which argues that CEO traits are related to a firm's performance, I find that the CEO who has power over the board as a consequence of her/his status as a founder decreases the probability of delisting, whereas her/his status as the board's sole insider and concentration of the title in the hands of the CEO increases the likelihood of delisting. Moreover, the results suggests that firms with higher CEO ownership power, older, more industry experience, and highly educated CEOs, and with those who have the same nationality as the company, are more likely to survive after taking IPOs, but that firms with CEOs who also chair their boards are less likely to survive. The results also show that firms with powerful CEOs generate negative announcement date excess returns.

Keywords: CEO; IPO; Survival rate, Delisting; China Stock Exchange

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IPO Survival and CEOs' Decision-Making Power: The Evidence of China

1. Introduction

Top management power studies have been conducted in a variety of contexts (Finkelstein, 1992; Haleblian and Finkelstein, 1993). Empirical work on the association between top management power and firm performance is not abundant, even though there are some US evidences to support that they are related (Finkelstein, 1992; Haleblian and Finkelstein, 1993; Daily and Johnson, 1997; Kroll and Le, 2007).[1] Given the prevailing Chief Executive Officers (CEOs) role in new firm survival (Andrews and Welbourne, 2000), Certo et al. (2003) and Lester et al. (2006) suggest that CEO ownership power increases firms' market valuation when they undertake their IPOs. In this study, the impact of decision-making power of CEOs on Chinese IPOs is examined with a unique hand-collected data. The People's Republic of China is the largest developing and transitional economy in the world and is likely to become one of the largest economies in the world in the future. Therefore, improved knowledge about Chinese firms has massive practical implications for Western firms that have to compete or collaborate with them (e.g., Beamish, 1993; Child and Tse, 2001).

Traditional state-owned enterprises in China did not have board of directors and CEOs were directly appointed and supervised by the government, but the new privatised form of companies are required to have boards and appoint their CEOs. Eventually, as of 2001, all listed companies were legally required to introduce outside directors (Peng et al., 2007). The existing institutional environment in China, in terms of adding outside directors and absence of management monitoring, raise the agency cost of equity, resulting in a conflict between shareholders and managers (Berkman et al., 2012). This provides a suitable environment to test the impact of CEOs' decision-making power on IPOs' survival.

Previous empirical studies relatively use four sources of power identified by Finkelstein (1992); structural power, ownership power, expert power, and prestige power. However, the impact of CEOs' power has not been fully incorporated into research on the post-IPO period. Bach and Smith (2007) use the four mentioned dimensions of power on the post-IPO survival in high technology industries in the US. They find that CEOs' prestige, expert, and equity ownership power are positively related to the post-IPO performance. However, in some

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[1] For example, Haleblian and Finkelstein (1993) find that firms with large top management teams perform better in a turbulent environment. In a relative recent study, Kroll and Le (2007) investigate the impact of top management team ownership structures on the post-initial public offering (post-IPO) performance, suggesting a positive relationship between ownership structure and holing period returns.

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firms, the CEO makes all the key decisions, whereas, in other firms, top executives are involved in all major decisions (Adams et al., 2005). In either case, executive characteristics could influence firms' performance and hence how much diction-making power is concentrated in the hands of the executives is crucial. Pfeffer (1977; 138) suggests that "in order to demonstrate and influence, most definitions of power include the idea of overcoming resistance". Therefore, in this study, those CEOs who can consistently influence key decisions in their firms are viewed as powerful. In particular, the focus of this paper, unlike previous studies, is on the extent to which CEOs can influence the most relevant decisions which will affect firms' survival or failure in the post-IPO period.

This study is designed to contribute to the literature in two main areas; first, I elucidate the effect of CEOs' power in the sense that how their ability to influence decisions will affect firms' post-IPO survival; second, the CEO power is examined in China, a collectivist society different form the more individualist Western context of previous studies. Although the majority of the IPO and CEO research is based on developed countries, mainly the US and UK, it provides a bridge to expansion of research within non-Western context, notably in a collectivist context like China.[2] In such societies, a person acts according to the interest of the group, sharing their interests. In particular, self-effacement in the interest of the group is a normal expectation. In contrast, individualism societies emphasise on self-interest needs and managers stress leadership (Hofstede, 2001). Therefore, it is important to test the role of CEO power on the delisting decision while it is expected that firms are more likely to survive in collectivism cultures.

The sample comprises delisted companies between 2001 and 2011which are matched with remained public companies based on their size, time of the IPO, industry, and state ownership status. Failure is defined as the delisting of a company from the stock exchange for

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[2] The Shanghai Stock Exchange (SHSE) was launched in 1990, followed by the Shenzhen Stock Exchange (SZSE) in 1991. China has a unique structure of initial listing offerings, whereby all new issues were implemented through "share allotment" to the existing shareholders at a price below the market price. However, this constraint was relaxed in 2000, giving companies an opportunity to issue new shares through both share allotment and public offerings, subject to their return on total assets exceeding 30% over the last three years before undertaking an IPO (Chen, 2004). The admission requirement on the Shanghai Stock Exchange (SHSE) is similar to those requirements on the Main market (UK) and NASDAQ (US). As with NASDAQ and the UK Main market, the firms who are willing to take IPOs in China must be approved by the corresponding market regulatory authority, namely the China Securities Regulatory Commission (CSRC, CSRC intends to provide more transparency and market information when a company intends to delist from the market). Both SHSE and Main market require at least 25% shares in public hands, while NASDAQ has no minimum requirements on public float. In addition, the SHSE, like NASDAQ and the UK Main market, requires trading records and minimum market capitalisation (see Table A1 in the Appendix A which summarises the admission requirements on NASDAQ, the UK Main market, and the Shanghai Stock Exchange (SHSE). Overall, the explicit admission requirements stipulated by the SHSE are as stringent as those of NASDAQ and the UK Main market.

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negative reasons. I do not identify the various reasons for delisting, since the results show that only 70 companies have delisted from both markets in China.

The results show that, at the IPO date, CEOs are less likely to be one of their companies' founders, do not have strong ownership power in delisted firms, and more likely to be their boards' sole insider. CEOs in delisted firms are younger and less educated than their matched counterparts. The results suggest that delisted firms have significantly higher leverage and lower growth opportunities than the controls, suggesting that these firms are likely to have come to the market to rebalance their capital structure, but that, during their public life, they failed to raise additional capital and to create growth options. Compared to survivors, delisted firms are smaller, with a higher level of information asymmetry effects. However, under-pricing and debt maturity are not likely to vary as between survivors and non-survivors.

Survival rates of IPOs using the Kaplan-Meier method are estimated. The results show that a profile of CEO characteristics enhances firms' performance. In particular, CEOs' status as a founder has a significant positive effect on survival. These findings highlight the significant role played by CEOs. In order to investigate the impact of variables on the time of failure, the Cox Proportional Hazard model is used which shows that firms with powerful CEOs have a lower hazard rate of failure. The hazard rate of delisting decreases with the CEO's status as a founder but increases with her/his status as the board's sole insider and formal titles. The results suggest that of the three measures of CEO power that are used in this study, the CEO's status as a founder seems to have the most positive and robust effect on IPOs' survival. These results in China are inconsistent with Adams et al. (2005) who find that CEO power is positively associated with stock-return variability for the sample of US firms.

The results also show that younger, inexperienced CEOs, less educated CEOs, and those with a nationality other than that of the company, have a greater hazard rate of delisting. These results are consistent with Smith and Oakley (1997) and Weeks et al. (1999) who argue that experienced managers display higher ethical judgment. Therefore, experienced CEOs are better able to attract new investors, and thus positively affect the company's performance. The results for control variables show that companies with lower growth opportunities, higher leverage and intangible assets have a greater hazard rate of delisting. Moreover, the logit model is used to investigate the determinants of delisting, using the data at the time of IPO, including firms' characteristics and CEOs' traits. The results are relatively similar with the Cox Proportional Hazard model.

