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SUMMARY

THE IMPACT OF TEAM COMPOSITION ON DECISION-MAKING AND START-UP PERFORMANCE

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Principal Topic

Studies indicate that start-ups founded by entrepreneurial teams tend to be more successful than those founded by individuals. This holds true in particular when a) the venture requires the processing large amounts of information, and b) team members are heterogeneous in terms of their professional competencies and personal characteristics. These two aspects represent a key advantage of heterogeneous teams: they possess a higher capacity for gathering and processing information than individual entrepreneurs. As a consequence, they tend to be faster in identifying and making use of the relevant information. However, these aspects also cause a problem that is inherent to team constellations: heterogeneity increases the risk of intra-team conflicts. Our study focuses on these two opposing effects, examining the influence that the composition of entrepreneurial teams has on intra-team conflict propensity, on the quality of decision-making, and on company performance.

As a theoretical framework, we used a basic “input-process-output” model covering the different aspects of the research problem. The project was designed as a longitudinal case study consisting of two main empirical studies that took place in 2000 and 2002. In addition, complementary interviews and observations were conducted from 2000 to 2005. In total, 32 entrepreneurial teams in the Internet and biotechnology sector were examined.

As a result, we were able to analyze the effects of functional and personal heterogeneity on decision-making processes and conflict behavior within these teams, and moreover on decision quality and resulting firm performance. Findings suggest that in an early stage of company development functional diversity leads to a better processing of relevant information which tends to improve decision quality and thus company performance. However, team members coming from a science or engineering background displayed more pronounced information seeking activities to substantiate a decision than those with primarily business experience. Variations in the quality of information-related behavior can also be found among different personality-based team roles. In this context, heterogeneity in terms of personality appears to exert a stronger influence than functional diversity among team members. Furthermore, heterogeneity seems to affect the propensity and/or intensity of intra-team conflicts. As long as these remain on a cognitive level, this influence is positive on both output dimensions. However, fairly low levels of diversity in both, professional background and personality, facilitate the emergence of affective conflicts. These show a strong negative effect on decision quality and on company performance.

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