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THE MORE THE MERRIER: HOW OWNER-MANAGER TEAM SIZE INFLUENCES THE ECONOMIC CONTRIBUTION OF OWNER-MANAGED BUSINESSES ACROSS THE WORLD (SUMMARY)

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 SUMMARY **THE MORE THE MERRIER: HOW OWNER-MANAGER TEAM SIZE INFLUENCES THE ECONOMIC CONTRIBUTION OF OWNER-MANAGED BUSINESSES ACROSS THE WORLD**

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Principal Topics

Teams add diversity and strengthen capability to entrepreneurial ventures, while the commitment of managers is increased if they have an ownership stake. Yet most studies of venture performance that include team size treat it as a control variable. Capable entrepreneurial owner-managers should “flock together” (Bobrey, 2005) in teams, because they value human capital and have higher opportunity costs of entrepreneurship. Prior research in several countries and regions has demonstrated a link between team size and venture performance. But no study has studied whether this applies across a wide spectrum of environments. The effects of team homophily in terms of age and sex has been studied (e.g. Ruef et al, 2003; Steffens et al., 2012), but the link between education level, team size and performance remains untested.

Method

We examine the relationship between team size and the potential economic contribution of early-stage and established businesses across 89 countries of the world, using Global Entrepreneurship Monitor data on 87,640 early stage entrepreneurs and 68,247 established owner-managers collected between 2003 and 2012. Entrepreneurial team size is measured by counting the number of individuals who both own and manage the same business. Potential economic contribution is captured with measures of growth expectation, export propensity, export intensity and product/market innovation. We use multilevel logistic regression techniques to demonstrate the effect of team size on economic contribution, controlling for national level factors (including population size and wealth per capita), firm level factors (business complexity) and individual owner-manager level factors (age, gender, education and income).

Results and Implications

The main findings are that larger team sizes tend to attract higher quality individuals and make greater potential economic contributions. The latter finding is strongest for more established ventures in complex business environments. However, lower quality teams gain more in terms of potential economic performance from larger team size than higher quality teams. This study brought team size to centre stage and showed how powerful it is as a predictor of economic contribution, with implications for policy, for investors and for entrepreneurs.

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