Finally, the market reaction in investigated to the delisting announcement. Using the standard event study methodology, with the coefficients   and   computed over the -270, -21 days relative to the delisting date, the findings show that, over the event period [0, 1], firms

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who delist experience cumulative abnormal returns (CARs) of -6.17%, in line with the • 9% and • 12% reported by US studies of Leuz et al. (2008) and Marosi and Massoud (2007), respectively. In particular, the results show that firms that firms with founder-CEOs experience significantly lowest excess returns.

The rest of the paper is structured as follows. Section 2 discusses the literature and defines the hypotheses. Section 3 presents the data and methodology. Section 4 discusses the empirical results. Implications and conclusions are provided in Section 5.

2. Theories and Hypotheses

2.1 Theories

The principal literature on IPO finds that post-IPO firms hold a higher failure risk as compared to established firms (e.g., Jain and Kini, 1999; Zenue, 1993). For example, Jain and Kini (1999) find that 69% of US IPO firms during 1977-1990 survived. Kashefi Pour and Lasfer (2013) and Espenlaub et al. (2012) investigate small IPO firms listed on the Alternative Investment Market (AIM). Kashefi Pour and Lasfer (2013) suggest that firms delist voluntarily from AIM when their leverage is relatively high, partly because they were unable to raise equity, their growth opportunities and profitability are low, and they generate negative returns during their quotation period. Espenlaub et al. (2012) suggest that Nomad (nominated advisor in AIM) reputation has a significant impact on IPO survival. They find that impact of Nomad on survival times is positive and statistically and economically significant. In particular, IPOs backed by reputable Nomads survive longer. Previous studies mainly investigate the impact on IPO performance of key factors such as firm size, growth, leverage, and underwriter prestige.

A small number of studies focus on management characteristics. Welbourne and Andrews (1996) suggest that firms who regard their employees as main assets are more likely to survive for over 5 years. In another study, Wilbon (2002) finds a positive relationship between the technological experience of top managers and IPO survival. As Daily and Johnson (1997: 103) have argued, "choices that a CEO makes may ultimately determine the success of the firm". One of the chief managerial characteristics, power, has been addressed as an intervening factor which can affect strategic decisions (Pfeffer and Salanick, 1978). The power gives the executive a sense of direction "which helps him to make difficult day-to-day decisions and reduces uncertainty" (Bourgeois and Brodwin, 1984: 244). Consistently, Certo et al. (2003) find that CEOs' power enhances investor valuations. However, they mainly

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investigate ownership power, suggesting that CEOs with higher equity ownership stakes tend to avoid risk to promote firms' growth.

Previous empirical studies use different dimensions of executives' power. For example, CEOs' power in the form of greater equity ownership is consistent with the agency theory of Jensen and Mackling (1976). A CEO's stronger ownership power may impact on risk-taking behaviour; since the stock's performance affects the CEO's wealth as the CEO's equity ownership increases, the CEO has a greater incentive to enhance the firm's growth and returns through his or her strategic decisions, and will attempt to reduce the firm's risks in order to become wealthier (Sanders, 2001; Wright et al., 2002). Wright et al. (2002), too, argue that the CEO's wealth attenuates his/her risk-taking incentives, making the CEO more risk-averse. Hence, the risk aversion associated with CEOs' equity ownership has important implications in the IPO context, as higher equity ownership will assure investors that executives are operating in their best interests (Beatty and Zajac, 1994). Overall, the CEO's decision is more likely to be aligned with shareholders' interest when the CEO has a higher equity ownership stake. In accordance with the agency theory of Jensen and Mackling (1976), CEOs with higher ownership structure are more likely to act in line with shareholders' interests, maximizing the shareholders' value by engaging in less risky behaviour, so that their firms are more likely to survive in the post-IPO period. The positive impact of ownership power is also in line with stewardship theory (Donaldson 1990), suggesting that be CEOs with greater ownership power want to be good stewards of the corporate assets.

2.2 Hypotheses

Although there are several definitions of power in organisations, according to Pfeffer (1977: 138), "in order to demonstrate influence and control, most definitions of power include the idea of overcoming resistance". Consequently, following Adam et al. (2005), I consider powerful CEOs as those who can consistently influence key decisions in their firms. Unlike previous studies, in this study, the CEO power refers to whether other individuals at the top of the managerial hierarchy do participate in decision-making with CEOs. Therefore, the structural power in the sense that how much decision-making power is centralised in hands of CEOs is the focus of this study. In particular, I aim to investigate the impact of power the CEO has over the board and other top executives as a consequence of her/his formal position, status, and title on the firm's survival. This study tests this hypothesis in China, where privatisation of many state-owned enterprises has been advancing significantly,

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providing a suitable economic environment in which to test the agency conflict, referring to a clear separation of interests between managers and owners which can destroy the shareholders' value (Jensen and Mackling, 1976), as well as the stewardship theory, which suggests that executive managers essentially want to do a good job and to be a good steward of the corporate assets (Donaldson and Davis, 1991).

The authority allows the CEO to control uncertainty by managing the behaviour of subordinates. For example, Hambrick (1981) argues that the formal position of the CEO in the organization may affect the ability of the executive to influence board members' actions. Moreover, the literature suggests that the CEO's structural power increases with her/his titles (Finkelstein, 1992; Hambrick, 1981). Brockmann et al. (2004) find that powerful CEOs with dual titles have higher incentives to conduct firms through bankruptcy to survival. And in the event of bankruptcy, a powerful CEO is more likely to minimize the time required for the firm to return to an appropriate level of performance. When a firm is fighting for its survival, executives may need to take decisive action to save it. A powerful CEO can generate significant decisions during the survival struggle. CEOs with strong decision power manage organizational changes and settings to enhance firms' survival, supporting the stewardship theory. The executive manager, under this theory, essentially wants to do a good job and to be a good steward of the corporate assets. Thus, stewardship theory holds that there is no inner motivation among executives, and hence, in the presence of uncertainty, CEOs with greater structural power are able to make internal decisions without being second-guessed by board members (Brockmann et al., 2004), and thus can navigate firms quickly through their standard performance. Therefore, my first hypothesis is:

H1: In line with the stewardship theory, the higher the CEO's power to influence key decisions consistently, the more likely the firm is to survive.

However, the interpretation of CEOs' power regarding the firm's survival differs from the agency theory's perception, which tends to view a CEO with a greater decision-making power as a sign that the corresponding firm is not run in the interest of minority shareholders. For example, Finkelstein and D'Aveni (1994) suggest that the CEO who also acts as chair of the board follows personal preferences in a relatively unconstrained manner, and hence is more likely to guide the firm in risky directions. In a recent empirical study, Li and Tang (2010) find that the CEO is more likely to make risky decisions when he or she has also chaired the board. Accordingly, when a CEO has power over the board are likely to select directors who do not challenge the CEO's decision, hence the board is likely to lack independence and vigilance, leading to more agency problems and, ultimately, poor firm

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performance (Pi and Timme, 1993; Rechner and Dalton, 1991). Moreover, although Finkelstein (1992) and Donaldson and Lorsch (1983) argue that CEOs who are also founders are more influential in decisions, the empirical study of Li and Tang (2010) finds that founder-CEOs are more likely to take risks. Therefore, the second hypothesis is:

H2: In line with the agency theory, the higher the CEO's power to influence key decisions consistently, the less likely the firm is to survive.

3. Data and Methodology

3.1 Sample

I first collect all companies that undertake an IPO between 2001 and 2011 from *Zephyr* database.[3] Financial companies are excluded because of their specific characteristics. Then, the IPOs are tracked until 31 December 2011 to determine whether they were delisted or not. The result shows that 70 companies delisted due to negative reasons. I also screen the delisted sample in *DataStream* to verify that these delisted firms are no longer listed. Figure 1 shows the number of listed in China stock exchange during the sample period from 2001 to 2011. The results show that despite an increase in number of newly listed companies in China, the number of delisted firms increased slightly since 2007. Table 1, Column 2 shows the year in which companies went public. Colum 3 presents the year in which the companies delisted. The table indicates that there is an increase in the number of delisted firms since 2007 and the majority of delisted firms are issued in 2001 and 2003.

[Insert Table 1 and Figure 1here]

Thomson One Banker database is used to collect data on state-owned companies. I could only identify state-owned companies without finding the data on the percentage of total shares held by the state. As, the focus of this study is to investigate the impact of CEO power on IPO survival, in order to control for the further impact of state ownership, industry, and size, the delisted companies are matched with survived companies based on firms' state-ownership status as well the time of the IPO, size, and industry, having 140 firms (70 delisted companies and 70 matched survived companies) in the final sample.

The data on Chief Executive Officers (CEOs) collected form *Oribis* Database, which provides each director's name, position (past and current), age, nationality, and degree. In

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[3] Since 2001, Chinese companies are relaxed to issue new shares through public offerings in stock markets and all listed companies were legally required to introduce outside directors (see Peng et al., 2007), hence 2001 is appointed as a starting time of my database.

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addition, a biography of the CEO is provided in this database as well as in *Thomson One Banker* Database, from which I manually collect the missing data on CEO characteristics. I also use *Thomson One Banker* Database to collect the accounting data on balance sheets and income statements during the sample period from 2001 to 2011. The stock market data, including daily stock prices and indices to compute the stock returns, market capitalization, and market-to-book ratio are collected from *DataStream.* In order to find the market and accounting data at the time of IPO, *Oribis* Database is used which provides some data on IPOs. I complement any missing information by downloading prospectuses from *Perfect Filings* database to hand-collect all data at the time of IPO including total debt, total assets, and market capitalisation. However, the access to data in prospectuses is limited as financial statements of this study are mainly in Chinese.

3.2 Variables

3.2.1 Dependent Variable

IPOs' failure: The dependent variable in this study is a firm's failure in the post-IPO period. Two methods (Logit and Cox proportional Hazard models) are used to test the firm's failure.[4] In the logit model, the dependent variable is the dummy variable equal to 1 if the firm delisted during the sample period and 0 otherwise. In the Cox Proportional Hazard model, the time from the IPO to delisting is the dependent variable.

3.2.2 Independent Variables

In this study, powerful CEOs are viewed as those who can consistently influence major decisions in their firms, and hence need to measure how much decision-making is concentrated in the hand of CEOs. Following Adams et al. (2005), three variables (founder, only-insider, title) are defined to measure CEOs' decision-making power.

Founder: is a dummy variable that indicates whether the CEO is also one of the company's founders. Consistent with Donaldson and Lorsch (1983), Adams et al. (2005), I expect that CEOs who are also founders to be more influential on decision-making process. Nelson (2003) supports the evidence that a founder-CEO at the time of an IPO increases firms' valuations as well as greater retained ownership by the CEO. He argues that personal investment of money, energy, and time that a founder expends to lead the firm to undertake an IPO will commit him/her in the transition period. Consistently, Fischer and Pollock (2004) argue that a founder-CEO may have more ability to lead a firm though its transformational

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[4] The models will be discussed in the methodology section in more details.

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period as the founder status reduces the conflict within the firm, and thus the agency costs may be lower for firms with funder-CEOs. Accordingly, I expect that a founder-CEO at the time of IPO is more influential on decision-making process, and hence will increase the probability of survival.

Only-insider: is a dummy variable that indicates whether the CEO is the only insider on the board. Adams et al. (2005) argue that CEOs in firms with more than one inside manager on the board have less influence power. Accordingly, the CEO who is the only insider on the board is more likely to participate in top decision-making, and hence, in line with stewardship theory, the firm is more likely to survive. However, this interpretation differs from the agency theory's perspective, which tends to view the CEO as only insider on the board as a sign that the corresponding firm is not run in line with minority shareholders' interest and hence the firm is more likely to fail.

Title: is a dummy variable equal to one either if the CEO holds both the titles of chairman and president or if the CEO is the chairman and no president or chief operating officer (COO) exists (see Adams et al., 2005). For example, if the CEO is not the chairman of the board, in line with Adams et al. (2005), I expect him to have less influence over decisions, and hence, in line with stewardship theory, the firm is less likely to survive. While in line with the agency conflict, in firms with CEOs who accumulate both the titles of chairman and president, the interests of the owners will be sacrificed to a degree in favour of management causing managerial opportunism and agency costs, and hence those firms are more likely to fail.

3.2.3 Control Variables

For this study, I control for achievable CEOs' characteristics including power measures identified by Finkelstein (1992).[5]

Ownership power: consistently with the agency conflict perspective, it is expected that the greater the CEOs' equity ownership, the less likely firms are to suffer from the agency conflict between managers and shareholders. The CEO ownership power is measured as the percentage of shares outstanding that the CEO has at the time of the IPO.

Expert power: Finkelstein (1992) argue that CEOs with a higher expert power are more likely to manoeuvre through uncertainties. Previous studies use industry experience as a device of expertise to manage external uncertainties (e.g., Pitcher and Smith, 2001; Bach and Smith, 2007). Therefore, it is expected that the greater the CEO industry experience at IPO,

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[5] Finkelstein (1992) argue that a CEO who graduated from a prestigious institutional has access to critical information by interacting within a top school network. However, I did not control for this dimension of power as I could not get access to the well-accepted list of institutions in China.

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the higher the likelihood of post-IPO survival. The CEO expert power is measured as a dummy variable equal to one if the CEO has worked in the same industry before joining to the firm.

Gender: the literature (Okleshen and Hoyt, 1996; Mason and Mudrack, 1996; Cole and Smith, 1996) refers to gender differences suggesting that females are likely to act more ethically than males. Mason and Mudrack (1996) find that women are less likely to lie to their co-workers to protect the company when they surveyed 308 individuals including 121 women. They results suggest gender differences in ethical orientation as women are more ethical than men who are more likely to violate ethical norms. Therefore, it is expected that companies which are managed by females are more likely to survive as they act in line with the norms than male managers. Accordingly, CEO gender is controlled by including a dummy variable 1 if the gender is female and 0 otherwise.

Age: the age of CEO is reported to be important in the firm's performance. Serwinek (1999) finds that older individuals are more conservative in their attitudes, as they do not avail themselves of company material for their personal use and/or take extra personal time at work. He argues that older individuals have been fitted longer to the set of norms in companies which affect their survivability. In the survey of 252 managers, Deshpande (1997) finds that younger managers divulge confidential information and conceal others' errors, and hence tend to be less conservative. Following previous studies, CEO age is included to examine its impact on the survival of IPOs.

Education: Bertrand and Schoar (2003) find that CEOs who have an MBA degree are associated with Return on Assets levels on the order of 1% higher than for non-MBA graduates. Therefore, it is expected that firms that have CEOs with postgraduate degrees have better performance, and, hence are more likely to survive. CEOs' education is controlled by using the dummy variable of 1 if the CEO has postgraduate education or above and 0 otherwise.

Nationality: with respect to nationality, the results are mixed; however, most studies are not comparable with one another, as each study examines different nations. For example, among US studies, in contrast to Cherry et al. (2003), who find that US participants act more ethically, Volkema and Fleury (2002) suggest that US respondents do not make better ethical decisions. Regarding China, Wimalasiri et al. (1996) do not find any significant differences in ethical decision-making between Chinese and non-Chinese groups. These findings indicate that nationality appears to affect behavioural intentions. However, the extent to which this is

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so is not consistent. For this purpose, nationality in controlled to investigate its impact on IPOs.

Firms' characteristics: the IPO literature suggests several benefits of listing on a stock exchange, including relaxed borrowing constraints, greater liquidity, greater bargaining power with banks, and recognition of investors (e.g., Ritter, 1987 and Pagano et al., 1998). Following previous studies that show that firms decide to go public to rebalance their capital structure and/or to access the stock market to finance their investment (e.g., Pagano et al., 1998; Bharath and Dittmar, 2006), I include leverage, debt maturity, and growth opportunities, measured the capital expenditure ratio to test further hypotheses.

Getting access to public markets and enhanced transparency enables firms to have a greater bargaining power with banks resulting in lower borrowing constraints and diversification of sources of finance (Pagano *et al.*, 1998; Bharath and Dittmar, 2006). In addition, high growth companies are also likely to benefit from listing on a market as they will overcome their financial constrains by getting access to low-cost external financing (e.g. Pagano et al., 1998; Bharath and Dittmar, 2006). Recent empirical studies by Bharath and Dittmar (2006), Marosi and Massoud (2007), and Aslan and Kumar (2011) find that firms with high growth opportunities prefer to stay in the market to raise further capital. However, survey evidence is mixed, as Bancel and Mittoo (2008) show that CFOs of European firms consider the financing growth opportunities to be a significant determinant of the going-public decision, unlike Brau and Fawcett (2006) for US firms. It is expected that low growth firms with high leverage are more likely to delist.

When a company is publicly traded, investors are less informed than insiders about the true value of firms resulting in the adverse selection problem. This problem inversely affects firms' quality as well as their share prices. Therefore, firms with asymmetric information are more likely to delist to avoid the cost of adverse selection (Bharath and Dittmar, 2010). Empirical studies use size and the proportion of intangible assets over total assets as proxies for the adverse selection problem, but the evidence is mixed. Pagano et al. (1998) and Bharath and Dittmar (2010) provide support for this hypothesis, but Marosi and Massoud (2007) find that the estimated coefficients for intangible asset ratios are insignificant, implying that information asymmetry is not a factor in the delisting decision. To control for the asymmetric information, I use the ratio of intangible assets to total assets, expecting that firms with higher intangible assets are more likely to delist.

Using Canadian data Bradley et al. (2006) show that penny stock IPOs (those that are not listed on a national exchange with an offer price below $5) generate higher initial returns but

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worst long-run underperformance than ordinary IPOs. Carpentier and Suret (2011) find that non-surviving companies as those delisted by the exchange, by reserve takeovers, and by company request are less likely to be backed by venture capitalists (VC), but the impact of VC on the failure risk is not significant, and the probability of survival is significantly affected by the initial listing requirements, such as prestigious underwriters and audit firms. Accordingly, VC and prestigious underwriters are controlled. All independent variables are discussed in Table 2.

[Insert Table 2 here]

3.3 Methods

I first start with the length of time that a company survives. In contrast to liner regression, survival analysis uses non-normal distributions using both censored and non-censored observations. In this study, IPOs are censored if they have not delisted by end of the study period (31 December 2011). Survivors are defined as companies that trade on both stock exchanges (the Shanghai Stock Exchange and Shenzhen Stock Exchange) in China. Non-survivors are those companies that delist due to negative reasons. The survival rates of IPOs are estimated by the Kaplan-Meire method as following (see Kleinbaum 1996):

$$S(t_j) = \Pi_{i=1}^{j} \left[\right. \tag{1}$$

The Kaplan-Meier procedure is a method of estimating time-to-event models in the presence of censored cases where $S(t_j)$ is the estimated survival function in month t_j, n_i is the number of IPOs that are listed and participating in the study at the start month t_j, d_i is the number of delisted IPOs during month t_j, and   is equal to one if there is a failure and zero otherwise.

Then, the Cox's Proportional hazard model is used to investigate the factors that affect the duration it takes to delist. Following Bharath and Dittmar (2010), the model is:

h (t, X (t)) = h (t,0) exp(B X(t)) (2)

Where is $h(t, X(t))$ is the hazard rate at time t for a firm with covariates X(t). The hazard ratio (exp (B)) indicates the change in the hazard for a unit increase in the independent variable. However, for continuous explanatory variables, the hazard ratio measures the marginal effect of a unit increase in the independent variable. For discrete explanatory variables, the hazard ratio indicates the marginal effect when the event occurs. The hazard ratio greater than one means that the reference category (here 1: delisted companies) has a

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shorter time to event and otherwise. If the hazard ratio is equal to one, it indicates that there is no difference between the two groups.

In addition, the logit model is applied to predict the factors that affect the delisting decision as a robustness check. The dependent variable is binary, one if the company is delisted and zero otherwise. Finally, by using the standard event study methodology, the market reaction to the delisting announcement is accessed. I hand-collect delisting announcements. The market model coefficients   and   are computed over the estimation period which spans -270 to -21 days relative to the announcement date. The Shanghai and Shenzhen indexes, as proxies for market returns, are used to compute abnormal earnings for companies listed on the Shanghai Stock and Shenzhen Stock Exchange, respectively.

4. Results and Discussion

4.1 IPO Survival Rates

Table 3 shows the survival rates of the sample for one, three, and four years after the IPO. The table shows survival times considering issue years between 2001 and 2011, indicating that a variation depends on the year of issue, with one-year survival rate ranging from 0 to 100 percent. The results for all sample show that the survival rate decreases to 50 percent for issues during the financial crisis in 2008. The financial crisis of 2008-2009 is also associated with the lowest survival rates two years after IPOs (35 percent). However, the survival rate could not be estimated for four years after the IPO when the issue year is 2008 and afterwards, as there are no observations. The log rank test reported in Table 3, Panel A, shows that these year differences are statistically significant, as the test with a value of 41.40 rejects the null hypothesis of equality survival rates across the issue year of IPOs.

Table 3, Panel B, breaks down the figures by CEOs' power. Three measures are used for powerful CEOs; the dummy variables equal to one if the CEO is also a founder, the only insider on the board, and holds either both titles of president and chairman or if the CEO is the chairman and no president or COO exists. The results show greater survival rates for IPOs with founder-CEOs. For example, the survival rate for IPOs with founder-CEOs is 78 percent for two years after the IPO, compared to 55 percent for IPOs without founder-CEOs in Panel C. Overall, one-year survival rates for CEOs who are also founders are 79 percent compared to 66 percent for non-founder CEOs. The differences are consistent for the two- and four-year survival rates. Log rank test gives differences between the two subsamples as statistically significant, which rejects the null hypothesis of equal survival rates across issue years for IPOs with founder-CEOs and non-powerful CEOs. The results for other two measures of

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CEOs' power are different, suggesting that CEOs' concentration of titles and their status on their boards do not play positive roles on increasing the survival rate. In particular, in Panel B, CEOs' concentration of titles decreases significantly IPOs' survival rates. Moreover, firms with CEOs who are not the only insider on their board (Panel C) have relatively similar survival rates with those firms with CEOs who are the only insider on their board (Panel B).

[Insert Table 3 here]

4.2 Univariate Analysis

Table 4 provides the characteristics at the time of IPOs for surviving companies who remain listed until the end of the study period, and non-surviving companies who delisted for negative reasons. The results indicate that survivors differ from non-survivors in regard to CEO traits. The results for variables which measure the CEO's power show that, while, survived companies are more likely to have founder-CEOs than delisted companies, they have more than one inside manager on their board. The concentration on titles in the hands of the CEO (*Title*) is not statistically significant between survived and delisted companies. The results for other CEO control variables show that the average age of CEOs is about 58 years compared to 43 years for non-survivors, suggesting that the CEOs of survivors are older, with more industry experience. CEOs of survivors are better educated and have the same nationality as their companies. However, the gender difference between survivors and non-survivors is not statistically significant.

The results for control variables show that non-survivors are over-levered, suggesting that they were less likely to have raised equity capital during their public life, and hence opt out of trading. In line with US evidence (Marosi and Massoud, 2007), my results show that non-surviving firms that went private have higher intangible assets than the control firms, implying a higher probability of asymmetric information on their part. Similarly, delisted firms are likely to be smaller than surviving firms, and since small companies are less likely to be followed by a large number of financial analysts, their information asymmetry is likely to be higher, but under-pricing at IPOs is not significant. Overall, the results suggest that non-surviving companies are likely to have low growth opportunities but high leverage, as well as information asymmetries measured by intangibility, suggesting that their delisting decision is likely to emanate from the relatively higher costs over benefits of listing.

[Insert Table 4 here]

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4.3 Cox Results

Table 5 presents the results of the hazard model for delisted firms including the hazard ratios. I measure the decision-making power of the CEO by finding if the CEO is also one of the firm's founders (*Founder*), the status of the CEO on the board as if s/he is the only insider on the board (*only-insider*), and title of the CEO as if s/he holds either both titles of chairman and president (*Title*) or s/he is the chairman and no president or COO exists. Column 2 of Table 5 includes only the CEO traits but column 4 controls for firms' characteristics in addition to CEO traits. The results are consistent across two models (1) and (2).

The results for founder-CEOs are in line with the hypothesis (1) as CEOs who are also one of their founders enhance the post-IPO performance and hence they have lower hazard rates of delisting. The results are not in line with Adams et al. (2005) who find that firms with founder-CEOs have more stock return variability and Li and Tang (2010) who find that founder-CEOs are more likely to take risks. The hazard rate of the delisting decreases about 0.42 in Model (1) and 0.64 in Model 2, for a unit increase in the founder-CEO coefficient. One possible interpretation of this finding is that, in a strong collectivist society (like China), managers and shareholders enjoy less independent action of the individual and individual freedom, tend to reduce corporate risk-taking activities (Griffint et al., 2010). By contrast, individualist societies have greater incentives to achieve their personal and private benefits. Moreover, managers in high collectivism societies choose duty, expertness and prestige as their life goals as opposed to managers in high individualism cultures who choose pleasure, affection, and security and act for private goals (Hofstede, 2001).

The results for other variables, *only-insider and Title*, support my second hypothesis, suggesting that the probability of delisting is higher when the CEO is the only insider on the board and the concentration of titles is in the hand of the CEO. The results indicate that the impact of power of the CEO has over the board and other top executives as a consequence of his title increases the agency conflict in the sense that the firm is not run in line with the interest of minority shareholders and hence is less likely to survive, supporting the findings of Li and Tang (2010), who show that duality affects firms' risk taking behaviour. When a firm's CEO also chairs its board, the board's attitude is relatively unchecked and the CEO has more discretion to drive the firm in risky directions (Finkelstein and D'Aveni, 1994).

Moreover, the result suggests that CEOs with a large ownership stake tend to use firms' resources prudently, and hence they are more willing to adapt strategies to promote long-term firms' performance (Fischer and Pollock, 2004). The hazard rate of the delisting decreases about 0.23 in Model (1) and 0.40 in Model 2, for a unit increase in CEO ownership power.

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The results provide strong support for the age of CEO factor, as firms with older CEOs have a smaller hazard rate of delisting. This finding is in line with those of Harald and Pollock (2004), who suggest that older CEOs have more industry experience, make ethical decisions, and thus can affect company efficiency; however, the results contrast with those of Roozen et al. (2001) and Deshpande (1997), who report a negative relationship to moral decision-making, supporting the claim that younger managers have higher ethical levels. My results show that highly educated CEOs decrease the hazard rate of delisting. Nationality also appears to affect the hazard rate, as Chinese companies with CEOs of the same nationality are more likely to survive and hence have a smaller hazard rate of delisting. In contrast to other CEO traits, gender is not significant. The results for gender are in line with those of Tsalikis and Ortiz-Buonafina (1990), who find that ethical beliefs of males and females are similar, but inconsistent with Ruegger and King (1992), who find that females are more ethical. The results are consistent after controlling for firms' characteristics.

For firms' control variables in Model (2), Table 5 shows that firms have a higher hazard rate of delisting if they have greater leverage and lower growth opportunities, as measured by the capital expenditure ratio. The results also show that firms have a greater hazard rate of delisting if they are smaller with higher intangible assets, supporting the asymmetric information hypothesis. In addition the impact of industry is significant. As Table 5 shows, among control variables, leverage has the highest marginal effect, about 1.98, on the delisting decision, indicating that the hazard rate of delisting increases about 1.98 times for a unit increase in leverage.

[Insert Table 5 here]

4.4 Logit Results

I then estimate the logit regression with the data at the exact time of the IPO, in order to investigate the impact of inherited characteristics of the firm at the IPO, especially the impact of CEOs' power on the probability of failure. The results are reported in Table 6. In contrast to Model (2) which controls for firms' specific characteristics, Model (1) only reports the impact of CEO traits. In Model (2), I could not consider the market-to-book ratio due to data unavailability, but I assess the impact of CEO traits on the probability of delisting after controlling for firm and issue characteristics including leverage, debt maturity, intangibility, VC, underwriters' prestige, and under-pricing. The dependent variable is a dummy set to one if a firm has not survived to the end of the sample period, and zero otherwise.

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In Model (1), the results suggest that IPO survival depends on powerful CEOs in decision makings which are measured by if the CEO is also one of the firm's founders (*Founder*), status of the CEO on the board as if s/he is the only insider on the board (*only-insider*), and title of the CEO as if s/he holds either both titles of chairman and president (*Title*) or s/he is the chairman and no president or COO exists.

The results are relatively similar with those reported in Table 5. Consistent with the hypothesis (1), the result shows that if the CEO is one of the firm's founders at the time of the IPO is more likely to survive, suggesting that personal investment of money, energy, and time that a founder expends to lead the firm to undertake an IPO will commit the CEO in the transition period (Nelson, 2003). In contrast, the results on the coefficients of founder and title are inconsistent with my first hypothesis. The results suggest that when the power the CEO has over the board as a consequence of her/his title (*Title*) and status as the sole insider on the board (*only-insider*) increases the probability of delisting, supporting the agency conflict. In particular, when the board and CEO positions are consolidated, the CEO is more likely to take risky behaviour and hence the firm has higher probability of delisting.

The results also show that an increase in the CEO equity ownership decreases the probability of delisting which suggests that, in line with the agency theory, the CEO with a large ownership stake may have higher incentives to act in line with shareholders' interest increasing the stock price to enhance the firm's performance. The probability of delisting decreases by 0.28 times if CEO ownership power increases by one unit, representing the highest marginal effect among CEO characteristics. Other CEO traits suggest that the age of CEOs is positively related to IPO survival, which is consistent with the literature on managers' experience, as older participants have more experience than younger participants (e.g., Pennings, 1998 and Wilbon, 2002). The results are also consistent with the literature on entrepreneurial firm performance, suggesting that older CEOs are assumed to provide stronger performance, to be more likely to attract new investors, and therefore to have a positive impact on an organisation's efficiency (Cetro et al., 2001).

The results also show that Chinese CEOs reduce the probability of IPO failure, suggesting that Chinese CEOs have a positive impact on IPO survival. Consistently, I find that firms with educated CEOs are more likely to survive. The results are in line with Lester et al. (2006) who find that firm with executives with higher educational prestige are more able to obtain higher valuation. Moreover, highly educated CEOs have higher knowledge of impending legislation or other specific information (Finklestin, 1992). Consistently with my expectation, educated CEOs affect the IPO performance positively. I find mixed results for

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the impact of gender on the probability of failure, the effect being insignificant after controlling for firm characteristics, suggesting that gender does not determine the delisting decision.

Regarding firm characteristics in Model 2, the results provide strong evidence of the impact of leverage on the probability of failure, suggesting that firms with high levels of leverage have greater difficulties in using equity capital which might exceed the costs of listing, and hence are more likely to fail. These results are in line with those of Marosi and Massoud (2007) and Leuz et al. (2008), who find that delisted companies in the US have significantly higher leverage, but inconsistent with Witmer (2006), who does not find any impact of leverage on the voluntary cross-delisting decision. Considering return on assets as a proxy for firms' performance, the result suggests that well-performing firms are less likely to fail. The remaining results show that large companies with lower tangible assets are more likely to survive, supporting the asymmetric information argument, since small companies and those with higher intangible assets have a higher degree of asymmetric information.

Michaely and Shaw (1994) argue that firms with a higher degree of asymmetric information offer their shares at a discount from their true market value, in order to entice less informed investors. They find that firms that under-price less show better future performance and are more likely to issue seasoned equity offerings. In line with these arguments, the results show that under-pricing is negative but insignificant. Similarly, the impact of high-tech industry is positive but insignificant.

Using the logit regression, the results for powerful CEOs are consistent after controlling for firm characteristics, and the reported p-values of the Hosmer and Lemeshow (H.L) test show the goodness-of-fit of the two models, as the null hypothesis is not rejected.

4.5 Market Reaction

Finally, this section tests the impact of delisting announcement on the stock price. To investigate the market reaction, stock prices are collected from the DataStream for the period from December 2000 to October 2012.[6] The results are reported based on event window [0, 1], but the results are close when windows [0, 2] and [0, 5] are used.

Table 7 shows that the excess returns are -6.17% for delisted companies. The result is in line with Liu (2005), who finds that foreign companies that delist from the US stock exchange markets for involuntary reasons experience abnormal returns of -4.5. The results are also consistent with the • 9% and • 12% reported by Leuz et al. (2008) and Marosi and

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[6] The event study methodology for market reaction is discussed in Section 3.3.

Massoud (2007), respectively. Given that the focus of this study is to test the impact of powerful CEOs on the delisting decision, I report the results for the three measures of the CEO decision-making power. The results show that firms with founder-CEOs experience significantly lowest excess returns (-7.58%) compared to the other groups. One possible interpretation of this finding is that firms with founder-CEOs are expected to be those firms with the best performance, and hence the response of investors to the news of delisting is highly negative for those firms.

5. Implications and Conclusions

This paper presents evidence of the impact of CEO's decision-making power on the survivability of IPOs. Recently, the literature has focused on the aftermarket performance of IPOs. However, to the best of my knowledge, there have been no previous studies investigating the impact of decision-making power of CEOs on survivability of IPOs in non-Western context, notably in a collectivist context. In particular, I attempt to focus on the effect of CEOs when decision-making power becomes more centralised in their hands on IPO survival after controlling for other CEOs' traits and firms' characteristics.

For the purpose of this study, non-financial IPOs between 2001 and 2011 are collected, which gives 70 delisted companies. The findings show that of the three measures of CEO decision-power in this study, the impact of the founder-CEO seems to have the most robust effect on the survivability of IPOs, suggesting IPOs are more likely to survive if their CEOs are one of their companies' founders. The result provides evidence to support the stewardship hypothesis as well as suggest that a founder-CEO may have more ability to lead a firm though its transformational period as the founder status reduces the conflict within the firm, and thus the agency costs may be lower for firms with funder-CEOs (Fischer and Pollock, 2004).

In addition, the results of my corporate governance research suggest, in line with the agency theory, that CEO ownership of a firm's stock is effective in aligning management and shareholder interests, as CEOs with large ownership power tend to use internal resources prudently and efficiently, whereas CEOs' power over their board through their titles and positions increases the conflict between managers and shareholders. In particular, when a firm's CEO is the only insider on the board, the CEO is more likely to prioritize her/his personal preferences, which may not be compatible with shareholders' interests.

The results for control variables suggest that, consistent with the literature on CEOs (e.g., Haleblian and Finkelstein, 1993; Cetro et al., 2003; Fischer and Polock, 2004), CEOs of survived companies are older, have more experience, and are of the same nationality as their

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companies. The results show that age and experience of CEOs have a significant impact on survival times. A one-year increase in the age of the CEO decreases the probability of failure by 91 percent, representing the highest impact among all CEO traits. Moreover, the results for firms' characteristics show that smaller companies with higher intangible assets have a higher degree of asymmetric information and thus are more likely to fail. Higher leverage and lower growth opportunities increase the probability of delisting. However, I do not provide any evidence to support the impact of under-pricing, and industry on the hazard rate of delisting. Among firm characteristics in the Cox proportional hazard model, leverage has the highest marginal effect on delisting.

I also investigate the market reaction to delisting announcements, using the market model to compute abnormal returns around the announcement of delisting. The results show that delisted companies with founder-CEOs experience the lowest returns on the announcement date.

This study may suffer from some limitations. Since there are 70 delisted firms, collecting data is relatively restricted. I do not have information related to the post-delisting period and would need those data in order to investigate the impact of the delisting decision on shareholders. Therefore, the extent to which other data will strengthen or alter my results presents a challenge for future research. In addition, further research on corporate governance may be needed to determine the impact of other variables besides CEOs' power on the firm's risk-taking decisions as they may affect its survival. Finally, the role of the supervisory board is not addressed as the most powerful person in a listed company. In practice, supervisory board members are often government bureaucrats, communist party officials, and labour union officers. They are less likely to be kind of individuals with the necessary motivation, expertise, and experience in monitoring and evaluating the board (Peng et al, 2007). Consequently, I do not examine the role of the supervisory board. However, it could be subject to future work.

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Table 1: Time Series Distribution of Delisted Companies

Year	IPO Year	Event Year
2001	10	
2002	6	1
2003	10	1
2004	8	4
2005	5	5
2006	4	5
2007	2	9
2008	6	10
2009	4	9
2010	8	7
2011	7	19
Total	70	70

The second column shows the time series distribution of delisted firms based on their IPO year and the third column of this table presents the number of delisted firms in the sample each year.

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Table 2: Definition of the Proxy Variables

Variables	Description	Sign
CEOs' traits		
Founder	A dummy variable that indicates whether the CEO is also of the company's founders.	-/+
Only-insider	A dummy variable that indicates whether the CEO is the only insider on the board.	-/+
Title	A dummy variable if the CEO holds both the titles of chairman and president or if the CEO is the chairman and no president or chief operating officer (COO) exists	-/+
Ownership power	The percentage of shares outstanding that the CEO has at the time of the IPO	-
Expert power	A dummy variable equal to one if the CEO has worked in the same industry before joining to the firm	-
Age	The CEO age at the time of the IPO (in years)	-
Gender	A dummy variable set to one if a CEO is male and zero otherwise	-
Education	A dummy variable set to one if a CEO has a Master degree or above and zero otherwise	-
Nationality	A dummy variable set to one if a CEO is Chinese and zero otherwise	-
Firms' traits		
Debt maturity	Long-term debt/ Total debt	
Leverage	Total Debt/Total assets	+
Capital expenditure	Capital expenditure/ Total sales	-
Profitability	EBIT/Total assets	+
Intangibility	Intangible Assets/Total assets	+
Under-pricing	1st price day - price offer/ price offer	+
High-tech	A dummy variable set to one if a company operates in high-tech industries and zero otherwise	+
VC backing	A dummy variable set to one for a venture capitalist	-
Underwriter reputation	A dummy indicating whether the underwriter is among the top 20% advisors ranked according to numbers of IPOs	-

This table presents the definition of variables which are used in this study and their expected impact on the dependent variable.

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Table 3: Kaplan-Meier Survival Rates

Panel A			All Sample	
Issue year	Log Rank	1Yr	2Yrs	4Yrs
2001	41.40	1.00	0.75	0.63
2002	0.000	0.91	1.00	0.95
2003		0.96	0.85	0.61
2004		0.95	0.72	0.65
2005		0.85	0.73	0.6
2006		1.00	0.63	0.56
2007		0.97	0.62	0.48
2008		0.52	0.35	.
2009		0.66	0.45	.
2010		0.42	.	.
2011		.	.	.
Total		0.87	0.71	0.57

Panel B					Powerful CEOs							
	Founder				Only-insider				Title			
Issue year	Log Rank	1Yr	2Yrs	4Yrs	Log Rank	1Yr	2Yrs	4Yrs	Log Rank	1Yr	2Yrs	4Yrs
2001	44.10	0.86	0.72	0.6	43.05	0.89	0.57	0.55	39.17	0.77	0.6	0.41
2002	0.000	1.00	1.00	1.00	0.000	0.89	0.65	0.48	0.000	1.00	0.74	0.68
2003		0.92	0.83	0.83		1.00	0.7	0.57		0.87	0.68	0.60
2004		1.00	0.76	0.75		0.94	0.53	0.47		0.91	0.58	0.52
2005		0.94	0.7	0.6		0.57	0.55	0.41		0.67	0.65	0.44
2006		1.00	0.78	0.75		0.84	0.61	0.5		0.72	0.57	0.48
2007		0.66	1.00	0.65		0.45	0.69	45		0.44	0.66	32
2008		0.55	0.45	.		0.39	0.32	.		0.36	0.45	.
2009		0.75	0.30	.		0.35	0.42	.		0.52	0.39	.
2010		0.65	.	.		0.49	.	.		0.35	.	.
2011		.	.	.		.	.	.		.	.	.
Total		0.79	0.78	0.68		0.65	0.52	0.50		0.71	0.52	0.58

Panel C					Non-powerful CEOs							
	Non-Founder				Not only-insider				Without title			
Issue year	Log Rank	1Yr	2Yrs	4Yrs	Log Rank	1Yr	2Yrs	4Yrs	Log Rank	1Yr	2Yrs	4Yrs
2001	34.11	0.57	0.5	0.37	36.02	1.00	0.78	0.58	40.25	0.85	0.72	0.48
2002	0.000	1.00	0.65	0.45	0.000	0.95	0.7	0.47	0.000	1.00	0.65	0.51
2003		1.00	0.73	0.57		0.78	0.65	0.57		0.95	0.68	0.64
2004		0.94	0.55	0.74		0.95	0.65	0.72		0.78	0.65	0.72
2005		0.82	0.60	0.50		0.64	0.58	0.57		0.82	0.69	0.55
2006		0.84	0.69	0.57		0.71	0.62	0.55		0.81	0.70	0.61
2007		0.97	0.59	0.35		0.45	0.59	0.4		0.88	0.54	0.49
2008		0.40	0.45	.		0.38	0.47	.		0.68	0.52	.
2009		0.54	0.41	.		0.45	0.44	.		0.60	0.35	.
2010		0.59	.	.		0.43	.	.		0.54	.	.

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2011		.	.	.		.	.	.		.	.	.
Total		0.66	0.55	0.65		0.61	0.57	0.55		0.74	0.57	0.57

The table shows survival rates using the Kaplan-Meier estimation for one year, two years, and four years after the IPO for the full sample in Panel A. The reported log rank tests shows the statistical differences between the survival rates across issue years, powerful CEOs' (measured as if they are founders, *Founder*, are the only insider on the board directors, *Only-insider*, and CEO holds both the titles of chairman and president or if the CEO is the chairman and no president or chief operating officer (COO) exists, *Title*) in Panel B and non-powerful CEOs measured as if they are non-founders, *Non-Founder*, are not the only insider on the board directors, *Not only-insider*, and CEO does not hold both the titles of chairman and president or if the CEO is not the chairman and president or chief operating officer (COO) exists, *Without title*) in Panel C.

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Table 4: Univariate Analysis

	Non- Survivor IPOs		Survivor IPOs		Equality of Means	Equality of Medians
Variable	Mean	Median	Mean	Median	t-test	MW test
CEO Power						
Founder	0.15	0.00	0.27	1.00	-2.89***	
Only-insider	0.18	1.00	0.10	1.00	3.58***	
Title	0.42	0.00	0.40	0.00	1.05	
CEO Control Variables						
Ownership power	0.28	0.10	0.45	0.22	-2.02**	2.24**
Expert power	0.10	0.00	0.21	0.00	-1.99**	
Age	43.52	40.00	58.03	62.00	-4.05***	2.95***
Gender	0.69	1.00	0.85	1.00	-0.87	
Education	0.11	0.00	0.23	0.00	-2.99***	
Nationality	0.78	1.00	0.89	1.00	-1.87*	
Firm Control Variables						
Leverage	0.16	0.17	0.09	0.07	3.02***	3.05***
Debt maturity	0.14	0.00	0.13	0.00	1.00	0.88
Intangibility	0.10	0.06	0.4	0.02	1.70*	1.00
Capital expenditure	12.56	12.00	17.87	15.04	-3.05***	2.98***
Profitability	8.04	5.99	9.99	8.14	-2.41**	4.05***
Under-pricing	-0.04	0.01	-0.02	0.02	-0.52	0.57
High-tech	0.03	0.00	0.02	0.00	1.02	
VC backing	0.45	0.00	0.41	0.00	0.52	
Underwriter reputation	0.22	0.05	0.25	0.08	-1.05	0.78

The table shows means and median for survivors (those IPOs that survived until 31 December 2011) and non-survivors (those IPOs that delist due to any negative reason) at the IPO date. The t-statistics for the differences in means and the Wilcoxon-Mann-Whitney test (MW) of the differences in medians are reported in the last two columns. The variables are defined in Table 2. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. The p-values are reported in parentheses.

Table 5: The Results for the Cox Proportional Hazard Model

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	Model (1)	ME	Model (2)	ME
CEOs' traits:				
Founder	**-0.41****	**0.52**	**-0.35****	**0.64**
	(0.024)		**(0.040)**	
Only-insider	**0.24***	**1.29**	**0.29***	**1.35**
	(0.055)		**(0.060)**	
Title	**0.02**	**1.02**	**0.00**	**1.14**
	(0.101)		**(0.124)**	
Ownership power	-0.58**	0.228	-0.71**	0.39
	(0.015)		(0.010)	
Expert power	-0.14*	0.02	-0.09	0.01
	(-1.78)		(-1.58)	
Age	-0.05***	0.80	-0.06***	0.45
	(0.002)		(0.000)	
Gender	-0.38	0.42	-0.25	0.02
	(0.488)		(0.258)	
Education	-1.08*	0.01	-1.95*	0.04
	(0.084)		(0.064)	
Nationality	-0.99**	0.24	-0.750**	0.23
	(0.041)		(0.044)	
Firms' control:				
Leverage			0.74**	1.98
			(0.025)	
Debt maturity			-0.48	0.29
			(0.425)	
Intangibility			1.52***	1.30
			(0.000)	
Profitability			-0.10	0.98
			(0.087)	
Capital expenditure			-0.12***	0.12
			(0.001)	
Under-pricing			-0.09	0.89
			(0.258)	
High-tech	-0.08	0.01	-0.29	0.00
	(0.452)		(0.398)	
VC backing	-0.24	0.52	-0.20	0.64
	(0.587)		(0.584)	
Underwriter reputation	-0.06	0.41	-0.08	0.31
	(1.001)		(1.000)	
Non-survivors	70		70	
Survivors	70		70	
Likelihood Ratio Test	475.254***		499.587***	
	(0.000)		(0.000)	

The sample includes all firms that delisted between 2001 and 2011. The dependent variable is time to failure. The variables are defined in Table 2. Model (1) includes only CEO traits. Model (2) includes CEO traits with firm characteristics. ME is reports the marginal effect of dependent variables indicating a unit increase in

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independent variable for continuous explanatory variables and the marginal effect when the event occurs for discrete explanatory variables. If the hazard ratio is greater than one the reference category (here 1: delisted companies) has a shorter time to event and if it is equal to one there is no difference between the groups. * $p <$ 0.05, ** $p < 0.01$, *** $p < 0.001$. The p-values are reported in parentheses.

Table 6: The Results for the Logit Model

	Model (1)	ME	Model (2)	ME

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CEOs' traits:				
Founder	**-0.10***	**-0.57***	**-0.18***	**-0.32***
	(-2.84)	**(-3.54)**	**(-3.25)**	**(-4.51)**
Only-insider	**0.08***	**0.24***	**0.11***	**0.15***
	(1.89)	**(1.69)**	**(1.80)**	**(1.75)**
Title	**0.07***	**0.01***	**0.06***	**0.01***
	(1.78)	**(1.75)**	**(1.70)**	**(1.84)**
Ownership power	-0.31**	-0.28***	-0.28**	-0.25***
	(-2.04)	(-2.78)	(-2.47)	(-2.89)
Expert power	-0.05	-0.00	-0.14	-0.01
	(-1.07)	(-0.58)	(-1.47)	(-0.66)
Age	-0.09***	-0.12***	-0.15***	-0.10***
	(-7.52)	(-4.11)	(-6.51)	(-3.35)
Gender	-1.41***	-0.17*	-1.01	-0.13
	(-3.02)	(-1.74)	(-1.21)	(-0.84)
Education	-1.31***	-0.11***	-1.17*	-0.08**
	(-2.59)	(-2.98)	(-1.75)	(-1.95)
Nationality	-0.57**	-0.20*	-0.84*	-0.10
	(-2.55)	(-1.84)	(-1.94)	(-0.85)
Firms' control:				
Leverage			2.81**	0.14*
			(1.98)	(1.73)
Debt maturity			-0.11	0.05
			(-0.02)	(-0.42)
Intangibility			1.24***	0.23**
			(2.98)	(2.12)
Profitability			-0.15*	-0.07*
			(-2.02)	(-1.65)
Capital expenditure			-0.04**	-0.01*
			(-1.99)	(-1.84)
Under-pricing			-0.08	-0.10
			(-0.54)	(-0.05)
High-tech	0.23	0.01	0.19	0.00
	(0.72)	(0.73)	(0.74)	(0.84)
VC backing	-0.05	-0.12	-0.01	-0.02
	(-1.08)	(-0.54)	(-0.87)	(-1.11)
Underwriter reputation	-0.05**	-0.684**	-0.08*	-0.425*
	(-1.98)	(-2.05)	(-1.78)	(-1.89)
C	6.25***		10.25**	
	(3.25)		(2.25)	
Non-survivors	70		70	
Survivors	70		70	
Pseudo R^2	0.41		0.48	
p-value (H.L test)	0.854		1.012	

This table presents the results for the logit regression for the IPO factors affecting the delisting decision. The dependent variable is 1 is for delisting companies due to different and zero otherwise. The independent variables are as defined in Table 1. Model (1) includes only CEO traits. Model (2) includes CEO traits with firm

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characteristics. ME is reports the marginal effect of dependent variables. p-value (H.L test) is the p value of Hosmer and Lemeshow (H.L) test which shows the goodness-of-fit of the subsequent models. Its significance shows that the model does not fit the data. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. t-statistics are reported in parentheses.

Table 7: Market Reaction to the Delisting Announcement

Sample	$CAR_{0,+1}$	%Positive	P-value (Z-test)
Excess returns of delisted companies			
Delisted-All sample	-6.17%	30.04	$(0.000)^{***a,b}$
Delisted firms with founder-CEOs	-7.58%	39.12	$(0.000)^{***}$
Delisted firms with only-insider CEOs	-6.88%	47.01	$(0.000)^{***}$
Delisted firms with CEOs holding the title	-4.25%	36.87	$(0.000)^{***}$

The abnormal returns are based on the market model with the coefficients and computed over the -257 to -21 days relative to the announcement date of the delisting. The Shanghai and Shenzhen indexes as proxies for market returns to compute abnormal earnings for companies listed on the Shanghai Stock and Shenzhen Stock Exchange. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. [a] denotes significantly different from zero at 1% level between founder-CEOs and only insider CEOs. [b] denotes significantly different from zero at 1% level between founder-CEOs and CEOs who hold the title. [C] denotes significantly different from zero at 1% level between only-insider CEOs and CEOs who hold the title. See Table 2 for definitions.

Figure 1: Number of Listed and Delisted Companies

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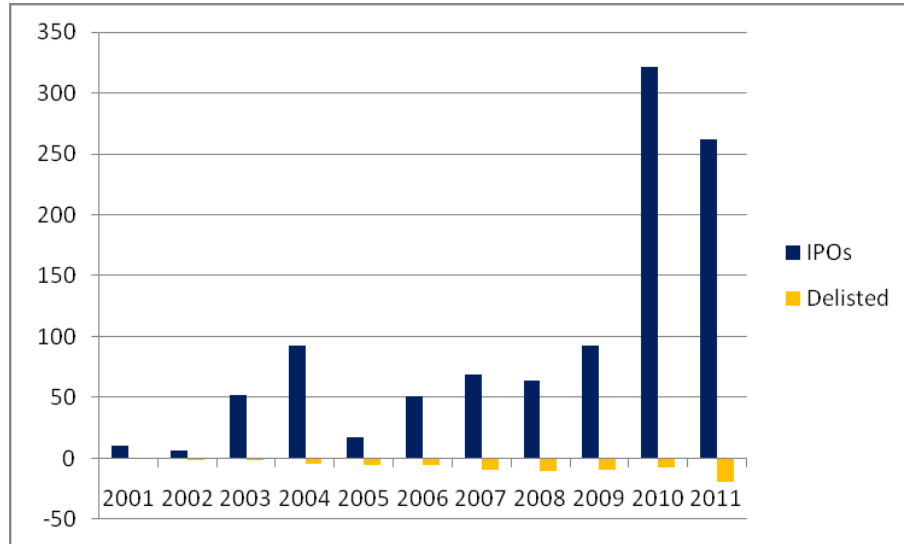
This graph shows the annual distribution of the number of listed and delisted of IPO companies in China during the sample period (2001-2011). The sample excludes financial companies because of their specific characteristics. IPOs are the newly listed firms. Delisted are firms that went out of the market because of negative reasons. Because of small number of delisted companies, I did not distinguish between different reasons of delisting.

Appendix A
Table A1: Comparison of listing requirements

Rules	LSE Main Market	NASDAQ Capital Market	SHSE

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Public float	Minimum 25% of shares in public hand	300 shareholders; 1m shares publicly held with minimum market value between $4-5m	Minimum 25% of shares in public hand
Trading record	Three years trading record required	0-2 year trading record	Three years trading record required
Minimum market capitalization	Minimum £10 million market capitalization	Minimum $50 million market capitalization	Minimum RMB50 million market capitalization
Profitability	No minimum requirement	No minimum or $750k net income depending on listing standard	Profits over the last three consecutive years
Role of advisors	No such requirement	No such requirement	No such requirement
Admission documents	Admission documents inspected by UKLA	Admission documents inspected by US SEC	Admission documents inspected by SCRSP

Source: AIM, NASDAQ, and Shanghai Stock Exchange (SHSE)